

Earnings Release 1Q 2014

Samsung Electronics

April 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 1Q 2014 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

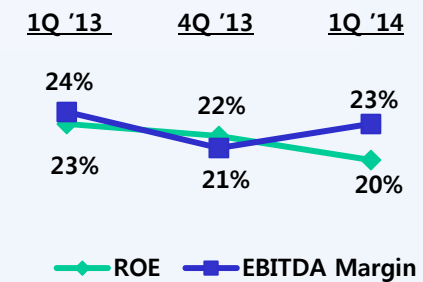
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	1Q '14	% of sales	4Q '13	% of sales	1Q '13
Sales	53.68	100.0%	59.28	100.0%	52.87
Cost of Sales	32.05	59.7%	36.45	61.5%	31.38
Gross Profit	21.63	40.3%	22.83	38.5%	21.49
SG&A expenses	13.14	24.5%	14.52	24.5%	12.71
- R&D expenses	3.69	6.9%	3.79	6.4%	3.33
Operating Profit	8.49	15.8%	8.31	14.0%	8.78
Other non-operating income/expense	0.96	1.8%	0.86	1.4%	△0.10
Equity method gain/loss	0.03	0.1%	△0.04	-	0.18
Finance income/expense	0.17	0.3%	0.12	0.2%	0.19
Profit Before Income Tax	9.65	18.0%	9.25	15.6%	9.05
Income tax	2.07	3.9%	1.95	3.3%	1.89
Net profit	7.57	14.1%	7.30	12.3%	7.15

Key Profitability Indicators

	1Q '14	4Q '13	1Q '13
ROE	20%	22%	23%
Profitability (Net profit/Sales)	0.14	0.12	0.14
Asset turnover (Sales/Asset)	0.98	1.20	1.14
Leverage (Asset/Equity)	1.44	1.46	1.49
EBITDA Margin	23%	21%	24%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		<u>1Q '14</u>	<u>QoQ</u>	<u>4Q '13</u>	<u>1Q '13</u>
Total		53.68	9% ↓	59.28	52.87
CE		11.32	21% ↓	14.27	11.24
	VD	7.39	27% ↓	10.07	7.43
IM		32.44	4% ↓	33.89	32.82
	Mobile	31.36	4% ↓	32.56	32.17
DS		15.56	8% ↓	17.00	15.81
	Semiconductor	9.39	10% ↓	10.44	8.58
	- Memory	6.29	3% ↓	6.52	5.12
	DP	6.10	6% ↓	6.46	7.11

Operating Profit

(Unit: KRW Trillion)		<u>1Q '14</u>	<u>QoQ</u>	<u>4Q '13</u>	<u>1Q '13</u>
Total		8.49	2% ↑	8.31	8.78
CE		0.19	71% ↓	0.66	0.23
IM		6.43	18% ↑	5.47	6.51
DS		1.87	13% ↓	2.14	1.85
	Semiconductor	1.95	2% ↓	1.99	1.07
	DP	△0.08	-	0.11	0.77

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

※ Sales for each business unit includes intersegment sales.

※ 2013 sales and operating profit of each business stated above reflect the organizational change in 2014.

1Q Results

Semiconductor

[Memory]

- Market : Demand for datacenter/game console remained strong despite weak seasonality
- DRAM : Decline in mobile devices demand under weak seasonality; PC demand stabilized compared to the recent years; Strong server/game console demand continued
- NAND : Datacenter SSD and high-density card demand growth continued, while demand for mobile decreased
- Samsung : Improved profitability by addressing applications with relatively solid demand and by expanding leading-edge process migration
- DRAM : Improved profitability through addressing increased server/graphic DRAM demand, expanding 20nm-class migration and enhancing production efficiency
- NAND : Maintained profitability by increasing shipments of high-density solutions/cards in addition to the expansion of process migration despite soft pricing environment

[System LSI]

- Earnings down QoQ due to lower mobile AP demand under weak seasonality
- CIS sales increased led by ISOCELL high-pixel product launch

D P

[LCD]

- Market: Panel demand/ASP declined under weak seasonality
 - TV Panel : Demand decreased QoQ due to reduced orders from set makers (QoQ 10% ↓ , YoY 3% ↓)
 - ASP decline continued (QoQ 4% ↓)
 - IT Panel : Overall panel demand decreased including tablet (QoQ 12% ↓)
- Samsung : Earnings down on lower overall shipments and continued ASP decline
 - TV panel : shipments, low single-digit % growth QoQ low-10 % growth YoY
 - Higher shipments of UHD; Reinforced Chinese customer base through new Fab ramp-up
 - IT panel : Overall shipment declined while increasing portion of the high resolution tablet panels

[OLED]

- Earnings down QoQ due to weak seasonal demand and impact from new product model replacement, etc
 - Started mass production of new high-end 5.1" FHD

1Q Results

I M

[Handset]

- Market : Lower smartphone/tablet demand under weak seasonality
 - Developed market: Channel inventory increased due to intensified competition from the previous quarter
 - Emerging market : Demand decreased under weak market condition in EM including China
- Samsung : Profit up QoQ driven by smartphone shipment growth, efficiently managing marketing expenses, and positive impact from one-time expense adjustments
 - Smartphone : Shipment increased ; enhanced high-end line-ups with S5 launch in addition to existing S4 & Note3 ; mid to low-end shipments increased with strong sales of Grand 2, etc.
 - Tablet : Reinforced mid to high-end line ups by launching Note PRO 12.2· and Tab PRO 12"/8"

[Network]

- Sales decreased QoQ due to weak seasonality

C E

[T V]

- Market : FPTV demand down amid weak seasonality (QoQ 29%↓) but slight growth YoY (YoY 2%↑)
 - Compared to the previous year,
 - Latin America : demand grew substantially thanks to the World Cup impact (YoY 22%↑)
 - EU : turned to growth (YoY 3%↑)
 - US : demand down (YoY 4%↓)
- Samsung : Earnings down QoQ due to weak market demand despite outperforming market growth
 - Increased premium product sales in developed markets (US/EU)
 - 60"+ large-size LCD TV sales YoY 95%↑, UHD TV QoQ 48%↑
 - Shipments up QoQ(3%↑)/YoY(74%↑) by addressing the World Cup demand in Latin America

[Digital Appliances]

- Earnings declined due to lower shipments under weak seasonality and increased expenses associated with new product launch, etc

Outlook

Semiconductor

- **Memory** : Expect higher demand for mobile devices led by new mobile product launches and expansion of Chinese LTE market ; Expect PC DRAM contents to grow ; Expect increased server DRAM/SSD demand for datacenter to continue
 - FY14 : Expect balanced DRAM supply-demand condition and increased NAND demand for datacenter/PC SSD to increase
- **System LSI** : Expect weak earnings momentum to continue in 2Q, but improved results in 2H based on seasonal demand and 20nm production
 - ※ Expect to enhance mid-term growth momentum through a collaboration with Globalfoundries on 14nm.

DP

- **LCD** : Expect market condition to improve driven by demand increase from the World Cup effect and UHD TV market expansion
 - UHD TV : Expect shipment increase of mass market products and premium products such as curved TV
 - FY14 : Expect supply and demand to improve as capacity growth slows down amid solid demand growth
- **OLED** : Expect to increase shipments of new high-end smartphone panels; to expand mid-end line ups; to increase applications to wearable devices (smart watch), etc.

IM

- **Handset** : Slight growth QoQ as weak seasonality to continue in 2Q
 - Smartphone
 - High-end : Expect replacement demand growth led by early upgrade program in North America and TD-LTE expansion in China
 - Low/Mid-end : Expect demand to grow in emerging markets; Competitions to intensify with new product launches among set makers
- **Tablet** : Slight demand growth under weak seasonality
 - Forecast competition to intensify with line up diversification by set makers amid slowdown of growth trend

CE

- **TV**
 - Expect slight demand growth driven by the impact of the World Cup and new product launches
 - In particular, UHD TV market to grow significantly due to competition over new model launch and line-up expansion
 - 2Q Global UHD TV demand : 1.8M (QoQ 58% ↑ , *D.Search*)
- **Digital Appliances**
 - Forecast market to grow slightly QoQ led by increased demand in developed market and strong seasonal sales for air conditioner

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

(Unit : KRW Billion)

	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013
Current Assets	116,246	110,760	95,198
- Cash *	61,478	54,496	43,559
- A/R	25,236	24,989	23,398
- Inventories	19,649	19,135	19,502
- Other Current Assets	9,883	12,141	8,739
Non Current Assets	109,047	103,315	95,645
- Investments	14,677	12,661	14,630
- PP&E	76,519	75,496	68,766
- Intangible Assets	4,120	3,981	4,077
- Other Non Current Assets	13,730	11,177	8,172
Total Assets	225,293	214,075	190,843
Liabilities	69,731	64,059	62,037
- Debts	12,479	11,161	12,356
- Trade Accounts and N/P	10,263	8,437	10,478
- Other Accounts and N/P & Accrued Expenses	19,988	20,541	16,690
- Income Tax Payables	5,117	3,386	4,291
- Unearned Revenue & Other Advances	2,830	2,882	3,053
- Other Liabilities	19,054	17,652	15,169
Shareholders' Equity	155,562	150,016	128,806
- Capital Stock	898	898	898
Total Liabilities & Shareholder's Equity	225,293	214,075	190,843

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

	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013
Current ratio *	214%	216%	189%
Liability/Equity	45%	43%	48%
Debt/Equity	8%	7%	10%
Net debt/Equity	-31%	-29%	-24%

※ Current ratio * = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	1Q '14	4Q '13	1Q '13
Cash (Beginning of period)*	54.50	52.68	37.45
Cash flows from operating activities	12.21	10.28	12.82
Net profit	7.57	7.30	7.15
Depreciation	4.00	3.94	3.78
Cash flows from investing activities	-6.54	-7.67	-4.45
Increase in tangible assets	-5.94	-8.08	-3.40
Cash flows from financing activities	1.26	-0.40	-2.62
Increase in debts	1.25	-0.38	-2.69
Increase in cash	6.98	1.81	6.11
Cash (End of period)*	61.48	54.50	43.56

※ 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)

	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013
Net Cash	49.00	43.34	31.20

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