

Earnings Release Q4 2011

Samsung Electronics

January 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 our external audit on Q4 2011 financial results of our headquarters 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 Semiconductor, DP (Display Panel), Telecommunication, DM & A (Digital Media & Appliances)
- 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.

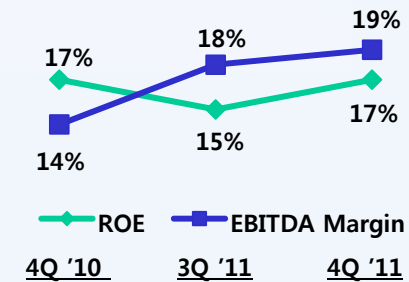
Income Statement

(Unit: Trillion Won)

	4Q '11	% of sales	4Q '10	% of sales	3Q '11	FY '11	% of sales	FY '10	% of sales
Sales	47.30	100.0%	41.87	100.0%	41.27	165.00	100.0%	154.63	100.0%
Cost of Sales	31.51	66.6%	29.12	69.5%	27.75	112.15	68.0%	102.67	66.4%
Gross Profit	15.79	33.4%	12.76	30.5%	13.52	52.86	32.0%	51.96	33.6%
R&D expenses	2.74	5.8%	2.43	5.8%	2.43	9.98	6.0%	9.10	5.9%
SG&A expenses	8.46	17.9%	7.20	17.2%	6.80	27.42	16.6%	26.24	17.0%
Other operating profits/losses	0.70	1.5%	△0.12	△0.3%	△0.04	0.79	0.5%	0.68	0.4%
Operating Profit	5.30	11.2%	3.01	7.2%	4.25	16.25	9.8%	17.30	11.2%
Equity method gains/losses	0.32	0.7%	0.69	1.7%	0.29	1.40	0.8%	2.27	1.5%
Finance incomes/expenses	△0.14	△0.3%	△0.09	△0.2%	△ 0.41	△0.49	△0.3%	△0.24	△0.2%
Profit Before Income Tax	5.47	11.6%	3.62	8.6%	4.13	17.16	10.4%	19.33	12.5%
Income tax	1.47	3.1%	0.20	0.5%	0.69	3.42	2.1%	3.18	2.1%
Net profit	4.00	8.5%	3.42	8.2%	3.44	13.73	8.3%	16.15	10.4%

Key Profitability Indicators

	4Q '11	4Q '10	3Q '11	FY '11	FY '10
ROE	17%	17%	15%	14%	20%
Profitability (Net income/Sales)	0.08	0.08	0.08	0.08	0.10
Asset turnover (Sales/Asset)	1.31	1.36	1.17	1.14	1.25
Leverage (Asset/Equity)	1.52	1.52	1.50	1.52	1.52
EBITDA Margin	19%	14%	18%	18%	18%



Segment Information

Sales by Segment

(Unit: Trillion Won)	<u>4Q '11</u>	<u>Y-on-Y</u>	<u>4Q '10</u>	<u>3Q '11</u>	<u>FY '11</u>	<u>Y-on-Y</u>	<u>FY '10</u>
Semiconductor	9.17	1% ↓	9.25	9.48	36.99	2% ↓	37.64
- Memory	5.45	10% ↓	6.04	5.50	22.70	12% ↓	25.83
DP	8.55	19% ↑	7.20	7.08	29.24	2% ↓	29.92
- LCD	6.25	8% ↑	5.81	5.42	22.70	11% ↓	25.38
Telecom	17.82	52% ↑	11.75	14.90	55.53	39% ↑	40.07
- Mobile	17.18	54% ↑	11.15	14.42	53.43	40% ↑	38.15
DM & A	16.96	4% ↑	16.33	14.36	58.92	1% ↑	58.39
- VD	10.88	6% ↑	10.28	8.38	34.80	1% ↓	35.07
Others*	△5.20	-	△2.66	△4.55	△15.68	-	△11.39
Total	47.30	13% ↑	41.87	41.27	165.00	7% ↑	154.63

※ Sales of each segment include intersegment sales

Operating Profit by Segment

(Unit: Trillion Won)	<u>4Q '11</u>	<u>Y-on-Y</u>	<u>4Q '10</u>	<u>3Q '11</u>	<u>FY '11</u>	<u>Y-on-Y</u>	<u>FY '10</u>
Semiconductor	2.31	29% ↑	1.80	1.59	7.34	27% ↓	10.11
DP	△0.22	-	0.10	△0.09	△0.75	-	1.99
Telecom	2.64	79% ↑	1.48	2.52	8.27	90% ↑	4.36
DM & A	0.57	-	△0.20	0.24	1.41	229% ↑	0.43
Others*	△0.004	-	△0.17	△0.01	△0.02	-	0.41
Total	5.30	76% ↑	3.01	4.25	16.25	6% ↓	17.30

※ Other businesses & Other operating profits/losses

※ Since SetTop Box business belonging has been changed (from Telecom to DM & A), related 2010 earnings have been re-stated

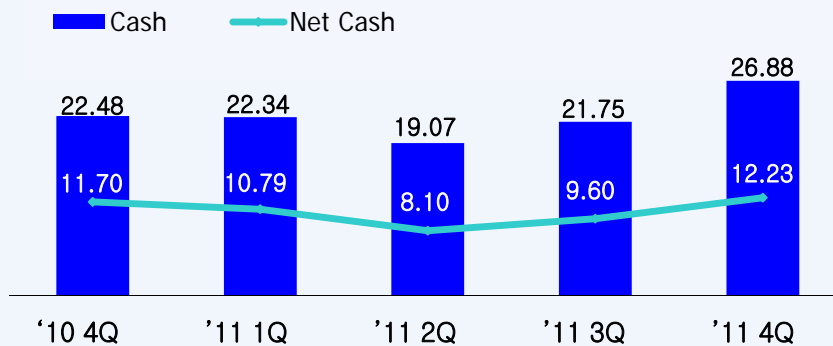
Cash Flow Statement

(Unit: Trillion Won)

	<u>4Q '11</u>	<u>FY '11</u>	<u>FY '10</u>
Cash (Beginning of period)*	21.75	22.48	20.88
Cash flow from Operation	7.32	22.92	23.83
Net profit	4.00	13.73	16.15
Depreciation	3.49	12.93	10.85
Others	△0.17	△3.74	△3.17
Cash flow from Investment	△4.74	△21.62	△22.03
Increase in tangible assets	△5.93	△21.97	△21.62
Cash flow from Finance	2.85	3.11	△0.15
Increase in Debts	2.81	3.76	1.70
Net increase in cash	<u>5.13</u>	<u>4.40</u>	<u>1.60</u>
Cash (End of period)*	26.88	26.88	22.48

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

Cash Balance



Capex

- **2011 : 23 trillion won (executed)**
 - Semiconductor 13.0 trillion won, DP 6.4 trillion won, etc.
- **2012 : 25 trillion won (planned)**
 - Semiconductor 15.0 trillion won, DP 6.6 trillion won, etc.

※ Subject to change based on market conditions

Statement of Financial Position

(Unit: Trillion Won)

	<u>FY '11</u>	<u>3Q '11</u>	<u>FY '10</u>
Current assets	71.50	67.21	61.40
Cash*	26.88	21.75	22.48
Trade accounts and notes receivable	21.88	21.73	19.15
Inventories	15.72	16.63	13.36
Non-current assets	84.13	80.95	72.89
Investments	12.82	12.01	11.80
PP&E	62.04	59.66	52.96
Total assets	155.63	148.16	134.29
Debts	14.65	12.15	10.78
Total liabilities	53.79	49.50	44.94
Total shareholders' equity	101.84	98.66	89.35

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

Key Financial Indicators

	<u>FY '11</u>	<u>3Q '11</u>	<u>FY '10</u>
Current ratio*	161%	161%	154%
Liability/Equity	53%	50%	50%
Debt/Equity	14%	12%	12%
Net debt/Equity	△12%	△10%	△13%

* Current ratio= Current Assets/Current Liabilities

4Q results

Semiconductor

[Memory]

- Market : PC demand remained weak amid lower-than-average seasonality, while mobile/server-related demand remained solid
 - DRAM : Oversupply conditions persisted despite industry-wide production cutback
 - NAND : Channel demand (memory card, etc.) turned weak, while embedded product demand remained strong
- Samsung : Reinforced cost competitiveness via geometry migration and secured profitability by expanding differentiated solution products
 - DRAM : Expanded 3xnm and below node production and increased mobile/server-related product sales
 - NAND : Expanded 2xnm products and increased solution products (eMMC, SSD, etc.)

[System LSI]

- Sales declined slightly QoQ due to low seasonality, major set makers' year-end inventory adjustment, etc.
 - Demand for major products (mobile AP, CIS, etc.) remained solid (High growth continued on a YoY basis)

Display Panel

[LCD]

- Market : Panel demand was steady and price remained stable amid strong TV sales in developed markets during year-end peak season despite concerns for demand slow-down
 - TV panel : Demand was strong during peak season (Black Friday' in the US, etc.) in North America, while demand slowdown continued in EU due to economic downturn (5% ↑ QoQ)
 - IT panel : Demand declined due to flood in Thailand and weak demand for monitors
 - Samsung : Focused on expanding sales of LED panels through value-added/differentiated product line-up
 - TV panel shipment : mid-20% ↑ QoQ, around 20% ↑ YoY
 - Shipment of value-added panels increased (LED, 3D TV, etc.)
- ※ **SMD : Shipment and sales growth continued, led by demand increase from smartphones**

4Q results

Telecommunication

[Handset]

- Market : Demand increased by mid-10% QoQ due to strong seasonality
 - Smartphones led market growth via launches of new mass market models, etc.
 - Developed markets, esp. EU, showed strong demand growth
- Samsung : Recorded strong earnings by enhancing high-end & mass market smartphone full line-ups
 - Smartphone : Global shipments increased (apprx. 30%↑ QoQ), especially in developed markets
 - Amid strong sales of Galaxy S II, shipments grew in all segments with expansion of high-end (Galaxy Note/Nexus, etc.) and mass-market (Galaxy Ace/Y, etc.) model line-ups
 - ASP Increased QoQ due to product mix improvement
- ※ 2011 : Revenue and shipment grew substantially led by enhanced market leadership in high-end smartphones . Profitability also improved significantly.

[Network]

- Sales growth continued with expansion of LTE business in domestic market and North America

DM&A

[TV]

- Market : Amid strong seasonality, demand increased significantly in developed markets and solid demand growth continued in emerging markets
 - Demand increased high-20% QoQ (low-single-digit %↑ YoY)
 - LED TV demand increase led overall market growth (apprx. 40%↑ QoQ)
- Samsung : Outperformed the market and improved profitability by expanding sales of differentiated LED TVs
 - LED TV sales increased by focusing on sales of premium models such as D7/8000 models in developed markets and reinforcing region-specific models in emerging markets
 - LED TV shipments increased high-50% QoQ; LED TV portion reached around 60% in 4Q
 - ※ 2011 : Despite demand slowdown, outperformed the market and profitability enhanced significantly led by improved product mixes both in developed/emerging markets

[Digital appliances]

- Market : Demand declined QoQ due to global economic slowdown
- Samsung : Revenue increased QoQ due to sales growth in developed markets (US, Europe, etc.)

Market outlook

Semiconductor

□ 2012 outlook

- DRAM : Competition to intensify in 1H amid weak PC demand ; Specialty DRAM demand to be solid amid concerns over supply increase
- NAND : Embedded product demand from smartphone, tablet, PC, etc to remain strong
- S.LSI : Continuous growth of smart mobile devices to lead demand for major products such mobile AP & CIS, etc

- ### □ 1Q : IT demand to be affected by low seasonality ;
- DRAM oversupply to continue with HDD supply issue leading to PC demand decline, whereas mobile-related NAND/S.LSI demand to remain relatively solid

Display Panel

□ 2012 outlook

- Despite demand recovery led by emerging markets, concerns for oversupply situation persist with production increase in China
- Supply-demand balance may improve amid industry-wide capex cutback and panel makers' conservative control over utilization

- ### □ 1Q :
- TV panel demand to decrease due to weak seasonality while IT panel demand to increase amid set maker's new product launches

Telecommunication

□ 2012 outlook

- Handset : Demand to increase by high single-digit% YoY
- Smartphone growth to continue (over 30% ↑ YoY) vs. feature phone growth to slow down
 - ※ Emerging market and mass-market smartphone demand to increase; price competition to intensify
- LTE to expand in developed markets (US, Korea, Japan, etc.)
- Tablet : Demand to increase significantly YoY
- Competition to intensify due to increase in new mass-market models, etc.

- ### □ 1Q :
- Global demand to decrease QoQ due to weak seasonality
 - Market competition to continue due to new smartphone launches

DM&A

□ 2012 outlook

- TV : Overall market growth to be driven by demand increase in emerging markets and from LED TVs
 - Continuous rise in LED portion : '11 mid-40% → '12 high-60%
- Digital Appliances : Low growth expected in developed markets; Emerging markets demand increase to somewhat slowdown

- ### □ 1Q :
- TV/digital appliances demand to decrease QoQ due to weak seasonality, but increase slightly YoY.

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

(Unit : KRW 100 Million)

	FY '11 (A)	3Q '11 (B)	FY '10 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	715,020	672,143	614,026	42,877	100,994
- Cash *	268,776	217,509	224,800	51,267	43,976
- A/R	218,821	217,323	191,531	1,498	27,290
- Inventories	157,167	166,296	133,645	-9,129	23,522
- Other Current Assets	70,256	71,015	64,050	-759	6,206
Non Current Assets	841,292	809,516	728,861	31,776	112,431
- Investment	128,184	120,073	118,007	8,111	10,177
- PP&E	620,440	596,598	529,646	23,842	90,794
- Intangible Assets	33,552	34,082	27,794	-530	5,758
- Other Non Current Assets	59,116	58,763	53,414	353	5,702
Total Assets	1,556,312	1,481,659	1,342,887	74,653	213,425
Liabilities	537,859	495,016	449,397	42,843	88,462
- Debts	146,466	121,522	107,754	24,944	38,712
- Trade Accounts and N/P	102,767	112,756	91,487	-9,989	11,280
- Other Accounts and N/P & Accrued Expenses	160,620	130,063	140,036	30,557	20,584
- Income Tax Payable	12,628	11,502	20,515	1,126	-7,887
- Unearned Revenue & Other Advances	31,658	21,162	19,361	10,496	12,297
- Other Liabilities	83,720	98,011	70,244	-14,291	13,476
Shareholders' Equity	1,018,453	986,643	893,490	31,810	124,963
- Capital Stock	8,975	8,975	8,975	0	0
Total Liabilities & Shareholder's Equity	1,556,312	1,481,659	1,342,887	74,653	213,425

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

[Appendix 2] Income Statement (K-IFRS)

(Unit : KRW 100 Million)

	FY '11		4Q '11		3Q '11		FY '10		FY '11 Y-on-Y (A - D)	4Q '11 Q-on-Q (B - C)
	(A)	%	(B)	%	(C)	%	(D)	%		
Sales	1,650,018	100%	473,040	100%	412,739	100%	1,546,303	100%	103,715	60,301
Cost of Sales	1,121,451	68.0%	315,093	66.6%	277,542	67.2%	1,026,668	66.4%	94,783	37,551
Gross Profit	528,567	32.0%	157,946	33.4%	135,197	32.8%	519,635	33.6%	8,932	22,749
R&D	99,798	6.0%	27,425	5.8%	24,292	5.9%	90,994	5.9%	8,804	3,133
SG&A	274,219	16.6%	84,577	17.9%	67,992	16.5%	262,431	17.0%	11,788	16,585
- Wages & Fee	66,228	4.0%	18,304	3.9%	16,489	4.0%	62,124	4.0%	4,104	1,815
- Marketing Expenses	94,095	5.7%	31,700	6.7%	23,321	5.7%	90,592	5.9%	3,503	8,379
Other Operating Profits	7,947	0.5%	7,020	1.5%	-384	-0.1%	6,756	0.4%	1,191	7,404
Operating Profits	162,497	9.8%	52,964	11.2%	42,529	10.3%	172,966	11.2%	-10,469	10,435
Gain(or Loss) on Equity Method Investment	13,992	0.8%	3,209	0.7%	2,921	0.7%	22,671	1.5%	-8,679	288
Finance Incomes / Expenses	-4,899	-0.3%	-1,428	-0.3%	-4,127	-1.0%	-2,350	-0.2%	-2,549	2,699
- Interest Gain (or Loss)	616	0.0%	232	0.0%	96	0.0%	-230	0.0%	846	136
- F/X Related Gain (or Loss)	-6,648	-0.4%	-2,022	-0.4%	-5,565	-1.3%	-1,797	-0.1%	-4,851	3,543
Income Before Income Taxes	171,590	10.4%	54,744	11.6%	41,323	10.0%	193,287	12.5%	-21,697	13,421
- Income Taxes	34,249	2.1%	14,731	3.1%	6,906	1.7%	31,822	2.1%	2,427	7,825
Net Income	137,341	8.3%	40,013	8.5%	34,417	8.3%	161,465	10.4%	-24,124	5,596