

**Earnings Release Q4 2013**

**Samsung Electronics**

**January 2014**

# 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 Q4 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.

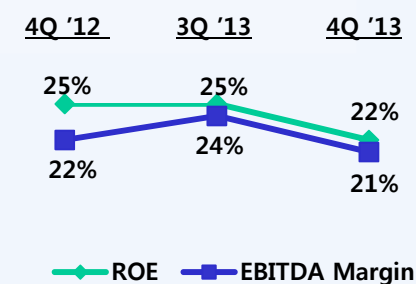
# Income Statement

(Unit: KRW Trillion)

	4Q '13	% of sales	3Q '13	% of sales	4Q '12	FY '13	% of sales	FY '12	% of sales
<b>Sales</b>	<b>59.28</b>	<b>100.0%</b>	<b>59.08</b>	<b>100.0%</b>	<b>56.06</b>	<b>228.69</b>	<b>100.0%</b>	<b>201.10</b>	<b>100.0%</b>
Cost of Sales	36.45	61.5%	35.53	60.1%	34.55	137.70	60.2%	126.65	63.0%
<b>Gross Profit</b>	<b>22.83</b>	<b>38.5%</b>	<b>23.56</b>	<b>39.9%</b>	<b>21.51</b>	<b>91.00</b>	<b>39.8%</b>	<b>74.45</b>	<b>37.0%</b>
SG&A expenses	14.52	24.5%	13.39	22.7%	12.67	54.21	23.7%	45.40	22.6%
- R&D expenses	3.79	6.4%	3.66	6.2%	2.96	14.32	6.3%	11.53	5.7%
<b>Operating Profit</b>	<b>8.31</b>	<b>14.0%</b>	<b>10.16</b>	<b>17.2%</b>	<b>8.84</b>	<b>36.79</b>	<b>16.1%</b>	<b>29.05</b>	<b>14.4%</b>
Other non-operating income/expense	0.86	1.4%	△0.03	-	△0.51	0.82	0.4%	△0.02	-
Equity method gain/loss	△0.04	-	0.15	0.3%	0.22	0.50	0.2%	0.99	0.5%
Finance income/expense	0.12	0.2%	△0.04	-	△0.01	0.26	0.1%	△0.10	-
<b>Profit Before Income Tax</b>	<b>9.25</b>	<b>15.6%</b>	<b>10.24</b>	<b>17.3%</b>	<b>8.53</b>	<b>38.36</b>	<b>16.8%</b>	<b>29.92</b>	<b>14.9%</b>
Income tax	1.95	3.3%	1.99	3.4%	1.49	7.89	3.4%	6.07	3.0%
<b>Net profit</b>	<b>7.30</b>	<b>12.3%</b>	<b>8.24</b>	<b>14.0%</b>	<b>7.04</b>	<b>30.47</b>	<b>13.3%</b>	<b>23.85</b>	<b>11.9%</b>

## Key Profitability Indicators

	4Q '13	3Q '13	4Q '12	FY '13	FY '12
<b>ROE</b>	<b>22%</b>	<b>25%</b>	<b>25%</b>	<b>22%</b>	<b>21%</b>
Profitability (Net profit/Sales)	0.12	0.14	0.13	0.13	0.12
Asset turnover (Sales/Asset)	1.20	1.21	1.33	1.16	1.19
Leverage (Asset/Equity)	1.46	1.47	1.51	1.46	1.51
<b>EBITDA Margin</b>	<b>21%</b>	<b>24%</b>	<b>22%</b>	<b>23%</b>	<b>22%</b>



# Segment Sales & Operating Profit

## Sales

(Unit: KRW Trillion)	4Q '13	QoQ	3Q '13	4Q '12	FY '13	YoY	FY '12
<b>Total</b>	<b>59.28</b>	<b>0.3% ↑</b>	<b>59.08</b>	<b>56.06</b>	<b>228.69</b>	<b>14% ↑</b>	<b>201.10</b>
<b>CE</b>	<b>14.27</b>	<b>18% ↑</b>	<b>12.05</b>	<b>14.56</b>	<b>50.33</b>	<b>2% ↓</b>	<b>51.11</b>
VD	10.07	31% ↑	7.68	10.52	33.12	5% ↓	35.04
<b>IM</b>	<b>33.89</b>	<b>7% ↓</b>	<b>36.57</b>	<b>30.71</b>	<b>138.82</b>	<b>31% ↑</b>	<b>105.84</b>
Mobile	32.17	9% ↓	35.20	29.60	133.72	32% ↑	101.63
<b>DS</b>	<b>17.00</b>	<b>5% ↓</b>	<b>17.90</b>	<b>17.52</b>	<b>67.76</b>	<b>1% ↓</b>	<b>68.29</b>
Semiconductor	10.44	7% ↑	9.74	9.59	37.44	7% ↑	34.89
- Memory	6.52	2% ↑	6.37	5.33	23.71	14% ↑	20.86
DP	6.46	20% ↓	8.09	7.75	29.84	10% ↓	33.00

## Operating Profit

(Unit: KRW Trillion)	4Q '13	QoQ	3Q '13	4Q '12	FY '13	YoY	FY '12
<b>Total</b>	<b>8.31</b>	<b>18% ↓</b>	<b>10.16</b>	<b>8.84</b>	<b>36.79</b>	<b>27% ↑</b>	<b>29.05</b>
<b>CE</b>	<b>0.66</b>	<b>88% ↑</b>	<b>0.35</b>	<b>0.70</b>	<b>1.67</b>	<b>28% ↓</b>	<b>2.32</b>
<b>IM</b>	<b>5.47</b>	<b>18% ↓</b>	<b>6.70</b>	<b>5.47</b>	<b>24.96</b>	<b>29% ↑</b>	<b>19.42</b>
<b>DS</b>	<b>2.14</b>	<b>31% ↓</b>	<b>3.09</b>	<b>2.56</b>	<b>10.00</b>	<b>35% ↑</b>	<b>7.42</b>
Semiconductor	1.99	3% ↓	2.06	1.42	6.89	65% ↑	4.17
DP	0.11	89% ↓	0.98	1.11	2.98	7% ↓	3.21

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.

# 4Q Results

## Semiconductor

### [Memory]

- **Market : Demand remained solid under peak season**
  - DRAM : PC demand upheld amid strong seasonality  
Demand increased for new game consoles and servers
  - NAND : Demand remained stable led by increased SSD adoption  
Demand up led by increased sales of tablets and high density card under seasonality
- **Samsung : Improved earnings through migration and increased high value-added product mix**
  - DRAM : Enhanced cost competitiveness by expanding 20nm-class;  
Managed flexible product-mix according to market conditions based on high value-added product competitiveness
  - NAND : Increased 10nm-class portion and expanded solution product sales including SSD

### [System LSI]

- **Overall sales slightly up due to lower-than-expected demand for high-end mobile components, while AP shipments increased for major customer's new products**

## D P

### [ LCD ]

- **Market : Panel price declined due to continued oversupply despite strong seasonality**
  - TV panel : Demand decreased QoQ as set makers' inventory adjustments led to lower panel order  
※ QoQ 1%↓, YoY 9%↓
    - Drop in ASP continued (QoQ 7%↓)
  - IT panel : Tablet growth (QoQ 10%↑) momentum continued
- **Samsung : Lower earnings impacted by inventory adjustments by customers and ASP drop**
  - TV panel : Shipments decreased by low single digit % QoQ  
increased by low single digit % YoY
    - Increased UHD sales and expanded customer base through new FAB in operation
  - IT panel : Tablet sales growth continued

### [ OLED ]

- **Earnings down due to decreased total shipments, while new product sales increased**

# 4Q Results

## I M

### [Handset]

□ **Market: Smartphone and tablet demand increased under peak season**

- Smartphone : Demand increased QoQ in both developed and emerging markets led by year-end/holiday rally
- Tablet : Demand increased substantially with the expansion of global promotions

□ **Samsung : Earnings decreased QoQ due to seasonally higher marketing expenditure and one-off expense, etc.**

- Smartphone : Shipments down slightly due to year-end inventory adjustments and the base effect from strong 3Q growth
- Tablet : Shipments up sharply QoQ driven by strong sales of Tab3 and Note 10.1(2014), released during end-3Q
  - ☞ Strong sales growth continued driven by developed market (North America/Europe)

### [Network]

□ **Sales improved led by increased LTE equipment shipments in domestic and overseas markets**

## C E

### [TV]

□ **Market : FPTV demand up under peak season (QoQ 29%↑), Growth led by developed market (QoQ 53%↑)**

※ **YoY demand slightly increased, up 1%**

- 60"+ large-size TV demand up substantially (QoQ low-50%↑)
- Compared to the previous year,
  - Developed : demand down due to economic situation in Europe (YoY-2%↓)
  - Emerging : demand up led by CRT replacement demand (YoY 2%↑)

□ **Samsung : Outperformed market growth by reinforcing seasonal promotions, improved earnings**

- Strong shipment growth in developed market (QoQ 90%↑, YoY 7%↑) led by increased premium products sales :
  - 60"+ large-size TV sales QoQ 80%↑, Smart TV sales 63%↑
  - ☞ Margin improved driven by increased premium product sales

### [ Digital Appliances ]

□ **Focused on sales expansion of premium products in US and Europe amid slight demand improvement in developed markets.**

# Outlook

## Semiconductor

### □ '14 Outlook

- DRAM : Expect server/graphic DRAM demand to remain solid amid limited supply growth; tablet and mid-to low-end smartphone to drive demand for mobile devices
- NAND : Expect demand to remain solid led by increased SSD adoption by datacenter and content growth in mobile devices
- S.LSI : Expect to introduce 20nm-class mobile AP and to expand new customer base; Expect to enhance competitiveness of LSI products such as high-pixel CIS

- 1Q : Expect more balanced market despite low seasonality while demand for server/game consoles/SSD to be relatively solid. Expect low demand of S.LSI due to weak seasonality and inventory adjustment by customers

## DP

### □ '14 Outlook

- LCD : Expect better supply-demand than 2013; TV demand to increase led by UHD penetration and global sports events impact; solid demand growth of tablet to continue
    - UHD TV : Expect growth of mass market segment in addition to premium market segment
  - OLED : Expect market growth led by expansion of OLED adoption by broader products, including mid-end smartphone, tablets, etc
- 1Q : Expect weaker panel demand under seasonality

## IM

### □ '14 Outlook

- Handset : Expect price/product competition to intensify amid accelerated replacement from feature-phones to smartphones
  - Smartphone : Expect demand growth to continue with LTE service expansion in Europe/China and solid demand growth in emerging markets
    - ※ Expect diverse mid to high-end products to address different customer needs
  - Tablet : Expect launch of various new products and intensified price competition, amid developed and emerging markets to continue rapid growth
- 1Q : Expect smartphone/tablet demand to decrease QoQ under weak seasonality

## CE

### □ '14 Outlook

- TV : Expect demand to grow led by World Cup impact and expansion of UHD TV sales
  - Rapid growth expected in UHD TV ( '14: 12.7M, *D.Search*)
  - Digital Appliances : Expect overall demand to grow modestly YoY amid economic recovery in developed markets
- 1Q : TV demand expect to decline QoQ entering off-season, but slightly increase YoY

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

(Unit : KRW Billion)

	Dec 31, 2013	Sep 30, 2013	Dec 31, 2012
<b>Current Assets</b>	<b>110,760</b>	<b>110,166</b>	<b>87,269</b>
- Cash *	54,496	52,684	37,448
- A/R	24,989	26,283	23,861
- Inventories	19,135	21,935	17,747
- Other Current Assets	12,141	9,265	8,212
<b>Non Current Assets</b>	<b>103,315</b>	<b>100,647</b>	<b>93,803</b>
- Investments	12,661	16,130	14,015
- PP&E	75,496	71,361	68,485
- Intangible Assets	3,981	3,971	3,730
- Other Non Current Assets	11,177	9,185	7,573
<b>Total Assets</b>	<b>214,075</b>	<b>210,813</b>	<b>181,072</b>
<b>Liabilities</b>	<b>64,059</b>	<b>66,374</b>	<b>59,592</b>
- Debts	11,161	11,756	14,895
- Trade Accounts and N/P	8,437	11,457	9,489
- Other Accounts and N/P & Accrued Expenses	20,541	18,846	16,895
- Income Tax Payables	3,386	3,509	3,223
- Unearned Revenue & Other Advances	2,882	2,999	2,484
- Other Liabilities	17,652	17,808	12,605
<b>Shareholders' Equity</b>	<b>150,016</b>	<b>144,439</b>	<b>121,480</b>
- Capital Stock	898	898	898
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>214,075</b>	<b>210,813</b>	<b>181,072</b>

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

	Dec 31, 2013	Sep 30, 2013	Dec 31, 2012
<b>Current ratio *</b>	<b>216%</b>	<b>203%</b>	<b>186%</b>
<b>Liability/Equity</b>	<b>43%</b>	<b>46%</b>	<b>49%</b>
<b>Debt/Equity</b>	<b>7%</b>	<b>8%</b>	<b>12%</b>
<b>Net debt/Equity</b>	<b>-29%</b>	<b>-28%</b>	<b>-19%</b>

※ Current ratio \* = Current assets/Current liabilities



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

(Unit : KRW Trillion)

	4Q '13	FY '13	FY '12
<b>Cash (Beginning of period)*</b>	<b>52.68</b>	<b>37.45</b>	<b>26.88</b>
Cash flows from operating activities	10.28	46.71	37.97
Net profit	7.30	30.47	23.85
Depreciation	3.94	15.47	14.84
Cash flows from investing activities	-7.67	-25.19	-24.85
Increase in tangible assets	-8.08	-23.16	-22.97
Cash flows from financing activities	-0.40	-4.14	-1.86
Increase in debts	-0.38	-3.20	0.54
Increase in cash	1.81	17.05	10.57
<b>Cash (End of period)*</b>	<b>54.50</b>	<b>54.50</b>	<b>37.45</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)

	Dec 31, 2013	Sep 30, 2013	Dec 31, 2012
<b>Net Cash</b>	<b>43.34</b>	<b>40.93</b>	<b>22.55</b>

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