

**Earnings Release Q1 2013**

**Samsung Electronics**

**April 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 Q1 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.

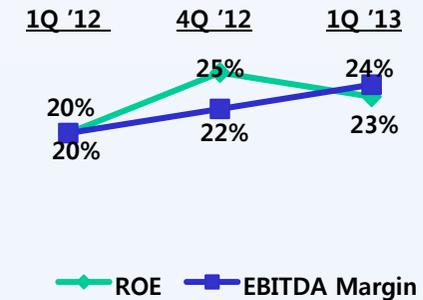
# Income Statement

(Unit: KRW Trillion)

	1Q '13	% of sales	4Q '12	% of sales	1Q '12
<b>Sales</b>	<b>52.87</b>	<b>100.0%</b>	<b>56.06</b>	<b>100.0%</b>	<b>45.27</b>
Cost of Sales	31.38	59.4%	34.55	61.6%	30.14
<b>Gross Profit</b>	<b>21.49</b>	<b>40.6%</b>	<b>21.51</b>	<b>38.4%</b>	<b>15.13</b>
SG&A expenses	12.71	24.0%	12.67	22.6%	9.44
- R&D expenses	3.33	6.3%	2.96	5.3%	2.73
<b>Operating Profit</b>	<b>8.78</b>	<b>16.6%</b>	<b>8.84</b>	<b>15.8%</b>	<b>5.69</b>
Other non-operating income/expense	△0.10	△0.2%	△0.51	△0.9%	0.16
Equity method gain/loss	0.18	0.3%	0.22	0.4%	0.37
Finance income/expense	0.19	0.4%	△0.01	△0.02%	0.13
<b>Profit Before Income Tax</b>	<b>9.05</b>	<b>17.1%</b>	<b>8.53</b>	<b>15.2%</b>	<b>6.35</b>
Income tax	1.89	3.6%	1.49	2.7%	1.30
<b>Net profit</b>	<b>7.15</b>	<b>13.5%</b>	<b>7.04</b>	<b>12.6%</b>	<b>5.05</b>

## Key Profitability Indicators

	1Q '13	4Q '12	1Q '12
<b>ROE</b>	<b>23%</b>	<b>25%</b>	<b>20%</b>
Profitability (Net profit/Sales)	0.14	0.13	0.11
Asset turnover (Sales/Asset)	1.14	1.33	1.15
Leverage (Asset/Equity)	1.49	1.51	1.53
<b>EBITDA Margin</b>	<b>24%</b>	<b>22%</b>	<b>20%</b>



# Segment Sales & Operating Profit

## Sales

(Unit: KRW Trillion)		<u>1Q '13</u>	<u>QoQ</u>	<u>4Q '12</u>	<u>1Q '12</u>
<b>Total</b>		<b>52.87</b>	<b>6% ↓</b>	<b>56.06</b>	<b>45.27</b>
CE		11.24	23% ↓	14.56	11.50
	VD	7.43	29% ↓	10.52	7.71
IM		32.82	7% ↑	30.71	22.47
	Mobile	31.77	7% ↑	29.60	21.21
DS		15.81	10% ↓	17.52	16.33
	Semiconductor	8.58	11% ↓	9.59	7.98
	- Memory	5.12	4% ↓	5.33	4.89
	DP	7.11	8% ↓	7.75	8.54

## Operating Profit

(Unit: KRW Trillion)		<u>1Q '13</u>	<u>QoQ</u>	<u>4Q '12</u>	<u>1Q '12</u>
<b>Total</b>		<b>8.78</b>	<b>1% ↓</b>	<b>8.84</b>	<b>5.69</b>
CE		0.23	67% ↓	0.70	0.50
IM		6.51	19% ↑	5.47	4.18
DS		1.85	28% ↓	2.56	0.95
	Semiconductor	1.07	25% ↓	1.42	0.70
	DP	0.77	31% ↓	1.11	0.23

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

※ Sales for each business unit includes intersegment sales.

※ Sales and Operating profit of each business unit are stated in accordance with the current organization.

# 1Q Results

## Semiconductor

### [Memory]

- **Market** : While supply growth remained marginal, demand for mobile devices remained stable
  - DRAM : PC demand remained low due to weak seasonality, while mobile-related demand was relatively solid; Supply decreased due to production mix shift from PC DRAM towards mobile / server DRAM
  - NAND : Despite weak seasonality, demand remained strong led by increased SSD adoption and mobile devices offering more contents; Supply growth momentum declined as suppliers increased mix of customized embedded product sales
- **Samsung** : Secured profitability through increased mix of differentiated product sales
  - DRAM : Increased specialty product (mobile/server) sales
    - LPDDR3 / eMCP / high-density server DRAM
  - NAND : Expanded high value-added solution product sales (eMMC/SSD) ; Enhanced cost competitiveness through 1xnm migration

### [System LSI]

- Earnings declined QoQ due to weak set product demand under weak seasonality

## D P

### [ LCD ]

- **Market**
  - Panel demand slowed down due to seasonally weak set product sales
  - TV panel : Panel demand declined (14%↓ QoQ) due to weak seasonal effects and inventory adjustment by set product makers
  - IT panel : Tablet panel demand declined as well due to weak seasonal effects while notebook and monitor panel demand remained weak (12%↓ QoQ)
  - Both TV and IT panel prices declined due to weak demand
- **Samsung** : Performance declined due to demand slow down coupled with ASP decline
  - TV panel : shipments declined by high-single digit-% QoQ and YoY
    - Successfully launched 60"+ ultra large-screen TV
  - IT panel : Continued sales growth of high value-added products such as tablet devices
- ※ OLED : Maintained solid earnings driven by increased OLED panel shipments for premium smartphones

# 1Q Results

## IM

### [Handset]

- **Market** : Handset and tablet demand declined QoQ due to weak seasonality
  - Handset : Smartphone demand decreased by single digit-% QoQ
  - Tablet : Demand decreased in both developed and emerging markets
- **Samsung** : Earnings grew led by increased sales (QoQ) of smartphones/ tablets and decreased marketing expenses
  - Smartphone : Maintained a steady pace of Galaxy SIII sales and improved sales of Note II, etc.
  - Tablet : Continued growth momentum with increased sales of Tab2 series
  - P C : Shipments decreased due to weak demand

### [Network]

- Earnings improved QoQ led by increased sales of LTE equipment under the trend of global LTE network expansion

## CE

### [TV]

- **Market** : Overall market demand declined QoQ due to weak seasonality
  - Market demand declined by 30% QoQ but stayed flat YoY
  - Flat panel TV demand increased 2.6% YoY (up 11% YoY in emerging markets)
- **Samsung** : Earnings declined QoQ due to lower overall market demand
  - Reinforced premium line-ups and regional-specialized LED models
    - ES7/8000 series : shipments increased by 25% YoY
    - LED TV sales mix : high-70% in 4Q → low-80% in 1Q

### [ Digital Appliances ]

- Earnings declined QoQ due to lower overall market demand under global economic slowdown and weak seasonality
  - Focused on future profit potential by reinforcement of product competitiveness and line-up expansion (both premium and mass market products)

# Outlook

## Semiconductor

### □ Memory

- DRAM : PC DRAM market to continue to shrink due to declined PC demand, while mobile DRAM demand to maintain steady growth driven by demand for new high-end/high-density flagship smartphones
- NAND : Demand growth to continue led by new model launches of mobile devices and increased SSD adoption in data centers, while suppliers to continue to target embedded product mix

### □ System LSI

- Expect earnings to improve driven by 28nm ramp-up and high-pixel CIS sales

## DP

### □ LCD

- Expect supply/demand to improve from the end of 2<sup>nd</sup> quarter driven by demand increase entering peak season
- TV panel : Expect demand to grow with size increase and 60" + / UHD product launches
- IT panel : Expect to maintain growth of tablet demand despite notebook and monitor panel demand to remain weak

- **OLED** : Demand to continue growth momentum led by new high-end smartphone launches

## IM

- Expect broadened market competitions led by new product launches and expansion of mid to low-end smartphone/tablet markets
- Smartphone : Weak seasonality to continue through 2<sup>nd</sup> quarter, while demand to recover during 2<sup>nd</sup> half
- Developed market : Expect replacement demand to grow driven by LTE expansion
- Emerging market : Expect growth led by mass-market smartphone
- Tablet : Competition to continue while demand to grow during 2Q

## CE

### □ TV

- During 2<sup>nd</sup> quarter, expect demand to increase QoQ driven by LED / Smart TV, while market competition to focus on old model promotion and new model launch
- During 2<sup>nd</sup> half, demand to improve under strong seasonality and competition to continue among key players
- Expect intensified competition in developed countries for advantage in new premium product (UHD TV) markets

### □ Digital Appliances

- Expect higher demand in emerging countries, despite low growth in overall market due to global economic slowdown

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

(Unit : KRW 100 Million)

	1Q '13	4Q '12	1Q '12
<b>Current Assets</b>	<b>951,976</b>	<b>872,690</b>	<b>712,928</b>
- Cash *	435,588	374,483	253,902
- A/R	233,982	238,612	219,003
- Inventories	195,018	177,474	163,565
- Other Current Assets	87,388	82,121	76,458
<b>Non Current Assets</b>	<b>956,451</b>	<b>938,026</b>	<b>890,592</b>
- Investments	146,299	140,147	131,068
- PP&E	687,657	684,847	659,984
- Intangible Assets	40,770	37,297	33,291
- Other Non Current Assets	81,725	75,735	66,249
<b>Total Assets</b>	<b>1,908,427</b>	<b>1,810,716</b>	<b>1,603,520</b>
<b>Liabilities</b>	<b>620,370</b>	<b>595,914</b>	<b>554,586</b>
- Debts	123,563	148,952	138,688
- Trade Accounts and N/P	104,781	94,891	116,714
- Other Accounts and N/P & Accrued Expenses	166,895	168,954	138,687
- Income Tax Payables	42,912	32,229	23,843
- Unearned Revenue & Other Advances	30,531	24,840	30,884
- Other Liabilities	151,688	126,048	105,770
<b>Shareholders' Equity</b>	<b>1,288,057</b>	<b>1,214,802</b>	<b>1,048,934</b>
- Capital Stock	8,975	8,975	8,975
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>1,908,427</b>	<b>1,810,716</b>	<b>1,603,520</b>

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

	1Q '13	4Q '12	1Q '12
<b>Current ratio *</b>	<b>189%</b>	<b>186%</b>	<b>158%</b>
<b>Liability/Equity</b>	<b>48%</b>	<b>49%</b>	<b>53%</b>
<b>Debt/Equity</b>	<b>10%</b>	<b>12%</b>	<b>13%</b>
<b>Net debt/Equity</b>	<b>-24%</b>	<b>-19%</b>	<b>-11%</b>

※ Current ratio \* = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	1Q '13	4Q '12	1Q '12
<b>Cash (Beginning of period)*</b>	<b>37.45</b>	<b>30.34</b>	<b>26.88</b>
Cash flow from Operation	12.82	12.07	8.43
Net profit	7.15	7.04	5.05
Depreciation	3.78	3.73	3.49
Others	1.89	1.30	-0.11
Cash flow from Investment	-4.45	-4.60	-8.02
Increase in tangible assets	-3.40	-4.15	-7.69
Cash flow from Finance	-2.62	0.06	-1.99
Increase in Debts	-2.69	0.08	-0.74
Increase in cash	6.11	7.11	-1.49
<b>Cash (End of period)*</b>	<b>43.56</b>	<b>37.45</b>	<b>25.39</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)

	1Q '13	4Q '12	1Q '12
<b>Net Cash</b>	<b>31.20</b>	<b>22.55</b>	<b>11.52</b>

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

## [Appendix 3] Sales/Operating Profit (in accordance with the current organizational structure)

\* The company implemented a minor organizational change at the end of 2012. (no changes with DS)

: IT Solutions (PC and Printer) business (formerly a part of IM) no longer exist.

- PC → Merged into Mobile (a part of IM)
- Printer → Printing Solutions (a part of CE)

(Unit : KRW Trillion)

		FY'12				
		1Q	2Q	3Q	4Q	Total
<b>Sales</b>	<b>Total</b>	<b>45.27</b>	<b>47.60</b>	<b>52.18</b>	<b>56.06</b>	<b>201.10</b>
	<b>CE</b>	11.50	12.83	12.22	14.56	51.11
	<b>IM</b>	22.47	23.36	29.30	30.71	105.84
	Mobile	21.21	22.43	28.40	29.60	101.63
	<b>DS</b>	16.33	17.03	17.40	17.52	68.29
	Semi	7.98	8.60	8.72	9.59	34.89
DP	8.54	8.25	8.46	7.75	33.00	
<b>Operating Profit</b>	<b>Total</b>	<b>5.69</b>	<b>6.46</b>	<b>8.06</b>	<b>8.84</b>	<b>29.05</b>
	<b>CE</b>	0.50	0.73	0.40	0.70	2.32
	<b>IM</b>	4.18	4.13	5.63	5.47	19.42
	<b>DS</b>	0.95	1.69	2.22	2.56	7.42
	Semi	0.70	1.03	1.02	1.42	4.17
	DP	0.23	0.71	1.17	1.11	3.21