

Earnings Release Q2 2012

Samsung Electronics

July 2012

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before the external audit on our Q2 2012 financial results is completed. The audit outcomes may cause some parts of this document to change.

This document contains "forward-looking statements" - that is, statements related to future, not past, events.

In this context, "forward-looking statements" often address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "seeks" or "will".

"Forward-looking statements" by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties which could adversely or positively affect our future results include:

- The behavior of financial markets including fluctuations in exchange rates, interest rates and commodity prices
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses including CE (Consumer Electronics), IM (IT & Mobile communications), Semiconductor, DP (Display Panel)
- Numerous other matters at the national and international levels which could affect our future results

These uncertainties may cause our actual results to be materially different from those expressed in this document.

Segment Sales & Operating Profit

Sales

(Unit: Trillion Won)		2Q '12	Y-on-Y	2Q '11	1Q '12
Total		47.60	21% ↑	39.44	45.27
DMC		36.57	37% ↑	26.77	34.25
	CE	12.15	7% ↑	11.32	10.75
	- VD	8.58	9% ↑	7.86	7.71
IM		24.04	60% ↑	15.03	23.22
	- Mobile	20.52	75% ↑	11.69	18.90
DS		17.03	6% ↑	16.12	16.33
Semiconductor		8.60	6% ↓	9.16	7.98
	- Memory	5.42	8% ↓	5.89	4.89
DP		8.25	16% ↑	7.09	8.54
	- LCD	5.63	2% ↓	5.76	6.18
Others		△6.00	-	△3.45	△5.31

※ Sales includes intersegment sales

Operating Profit

(Unit: Trillion Won)		2Q '12	Y-on-Y	2Q '11	1Q '12
Total		6.72	79% ↑	3.75	5.85
DMC		4.90	124% ↑	2.19	4.77
CE		0.76	66% ↑	0.46	0.48
	IM	4.19	145% ↑	1.71	4.27
DS		1.88	18% ↑	1.59	1.06
Semiconductor		1.11	38% ↓	1.79	0.76
	DP	0.75	흑자전환	△0.21	0.28
Others		△0.06	-	△0.03	0.02

Note) DMC (Digital Media & Communications), CE (Consumer Electronics), IM (IT & Mobile communications), DS (Device Solutions), DP (Display Panel)

※ Information on quarterly and annual earnings was re-stated according to the current business divisions.

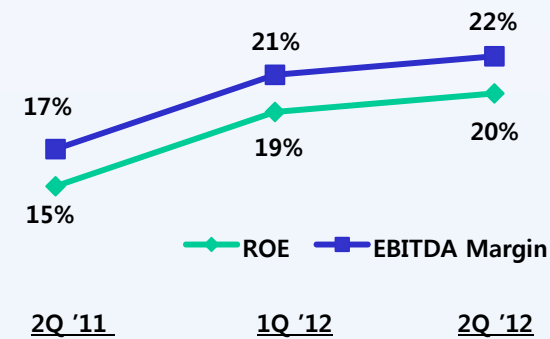
Income Statement

(Unit: Trillion Won)

	2Q '12	% of sales	Y-on-Y	2Q '11	% of sales	1Q '12	% of sales
Sales	47.60	100%	21% ↑	39.44	100%	45.27	100%
Cost of Sales	29.97	63.0%	12% ↑	26.83	68.0%	30.14	66.6%
Gross Profit	17.63	37.0%	40% ↑	12.61	32.0%	15.13	33.4%
R&D expenses	2.87	6.0%	17% ↑	2.46	6.2%	2.73	6.0%
SG&A expenses	8.36	17.6%	31% ↑	6.37	16.2%	6.77	14.9%
Other operating profits/losses	0.33	0.7%	-	△0.02	△0.1%	0.21	0.5%
Operating Profit	6.72	14.1%	79% ↑	3.75	9.5%	5.85	12.9%
Equity method gains/losses	0.27	0.6%	35% ↓	0.41	1.0%	0.37	0.8%
Finance incomes/expenses	△0.26	△0.6%	-	0.002	0.01%	0.13	0.3%
Profit Before Income Tax	6.73	14.1%	62% ↑	4.16	10.6%	6.35	14.0%
Income tax	1.54	3.2%	133% ↑	0.66	1.7%	1.30	2.9%
Net profit	5.19	10.9%	48% ↑	3.51	8.9%	5.05	11.2%

Key Profitability Indicators

	2Q '12	2Q '11	1Q '12
ROE	20%	15%	19%
Profitability (Net income/Sales)	0.11	0.09	0.11
Asset turnover (Sales/Asset)	1.18	1.16	1.15
Leverage (Asset/Equity)	1.52	1.48	1.52
EBITDA Margin	22%	17%	21%

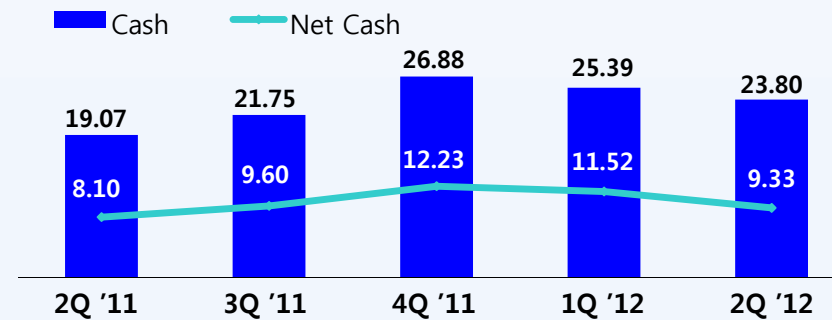


Cash Flow Statement

(Unit: Trillion Won)	2Q '12	1Q '12
Cash (Beginning of period)*	25.39	26.88
Cash flow from Operation	5.93	8.43
Net profit	5.19	5.05
Depreciation	3.74	3.49
Others	△3.00	△0.11
Cash flow from Investment	△6.48	△8.02
Increase in tangible assets	△6.18	△7.69
Cash flow from Finance	△0.78	△1.99
Increase in Debt	0.27	△0.74
<u>Net increase in cash</u>	<u>△1.59</u>	<u>△1.49</u>
Cash (End of period)*	23.80	25.39

* Cash = Cash + Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

Cash Balance



Statement of Financial Position

(Unit: Trillion Won)	<u>2Q '12</u>	<u>1Q '12</u>	<u>2Q '11</u>
Current assets	73.46	71.29	59.44
Cash*	23.80	25.39	19.07
Trade accounts and notes receivable	24.12	21.90	19.90
Inventories	17.44	16.36	14.06
Non-current assets	92.84	88.86	78.53
Investments	13.66	13.49	12.35
PP&E	68.84	66.00	57.38
Total assets	166.30	160.16	137.97
Debt	14.47	13.87	10.97
Total liabilities	56.04	54.65	43.36
Total shareholders' equity	110.26	105.51	94.61

* Cash = Cash + Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

Key Financial Indicators

	<u>2Q '12</u>	<u>1Q '12</u>	<u>2Q '11</u>
Current ratio*	165%	158%	163%
Liability/Equity	51%	52%	46%
Debt/Equity	13%	13%	12%
Net debt/Equity	△8%	△11%	△9%

* Current ratio= Current assets/Current liabilities

2Q results

Semiconductor

[Memory]

- ☐ Market : Weak PC demand continued amid low seasonality
Demand for mobile/server was relatively solid
 - DRAM : PC DRAM price increased but demand remained weak, while solid demand for mobile DRAM continued led by new smartphone launches, etc.
 - NAND : Demand improved QoQ on new mobile product launches, but price pressure persisted
- ☐ Samsung : Focused on securing profit by reinforcing high value-added product sales
 - DRAM : Had positive effects from PC DRAM price increases
Expanded mobile/server DRAM sales portions and accelerated below 30nm migration
 - NAND : Expanded sales for solution products (eMMC, SSD, etc.) and portions of 20nm-class process

[System LSI]

- ☐ Demand increased for mobile AP and CIS on new mobile product launches
 - Mobile AP sales increased including 32nm quad-core products
 - CIS demand growth continued led by strong demand for smartphones and more diversified applications

D P

[LCD]

- ☐ Market : Panel demand was weaker than expected due to weak set product demand led by low seasonality and economic slowdown
 - TV panel : Demand growth slowed down due to the continued economic weakness in Europe and the postponement of TV purchases in China upon the announcement of the subsidy policy
 - ※ The price of some products increased slightly due to supply constraints (mainly 32" & 40" TVs)
 - IT panel : Strong demand for tablet panels led market growth
Weak demand for note PC/monitor panels persisted
- ☐ Samsung : Earnings improved due to a product mix enhancement with an increased portion of value-added products
 - TV panel shipment : Mid-single-digit % ↑ (QoQ)
Low-10% ↑ (YoY)
 - Sales of value-added panels continued to increase (3D & LED TV/tablet panels, etc.)
 - ※ OLED : Earning momentum continued as sales of OLED panels increased amid new smartphone product launches

2Q results

IM

[Handset]

- ☐ Market : Demand grew slightly QoQ amid weak seasonality
 - Smartphone : Demand increased by low single digit % QoQ
 - Featurephone : Demand decreased slightly QoQ
- ☐ Samsung : Revenue and profit increased QoQ due to product mix improvement led by high-end smartphone sales increase
 - Smartphone : Shipments increased QoQ with a successful launch of GalaxySIII and solid sales of Galaxy Note
 - Featurephone : Shipments decreased due to demand slowdown amid weak seasonality
 - ASP increased QoQ due to product mix improvement

[Network/IT]

- ☐ Network: Earnings declined QoQ due to the decreased sales of LTE equipment
- ☐ IT : Sales for PC/Printers declined QoQ amid low seasonal demand

CE

[TV]

- ☐ Market : Demand increased slightly QoQ amid demand slowdown in developed markets and weak seasonality
 - Demand grew mid-single-digit % QoQ (remained flat YoY)
 - LED TV portion : Mid-50% in 1Q → low-60% in 2Q
- ☐ Samsung : Earnings improved due to the increased sales of new products & region-specific LED TVs
 - ※ Shipments and earnings improved significantly YoY
 - Developed market : Increased sales for value-added premium models (ES 7/8000, etc.)
 - Emerging market : Expanded region-specific/strategic LED TV model line-up
 - LED TV portion : Mid-60% in 1Q → mid-80% in 2Q

[Digital Appliances]

- ☐ Market : Emerging market demand increased while developed market demand slowed down
- ☐ Samsung : Sales for air conditioners increased, focused on product mix improvement with premium product line-ups

Market Outlook [3Q]

Semiconductor

□ Memory

- DRAM : PC DRAM demand to remain weak with milder seasonality; Mobile DRAM demand to grow, but competition to intensify amid supply increase
- NAND : Supply & demand situation to improve due to an increase in demand from new mobile application launches and moderate supply growth. However, competition is to intensify in the solution market

□ System LSI

- Solid growth momentum of 32nm mobile AP and CIS to be continued by launches of new high-end mobile products

DP

□ TV

- Demand expected to grow amid TV makers' preparation for the year-end peak demand and Chinese National holidays
- Expect China's subsidy policy to stimulate TV demand

□ IT

- Tablet : Demand to increase due to the market diversification by new players
- NB/MNT : Demand to remain weak due to economic slowdown
- ※ Risks such as delayed economic recovery of developed markets persist

IM

□ Handset

- Demand to increase QoQ driven by the growth of smartphones and emerging markets amid seasonality
- Smartphone : New products with diverse price ranges to be released
- Featurephone : Demand to increase slightly QoQ
- Tablet : Competition to continue with new product launches

□ Network / IT

- Network : LTE network to continue expansion in overseas markets (US, Japan, etc)
- IT : PCs/Printers demand to increase QoQ with limited growth

CE

□ TV

- Emerging market/LED TV demand growth to drive the overall market demand
- LED TV portion : low-60% in 2Q → low-70% in 3Q
- ※ Demand growth in developed markets may possibly turn negative due to the European economic slowdown

□ Digital Appliances

- Amid low demand growth in developed markets, market demand to increase slightly due to continuous growth in emerging markets

[Appendix 1] Statement of Financial Position (K-IFRS)

(Unit : KRW 100 Million)

	2Q '12 (A)	1Q '12 (B)	2Q '11 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	734,602	712,928	594,445	21,674	140,157
- Cash *	238,042	253,902	190,714	-15,860	47,328
- A/R	241,173	219,003	199,020	22,170	42,153
- Inventories	174,430	163,565	140,604	10,865	33,826
- Other Current Assets	80,957	76,458	64,107	4,499	16,850
Non Current Assets	928,398	888,638	785,252	39,760	143,146
- Investment	136,603	134,874	123,534	1,729	13,069
- PP&E	688,396	659,984	573,806	28,412	114,590
- Intangible Assets	36,729	33,291	33,274	3,438	3,455
- Other Non Current Assets	66,670	60,489	54,638	6,181	12,032
Total Assets	1,663,000	1,601,566	1,379,697	61,434	283,303
Liabilities	560,359	546,499	433,615	13,860	126,744
- Debts	144,716	138,688	109,696	6,028	35,020
- Trade Accounts and N/P	105,163	116,714	89,556	-11,551	15,607
- Other Accounts and N/P & Accrued Expenses	142,669	138,687	114,157	3,982	28,512
- Income Tax Payable	23,274	23,843	10,906	-569	12,368
- Unearned Revenue & Other Advances	27,685	30,884	24,883	-3,199	2,802
- Other Liabilities	116,852	97,683	84,417	19,169	32,435
Shareholders' Equity	1,102,641	1,055,067	946,082	47,574	156,559
- Capital Stock	8,975	8,975	8,975	0	0
Total Liabilities & Shareholder's Equity	1,663,000	1,601,566	1,379,697	61,434	283,303

* Cash = Cash + Cash equivalent + Short-term financial instruments + Marketable securities

[Appendix 2] Income Statement (K-IFRS)

(Unit : KRW 100 Million)

	2Q '12		1Q '12		2Q '11		Q-on-Q	Y-on-Y
	(A)	%	(B)	%	(C)	%	(A - B)	(A - C)
Sales	475,970	100%	452,705	100%	394,389	100%	23,265	81,581
Cost of Sales	299,712	63.0%	301,384	66.6%	268,272	68.0%	-1,672	31,440
Gross Profit	176,258	37.0%	151,321	33.4%	126,117	32.0%	24,937	50,141
R&D	28,729	6.0%	27,284	6.0%	24,641	6.2%	1,445	4,088
SG&A	83,594	17.6%	67,671	14.9%	63,740	16.2%	15,923	19,854
- Wages & Fee	19,962	4.2%	18,159	4.0%	15,977	4.1%	1,803	3,985
- Marketing Expenses	31,257	6.6%	21,536	4.8%	21,877	5.5%	9,721	9,380
Other Operating Profits	3,307	0.7%	2,138	0.5%	-217	-0.1%	1,169	3,524
Operating Profits	67,241	14.1%	58,504	12.9%	37,519	9.5%	8,737	29,722
Gain(or Loss) on Equity Method Investment	2,688	0.6%	3,673	0.8%	4,107	1.0%	-985	-1,419
Finance Incomes / Expenses	-2,628	-0.6%	1,326	0.3%	20	0.0%	-3,954	-2,648
- Interest Gain (or Loss)	362	0.1%	303	0.1%	170	0.0%	59	192
- F/X Related Gain (or Loss)	-3,688	-0.8%	2,288	0.5%	238	0.1%	-5,976	-3,926
Income Before Income Taxes	67,301	14.1%	63,503	14.0%	41,646	10.6%	3,798	25,655
- Income Taxes	15,366	3.2%	13,018	2.9%	6,582	1.7%	2,348	8,784
Net Income	51,934	10.9%	50,485	11.2%	35,064	8.9%	1,449	16,870