

**Earnings Release Q3 2012**

**Samsung Electronics**

**October 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 Q3 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)	3Q '12	Y-on-Y	3Q '11	2Q '12
<b>Total</b>	<b>52.18</b>	<b>26% ↑</b>	<b>41.27</b>	<b>47.60</b>
<b>DMC</b>	<b>41.90</b>	<b>41% ↑</b>	<b>29.71</b>	<b>36.57</b>
<b>CE</b>	<b>11.60</b>	<b>2% ↑</b>	<b>11.40</b>	<b>12.15</b>
- VD	8.23	2% ↓	8.38	8.58
<b>IM</b>	<b>29.92</b>	<b>67% ↑</b>	<b>17.94</b>	<b>24.04</b>
- Mobile	26.25	82% ↑	14.42	20.52
<b>DS</b>	<b>17.40</b>	<b>6% ↑</b>	<b>16.49</b>	<b>17.03</b>
<b>Semiconductor</b>	<b>8.72</b>	<b>8% ↓</b>	<b>9.48</b>	<b>8.60</b>
- Memory	5.22	5% ↓	5.50	5.42
<b>DP</b>	<b>8.46</b>	<b>19% ↑</b>	<b>7.08</b>	<b>8.25</b>
- LCD	5.40	0.5% ↓	5.42	5.63
Others	△7.12	-	△4.93	△6.00

※ Sales includes intersegment sales

## Operating Profit

(Unit: Trillion Won)	3Q '12	Y-on-Y	3Q '11	2Q '12
<b>Total</b>	<b>8.12</b>	<b>91% ↑</b>	<b>4.25</b>	<b>6.72</b>
<b>DMC</b>	<b>5.88</b>	<b>112% ↑</b>	<b>2.77</b>	<b>4.90</b>
<b>CE</b>	<b>0.43</b>	<b>38% ↑</b>	<b>0.31</b>	<b>0.76</b>
<b>IM</b>	<b>5.63</b>	<b>132% ↑</b>	<b>2.42</b>	<b>4.19</b>
<b>DS</b>	<b>2.29</b>	<b>50% ↑</b>	<b>1.53</b>	<b>1.88</b>
<b>Semiconductor</b>	<b>1.15</b>	<b>28% ↓</b>	<b>1.59</b>	<b>1.11</b>
<b>DP</b>	<b>1.09</b>	<b>-</b>	<b>△0.09</b>	<b>0.75</b>
Others	△0.05	-	△0.05	△0.06

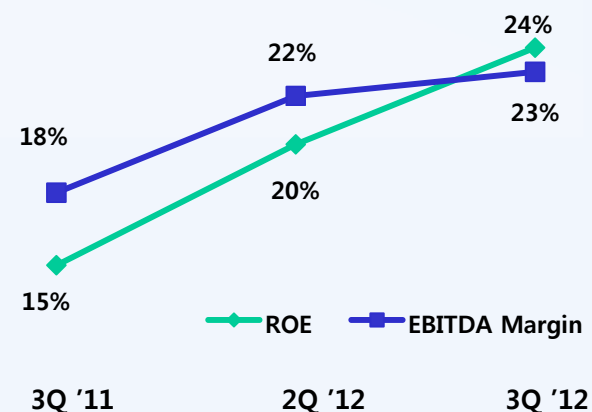
Note) DMC (Digital Media & Communications), CE (Consumer Electronics), IM (IT & Mobile communications), DS (Device Solutions), DP (Display Panel)  
 ※ Information on annual earnings was re-stated according to the current business divisions.

# Income Statement

(Unit: Trillion Won)	3Q '12	% of sales	Y-on-Y	3Q '11	% of sales	2Q '12	% of sales
<b>Sales</b>	<b>52.18</b>	<b>100%</b>	<b>26% ↑</b>	<b>41.27</b>	<b>100%</b>	<b>47.60</b>	<b>100%</b>
Cost of Sales	31.99	61.3%	15% ↑	27.75	67.2%	29.97	63.0%
<b>Gross Profit</b>	<b>20.19</b>	<b>38.7%</b>	<b>49% ↑</b>	<b>13.52</b>	<b>32.8%</b>	<b>17.63</b>	<b>37.0%</b>
R&D expenses	2.98	5.7%	22% ↑	2.43	5.9%	2.87	6.0%
SG&A expenses	9.22	17.7%	36% ↑	6.80	16.5%	8.36	17.6%
Other operating profits/losses	0.13	0.3%	-	△0.04	△0.1%	0.33	0.7%
<b>Operating Profit</b>	<b>8.12</b>	<b>15.6%</b>	<b>91% ↑</b>	<b>4.25</b>	<b>10.3%</b>	<b>6.72</b>	<b>14.1%</b>
Equity method gains/losses	0.13	0.3%	55% ↓	0.29	0.7%	0.27	0.6%
Finance incomes/expenses	0.05	0.1%	-	△0.41	△1.0%	△0.26	△0.6%
<b>Profit Before Income Tax</b>	<b>8.30</b>	<b>15.9%</b>	<b>101% ↑</b>	<b>4.13</b>	<b>10.0%</b>	<b>6.73</b>	<b>14.1%</b>
Income tax	1.74	3.3%	152% ↑	0.69	1.7%	1.54	3.2%
<b>Net profit</b>	<b>6.56</b>	<b>12.6%</b>	<b>91% ↑</b>	<b>3.44</b>	<b>8.3%</b>	<b>5.19</b>	<b>10.9%</b>

## Key Profitability Indicators

	3Q '12	3Q '11	2Q '12
<b>ROE</b>	<b>24%</b>	<b>15%</b>	<b>20%</b>
Profitability (Net income/Sales)	0.13	0.08	0.11
Asset turnover (Sales/Asset)	1.26	1.17	1.18
Leverage (Asset/Equity)	1.52	1.50	1.52
<b>EBITDA Margin</b>	<b>23%</b>	<b>18%</b>	<b>22%</b>



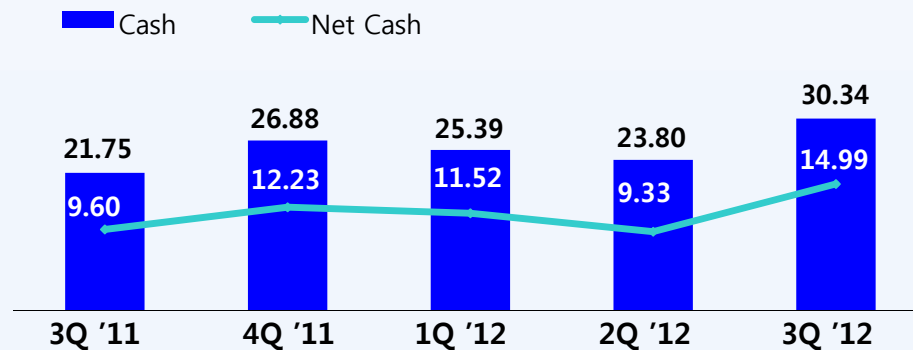
# Cash Flow Statement

(Unit: Trillion Won)

	<u>3Q '12</u>	<u>2Q '12</u>
<b>Cash (Beginning of period)*</b>	<b>23.80</b>	<b>25.39</b>
<b>Cash flow from Operation</b>	<b>11.54</b>	<b>5.93</b>
Net profit	6.56	5.19
Depreciation	3.87	3.74
Others	1.11	△3.00
<b>Cash flow from Investment</b>	<b>△5.75</b>	<b>△6.48</b>
Increase in tangible assets	△4.94	△6.18
<b>Cash flow from Finance</b>	<b>0.84</b>	<b>△0.78</b>
Increase in Debt	0.93	0.27
<b><i>Net increase in cash</i></b>	<b><u>6.54</u></b>	<b><u>△1.59</u></b>
<b>Cash (End of period)*</b>	<b>30.34</b>	<b>23.80</b>

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

## Cash Balance



# Statement of Financial Position

(Unit: Trillion Won)	<u>3Q '12</u>	<u>2Q '12</u>	<u>3Q '11</u>
<b>Current assets</b>	<b>82.08</b>	<b>73.46</b>	<b>67.21</b>
Cash*	30.34	23.80	21.75
Trade accounts and notes receivable	24.37	24.12	21.73
Inventories	19.47	17.44	16.63
<b>Non-current assets</b>	<b>94.65</b>	<b>92.84</b>	<b>80.95</b>
Investments	14.80	13.66	12.01
PP&E	69.00	68.84	59.66
<b>Total assets</b>	<b>176.73</b>	<b>166.30</b>	<b>148.16</b>
Debt	15.34	14.47	12.15
<b>Total liabilities</b>	<b>60.19</b>	<b>56.04</b>	<b>49.50</b>
<b>Total shareholders' equity</b>	<b>116.54</b>	<b>110.26</b>	<b>98.66</b>

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

## Key Financial Indicators

	<u>3Q '12</u>	<u>2Q '12</u>	<u>3Q '11</u>
Current ratio*	172%	165%	161%
Liability/Equity	52%	51%	50%
Debt/Equity	13%	13%	12%
Net debt/Equity	△13%	△8%	△10%

\* Current ratio= Current assets/Current liabilities

# 3Q results

## Semiconductor

### [Memory]

- Market : PC DRAM demand continued to be weak due to weak seasonal effect; Mobile/server DRAM demand remained relatively strong
  - DRAM : PC DRAM oversupply persisted amid weak back-to-school demand. However, mobile DRAM demand continued to increase led by strong smartphone demand
  - NAND : Demand increased due to new mobile device launches in end-3Q, while suppliers remained conservative about capex
- Samsung : Focused on securing profit by expanding portions of high value-added products
  - DRAM : Concentrated on sales expansion of high value-added products such as mobile/server DRAM products
  - NAND : Improved product mix by increasing sales of solution products (eMMC, SSD, etc.). Also, achieved cost reduction by increasing portions of 20nm-class process

### [System LSI]

- Earnings increased by expanding leading-edge process and high value-added product sales
  - With 32nm migration gaining momentum, sales for high value-added products increased (32nm quad core AP, etc.)
  - CIS sales slightly decreased due to demand decline for low-pixel products

## D P

### [ LCD ]

- Market : Panel demand grew 2%QoQ due to solid demand in emerging markets and competition for new product launches in tablet market
  - TV panel : Shipments increased steadily by 9%QoQ, led by demand for Chinese National holiday season and demand growth in preparation for year-end peak season
    - Prices of some products rose slightly due to constrained supply (mainly 32" & 40" TV panels)
  - IT panel : Although demand for tablet panels continued to grow, overall IT panel demand declined 1%QoQ as demand for note PC/ monitor panels remained weak
- Samsung : Earnings momentum continued driven by strong growth in OLED segment and sales expansion of high value-added TV/tablet LCD panels
  - TV panel shipment : flat QoQ, mid-10% YoY growth
    - Sales of high value-added panels continued to increase (40"+ 3D/LED TV, tablet, etc.)
  - OLED : Strong growth momentum continued led by sales increase of OLED panels for high-end smartphones (due to new product launches, etc)

# 3Q results

## IM

### [Handset]

- Market : Solid demand growth QoQ backed by positive seasonality and new product launches
  - Smartphone : Low-10% QoQ growth
  - Feature phone : Around 10% QoQ growth
- Samsung : Substantial increase in revenue/profit QoQ driven by rising sales in high-end smartphones, enhanced product mixes, etc.
  - Smartphone : Shipments increased significantly due to global expansion of GalaxyS III and reinforced line-ups of mid/low-end products
  - Feature phone : Shipments increased slightly QoQ led by seasonal effect
  - ASP increased QoQ on product mix improvement

### [Network/IT]

- Network : LTE equipment sales increased. However, margins decreased amid price competition.
- IT: Focused on securing earnings by increasing Note PC sales in emerging markets amid weak PC demand

## CE

### [TV]

- Market : FPTV demand slowed down amid summer holiday season, etc., leading to intensified market competition
  - LED TV demand increased mid-30% QoQ on expansion of mass-market products
  - LED TV portion : mid-60% in '12.2Q → low-70% in '12.3Q
- Samsung : Secured solid earnings due to expanded portion of strategic LED TVs amid price competition
  - Pursued sales expansion of large size premium LED TVs (7/8000, above 60" TVs etc.) in developed markets and regional strategic LED models (32"/40") in emerging markets
  - LED TV portion : mid-80% in '12.2Q → around 90% in '12.3Q

### [ Digital Appliances ]

- Earnings declined due to slowed demand in developed markets and weak seasonality for air conditioners
  - Sales portion of premium products and emerging markets increased on sales expansion efforts



# Market outlook (4Q)

## Semiconductor

### □ Memory

- DRAM : PC DRAM oversupply to continue due to weak year-end demand; Mobile DRAM demand to increase with new mobile device launches
- NAND : Tight supply-demand conditions expected due to seasonal demand increase and new mobile product launches

### □ System LSI

- Strong growth expected due to seasonal demand increase and growing demand for mobile AP and CIS led by new mobile devices

## DP

### □ TV

- Demand to increase led by year-end seasonality and Chinese New Year effect
- Demand for LED/large size TVs to grow under China's energy subsidy policy

### □ IT

- Tablet : Demand growth to continue with launch of new products, etc.
- NB/MNT : Weak demand to be persisted by seasonality

## IM

### □ Handset

- Demand to be led by smartphones and emerging markets amid year-end seasonal effect and expanded new product competition
- Smartphone : Competition for new product launches to intensify in each OS and price range
- Feature phone : Demand to grow QoQ due to solid seasonality
- Tablet : Market demand to increase due to new product launches, price competition, etc.

### □ Network/ IT

- Network : LTE network to expand in overseas markets (US, Japan, etc.)
- IT : Note PC demand to increase QoQ led by year-end promotions, etc.

## CE

### □ TV

- Overall market demand to grow with intensified sales competition in the peak season (mid-20% QoQ, mid-single-digit% YoY)
- LED TV portion : low-70% in '12.3Q → around 80% in '12.4Q

### □ Digital Appliances

- Demand growth to slow down because of developed market economy, however, overall market demand to increase slightly, led by emerging markets

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

(Unit : KRW 100 Million)

	3Q '12 (A)	2Q '12 (B)	3Q '11 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
<b>Current Assets</b>	<b>820,774</b>	<b>734,602</b>	<b>672,143</b>	<b>86,172</b>	<b>148,631</b>
- Cash *	303,366	238,042	217,509	65,324	85,857
- A/R	243,713	241,174	217,323	2,539	26,390
- Inventories	194,738	174,430	166,296	20,308	28,442
- Other Current Assets	78,957	80,956	71,015	-1,999	7,942
<b>Non Current Assets</b>	<b>946,497</b>	<b>928,398</b>	<b>809,516</b>	<b>18,099</b>	<b>136,981</b>
- Investment	148,024	136,603	120,072	11,421	27,952
- PP&E	689,958	688,396	596,598	1,562	93,360
- Intangible Assets	36,977	36,729	34,082	248	2,895
- Other Non Current Assets	71,538	66,670	58,764	4,868	12,774
<b>Total Assets</b>	<b>1,767,271</b>	<b>1,663,000</b>	<b>1,481,659</b>	<b>104,271</b>	<b>285,612</b>
<b>Liabilities</b>	<b>601,883</b>	<b>560,359</b>	<b>495,016</b>	<b>41,524</b>	<b>106,867</b>
- Debts	153,448	144,717	121,522	8,731	31,926
- Trade Accounts and N/P	110,642	105,163	112,756	5,479	-2,114
- Other Accounts and N/P & Accrued Expenses	144,791	142,669	130,063	2,122	14,728
- Income Tax Payable	33,563	23,274	11,502	10,289	22,061
- Unearned Revenue & Other Advances	25,148	27,685	21,162	-2,537	3,986
- Other Liabilities	134,291	116,851	98,011	17,440	36,280
<b>Shareholders' Equity</b>	<b>1,165,388</b>	<b>1,102,641</b>	<b>986,643</b>	<b>62,747</b>	<b>178,745</b>
- Capital Stock	8,975	8,975	8,975	0	0
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>1,767,271</b>	<b>1,663,000</b>	<b>1,481,659</b>	<b>104,271</b>	<b>285,612</b>

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

## [Appendix 2] Income Statement (K-IFRS)

(Unit : KRW 100 Million)

	3Q '12		2Q '12		3Q '11		Q-on-Q (A - B)	Y-on-Y (A - C)
	(A)	%	(B)	%	(C)	%		
<b>Sales</b>	<b>521,773</b>	<b>100%</b>	<b>475,970</b>	<b>100%</b>	<b>412,740</b>	<b>100%</b>	<b>45,803</b>	<b>109,033</b>
<b>Cost of Sales</b>	<b>319,896</b>	<b>61.3%</b>	<b>299,712</b>	<b>63.0%</b>	<b>277,542</b>	<b>67.2%</b>	<b>20,184</b>	<b>42,354</b>
<b>Gross Profit</b>	<b>201,877</b>	<b>38.7%</b>	<b>176,258</b>	<b>37.0%</b>	<b>135,197</b>	<b>32.8%</b>	<b>25,619</b>	<b>66,680</b>
<b>R&amp;D</b>	<b>29,756</b>	<b>5.7%</b>	<b>28,729</b>	<b>6.0%</b>	<b>24,292</b>	<b>5.9%</b>	<b>1,027</b>	<b>5,464</b>
<b>SG&amp;A</b>	<b>92,187</b>	<b>17.7%</b>	<b>83,594</b>	<b>17.6%</b>	<b>67,992</b>	<b>16.5%</b>	<b>8,593</b>	<b>24,195</b>
- Wages & Fee	21,131	4.0%	19,962	4.2%	16,489	4.0%	1,169	4,642
- Marketing Expenses	36,783	7.0%	31,257	6.6%	23,321	5.7%	5,526	13,462
<b>Other Operating Profits</b>	<b>1,313</b>	<b>0.3%</b>	<b>3,307</b>	<b>0.7%</b>	<b>-384</b>	<b>-0.1%</b>	<b>-1,994</b>	<b>1,697</b>
<b>Operating Profits</b>	<b>81,247</b>	<b>15.6%</b>	<b>67,241</b>	<b>14.1%</b>	<b>42,529</b>	<b>10.3%</b>	<b>14,006</b>	<b>38,718</b>
<b>Gain(or Loss) on Equity Method Investment</b>	<b>1,326</b>	<b>0.3%</b>	<b>2,688</b>	<b>0.6%</b>	<b>2,921</b>	<b>0.7%</b>	<b>-1,362</b>	<b>-1,595</b>
<b>Finance Incomes / Expenses</b>	<b>451</b>	<b>0.1%</b>	<b>-2,628</b>	<b>-0.6%</b>	<b>-4,127</b>	<b>-1.0%</b>	<b>3,079</b>	<b>4,578</b>
- Interest Gain (or Loss)	756	0.1%	362	0.1%	96	0.0%	394	660
- F/X Related Gain (or Loss)	77	0.0%	-3,688	-0.8%	-5,565	-1.3%	3,765	5,642
<b>Income Before Income Taxes</b>	<b>83,024</b>	<b>15.9%</b>	<b>67,301</b>	<b>14.1%</b>	<b>41,322</b>	<b>10.0%</b>	<b>15,723</b>	<b>41,702</b>
- Income Taxes	17,375	3.3%	15,366	3.2%	6,906	1.7%	2,009	10,469
<b>Net Income</b>	<b>65,649</b>	<b>12.6%</b>	<b>51,934</b>	<b>10.9%</b>	<b>34,417</b>	<b>8.3%</b>	<b>13,715</b>	<b>31,232</b>