

**Earnings Release Q2 2013**

**Samsung Electronics**

**July 2013**

# 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 2013 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), DS (Device Solutions)
- 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.

# Income Statement

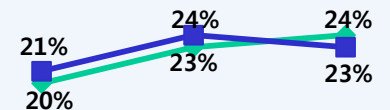
(Unit: KRW Trillion)

	2Q '13	% of sales	1Q '13	% of sales	2Q '12
<b>Sales</b>	<b>57.46</b>	<b>100.0%</b>	<b>52.87</b>	<b>100.0%</b>	<b>47.60</b>
Cost of Sales	34.34	59.8%	31.38	59.4%	29.97
<b>Gross Profit</b>	<b>23.12</b>	<b>40.2%</b>	<b>21.49</b>	<b>40.6%</b>	<b>17.63</b>
SG&A expenses	13.59	23.7%	12.71	24.0%	11.16
- R&D expenses	3.54	6.2%	3.33	6.3%	2.87
<b>Operating Profit</b>	<b>9.53</b>	<b>16.6%</b>	<b>8.78</b>	<b>16.6%</b>	<b>6.46</b>
Other non-operating income/expense	0.09	0.2%	△0.10	△0.2%	0.26
Equity method gain/loss	0.21	0.4%	0.18	0.3%	0.27
Finance income/expense	△0.003	-	0.19	0.4%	△0.26
<b>Profit Before Income Tax</b>	<b>9.83</b>	<b>17.1%</b>	<b>9.05</b>	<b>17.1%</b>	<b>6.73</b>
Income tax	2.05	3.6%	1.89	3.6%	1.54
<b>Net profit</b>	<b>7.77</b>	<b>13.5%</b>	<b>7.15</b>	<b>13.5%</b>	<b>5.19</b>

## Key Profitability Indicators

	2Q '13	1Q '13	2Q '12
<b>ROE</b>	<b>24%</b>	<b>23%</b>	<b>20%</b>
Profitability (Net profit/Sales)	0.14	0.14	0.11
Asset turnover (Sales/Asset)	1.19	1.14	1.18
Leverage (Asset/Equity)	1.48	1.49	1.52
<b>EBITDA Margin</b>	<b>23%</b>	<b>24%</b>	<b>21%</b>

2Q '12 1Q '13 2Q '13



—◆— ROE —■— EBITDA Margin

# Segment Sales & Operating Profit

**Sales**

(Unit: KRW Trillion)

		<u>2Q '13</u>	<u>QoQ</u>	<u>1Q '13</u>	<u>2Q '12</u>
<b>Total</b>		<b>57.46</b>	<b>9% ↑</b>	<b>52.87</b>	<b>47.60</b>
CE		12.78	14% ↑	11.24	12.83
	VD	7.94	7% ↑	7.43	8.58
IM		35.54	8% ↑	32.82	23.36
	Mobile	34.58	9% ↑	31.77	22.43
DS		17.05	8% ↑	15.81	17.03
	Semiconductor	8.68	1% ↑	8.58	8.60
	- Memory	5.70	11% ↑	5.12	5.42
	DP	8.18	15% ↑	7.11	8.25

## Operating Profit

(Unit: KRW Trillion)

		<u>2Q '13</u>	<u>QoQ</u>	<u>1Q '13</u>	<u>2Q '12</u>
<b>Total</b>		<b>9.53</b>	<b>9% ↑</b>	<b>8.78</b>	<b>6.46</b>
CE		0.43	83% ↑	0.23	0.73
IM		6.28	3% ↓	6.51	4.13
DS		2.92	58% ↑	1.85	1.69
	Semiconductor	1.76	64% ↑	1.07	1.03
	DP	1.12	46% ↑	0.77	0.71

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

※ Sales for each business unit includes intersegment sales.

※ 2012 sales and operating profit of each business stated above reflect the organizational change in 2013.

# 2Q results

## Semiconductor

### [Memory]

- Market : Low PC demand continued, while mobile demand remained solid, SSD market growth continued
  - DRAM : PC DRAM demand remained low, while server/mobile demand remained solid
  - NAND : Smartphone/mass-market tablet demand grew, broad SSD adoption led solid demand to continue
- Samsung: Improved earnings by expanding portion of high value-added/differentiated products and enhancing cost competitiveness
  - DRAM : Actively addressed growing high value-added specialty products demand (mobile/server) and increased shipments
  - NAND : Enhanced cost competitiveness through 1xnm process migration; Increased portion of high-margin solution products and 3bit products

### [System LSI]

- Overall sales declined due to lower Mobile AP shipments

## D P

### [ LCD ]

- Market : Demand increased QoQ led by new SET product launches and promotion effects
  - TV panel : Demand up 6% ↑ QoQ led by China due to Labor Day holidays and subsidy program promotions
  - IT panel : Demand increased 9% ↑ QoQ  
Demand growth continued led by tablet panels
  - TV panel ASP improved led by high-end product launches (60"+/UHD); IT panel price remained weak
- Samsung : Earnings improved slightly led by increased high value-added panel shipments
  - TV panel : Shipments up high-single digit-% QoQ but down high-single digit-% YoY
    - Successfully launched 60"+ ultra large-screen TV and UHD and expanded customer base
  - IT panel : High value-added product sales growth continued, including high-resolution PLS

### [ OLED ]

- Improved earnings led by OLED panel shipment growth for premium smartphones

# 2Q results

## IM

### [Handset]

- Market : Under weak seasonality, smartphone demand increased slightly
  - Smartphone : Demand increased by low single digit-% QoQ
  - Tablet : Demand decreased in developed markets but increased in emerging markets
- Samsung : Smartphone sales grew led by solid S4 shipments, marginal profit decline due to increased costs of new product launches, R&D and retail channels investments, etc.
  - Smartphone : Shipments increased with Global S4 launch and regional growth in America (continent) and China
  - Tablet : Expanded product line-ups, including Note 8.0
  - P C : Shipments declined due to weak demand

### [Network]

- Earnings declined QoQ due to delayed investments for LTE network by some carriers

## CE

### [TV]

- Market : FPTV market grew slightly QoQ, under weak seasonality and low demand in EU market
  - Market demand up low-single digit-% QoQ and YoY
    - LED portion growth continued in developed market (1Q 88% → 2Q 90%)
- Samsung : Improved product line-ups in strategic markets, including North America and China and shipments increased
  - High value-added product shipments grew
    - F7/8000 series : shipments increased 7% ↑ QoQ
    - 60" ↑ large-size TV sales portion : 9% in 1Q → 12% in 2Q
  - Enhanced mid to low-end product line-ups in EM, including China; shipments increased

### [Digital Appliances]

- Market : Under low-growth market condition, seasonal demand for Air-conditioners improved
- Samsung : Earnings grew led by improved key product line-ups, shipment growth, and seasonal effects for Air-conditioner

# Outlook

## Semiconductor

### Memory

- DRAM : Expect steady mobile demand to continue led by new smartphone launches, PC demand to grow slightly due to seasonality; Demand growth led by Server-DRAM for datacenter and graphic-DRAM for new game consoles
- NAND : Expect demand growth to continue driven by new mobile product launch and expanded SSD adoption by PC/Datacenter

### S.LSI

- Expect strong drive to improve shipments, including 28nm AP and high-pixel image sensors

## D P

### LCD

- Expect strong seasonality despite headwinds, including delayed EU demand recovery
  - TV panel : Size increase to continue led by 60"+ ultra large screen / UHD market growth
  - IT panel : Tablet panel demand growth led by mid to low-price products

### OLED : Expect smartphone panel demand growth to continue

- Expanding line-ups featuring various sizes and high resolution

## I M

### Expect smartphone and tablet markets growth to continue under strong seasonality, while competition to intensify led by new product launches

- Smartphone : Expect balanced growth in DM and EM
  - Developed markets : LTE replacement demand to continue, and expect competition for year-end promotions
  - Emerging markets : Expect ramp up growth led by mass-market smartphone, including China
- Tablet : Expect high growth in both DM and EM
  - Expect competition to intensify as new product offerings to expand

## C E

### TV

- Expect demand growth under strong seasonality, and new premium market competition to start, including UHD TV
  - Expect sales competition to phase-in after new premium product launches in 3Q

### Digital Appliances

- Expect low market growth to continue and demand to increase led by emerging market

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

(Unit : KRW Billion)

	2Q '13	1Q '13	2Q '12
<b>Current Assets</b>	<b>104,791</b>	<b>95,198</b>	<b>73,460</b>
- Cash *	46,986	43,559	23,804
- A/R	27,108	23,398	24,117
- Inventories	21,562	19,502	17,443
- Other Current Assets	9,135	8,739	8,096
<b>Non Current Assets</b>	<b>98,971</b>	<b>95,645</b>	<b>92,840</b>
- Investments	15,725	14,630	13,078
- PP&E	70,398	68,766	68,840
- Intangible Assets	4,062	4,077	3,673
- Other Non Current Assets	8,786	8,172	7,249
<b>Total Assets</b>	<b>203,762</b>	<b>190,843</b>	<b>166,300</b>
<b>Liabilities</b>	<b>65,382</b>	<b>62,037</b>	<b>56,036</b>
- Debts	13,825	12,356	14,472
- Trade Accounts and N/P	10,527	10,478	10,516
- Other Accounts and N/P & Accrued Expenses	18,043	16,690	14,267
- Income Tax Payables	3,066	4,291	2,327
- Unearned Revenue & Other Advances	2,884	3,053	2,769
- Other Liabilities	17,037	15,169	11,685
<b>Shareholders' Equity</b>	<b>138,380</b>	<b>128,806</b>	<b>110,264</b>
- Capital Stock	898	898	898
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>203,762</b>	<b>190,843</b>	<b>166,300</b>

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

	2Q '13	1Q '13	2Q '12
<b>Current ratio *</b>	<b>197%</b>	<b>189%</b>	<b>165%</b>
<b>Liability/Equity</b>	<b>47%</b>	<b>48%</b>	<b>51%</b>
<b>Debt/Equity</b>	<b>10%</b>	<b>10%</b>	<b>13%</b>
<b>Net debt/Equity</b>	<b>-24%</b>	<b>-24%</b>	<b>-8%</b>

※ Current ratio \* = Current assets/Current liabilities



## [Appendix 2] Cash Flow Statement (K-IFRS)

(Unit : KRW Trillion)

	2Q '13	1Q '13	2Q '12
<b>Cash (Beginning of period)*</b>	<b>43.56</b>	<b>37.45</b>	<b>25.39</b>
Cash flows from operating activities	8.60	12.82	5.93
Net profit	7.77	7.15	5.19
Depreciation	3.81	3.78	3.74
Others	-2.98	1.89	-3.00
Cash flows from investing activities	-6.00	-4.45	-6.48
Increase in tangible assets	-5.47	-3.40	-6.18
Cash flows from financing activities	0.42	-2.62	-0.78
Increase in debts	1.33	-2.69	0.27
Increase in cash	3.43	6.11	-1.59
<b>Cash (End of period)*</b>	<b>46.99</b>	<b>43.56</b>	<b>23.80</b>

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

**Current State of Net Cash (Net Cash =Cash\* - Debts)**

(Unit : KRW Trillion)

	2Q '13	1Q '13	2Q '12
<b>Net Cash</b>	<b>33.16</b>	<b>31.20</b>	<b>9.33</b>

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

**[ '13 CAPEX Plan ]**

- Total 24 trillion won (Semiconductor 13 trillion won, DP 6.5 trillion won, etc.)

\* For 2013, our capital investment is planned for 24 trillion won, an increase of more than one trillion won from the record-high amount we reported last year.  
It is possible for the budgeted amount to increase based on the market conditions of the second half and the next year.