

**Earnings Release Q3 2013**

**Samsung Electronics**

**October 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 3Q 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.

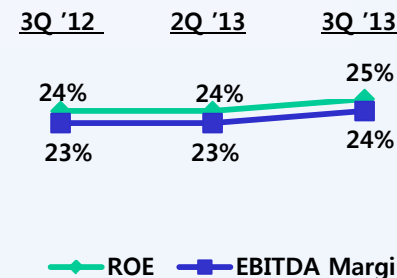
# Income Statement

(Unit: KRW Trillion)

	3Q '13	% of sales	2Q '13	% of sales	3Q '12
<b>Sales</b>	<b>59.08</b>	<b>100.0%</b>	<b>57.46</b>	<b>100.0%</b>	<b>52.18</b>
Cost of Sales	35.53	60.1%	34.34	59.8%	31.99
<b>Gross Profit</b>	<b>23.56</b>	<b>39.9%</b>	<b>23.12</b>	<b>40.2%</b>	<b>20.19</b>
SG&A expenses	13.39	22.7%	13.59	23.7%	12.13
- R&D expenses	3.66	6.2%	3.54	6.2%	2.98
<b>Operating Profit</b>	<b>10.16</b>	<b>17.2%</b>	<b>9.53</b>	<b>16.6%</b>	<b>8.06</b>
Other non-operating income/expense	△0.03	-	0.09	0.2%	0.06
Equity method gain/loss	0.15	0.3%	0.21	0.4%	0.13
Finance income/expense	△0.04	-	-	-	0.05
<b>Profit Before Income Tax</b>	<b>10.24</b>	<b>17.3%</b>	<b>9.83</b>	<b>17.1%</b>	<b>8.30</b>
Income tax	1.99	3.4%	2.05	3.6%	1.74
<b>Net profit</b>	<b>8.24</b>	<b>14.0%</b>	<b>7.77</b>	<b>13.5%</b>	<b>6.56</b>

## Key Profitability Indicators

	3Q '13	2Q '13	3Q '12
<b>ROE</b>	<b>25%</b>	<b>24%</b>	<b>24%</b>
Profitability (Net profit/Sales)	0.14	0.14	0.13
Asset turnover (Sales/Asset)	1.21	1.19	1.26
Leverage (Asset/Equity)	1.47	1.48	1.53
<b>EBITDA Margin</b>	<b>24%</b>	<b>23%</b>	<b>23%</b>



# Segment Sales & Operating Profit

<b>Sales</b>		(Unit: KRW Trillion)	<u>3Q '13</u>	<u>QoQ</u>	<u>2Q '13</u>	<u>3Q '12</u>
			<b>Total</b>	<b>59.08</b>	<b>3% ↑</b>	<b>57.46</b>
CE			12.05	6% ↓	12.78	12.22
	VD		7.68	3% ↓	7.94	8.23
IM			36.57	3% ↑	35.54	29.30
	Mobile		35.20	2% ↑	34.58	28.40
DS			17.90	5% ↑	17.05	17.40
	Semiconductor		9.74	12% ↑	8.68	8.72
	- Memory		6.37	12% ↑	5.70	5.22
	DP		8.09	1% ↓	8.18	8.46

## Operating Profit

		(Unit: KRW Trillion)	<u>3Q '13</u>	<u>QoQ</u>	<u>2Q '13</u>	<u>3Q '12</u>
			<b>Total</b>	<b>10.16</b>	<b>7% ↑</b>	<b>9.53</b>
CE			0.35	18% ↓	0.43	0.40
IM			6.70	7% ↑	6.28	5.63
DS			3.09	6% ↑	2.92	2.22
	Semiconductor		2.06	17% ↑	1.76	1.02
	DP		0.98	12% ↓	1.12	1.17

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.

# 3Q Results

## Semiconductor

### [Memory]

- Market : Demand remained solid in all segments, mobile/server/PC/game console
  - DRAM : Demand up led by new mobile/game device launches; Server DRAM demand remained strong; PC demand up due to seasonality
  - NAND : Demand up led by new smartphone launches; Solid demand growth continued driven by broader SSD adoption in PC/datacenter
- Samsung : Earnings improved led by increased sales of high value-added/differentiated products while advancing migration to cutting-edge process
  - DRAM : Expanded sales of high value-added DRAM for mobile/server/new game consoles while increasing migration to 20nm-class
  - NAND : Expanded high value-added solution product offerings with broader adoption of 3bit MLC while increasing migrations to 10nm-class

### [System LSI]

- Sales slightly increased as mobile AP demand grew led by major customer's new product launches

## D P

### [ LCD ]

- Market : Panel price declined due to rising inventories in the industry while demand down QoQ despite entering peak season
  - TV panel : Demand declined due to inventory issues from flat set demand in Europe and set sales decrease in China  
※ 7%↓QoQ, 7%↓YoY
  - IT panel : Tablet demand growth continued, while panel demand for notebook/monitor declined due to flat PC market demand growth  
※ 1%↑QoQ
- Samsung: Despite increased panel shipments, earnings down due to price decline
  - TV panel : shipment increased by mid single digit % QoQ decreased by low single digit % YoY
    - Increased sales of 60"+ large-size TV/UHD line ups and expanded customer base
  - IT panel : Increased sales momentum of panels for tablet and premium notebook/monitor (high-resolution/PLS)

### [ OLED ]

- High-end smartphone panel sales increased including new products such as Note 3, etc.

# 3Q Results

## IM

### [Handset]

- Market : Handset/tablet demand up entering peak season
  - Smartphone/tablet demand increased by high single digit QoQ due to increased new product launches in the market
- Samsung : Earnings improved driven by smartphone/tablet sales volume increase and effective marketing cost management
  - Smartphone : Total shipments up QoQ led by increased sales of mass-market models; High-end model shipments stayed at similar level QoQ driven by solid sales of current models with Note III launch
  - Tablet : Shipments sharply increased due to enhanced product line-ups with Tab3 expansion
  - P C : Improved product mix by focusing on mid/high-end

### [Network]

- Earnings improved QoQ due to increased LTE equipment sales in overseas market

## CE

### [TV]

- Market : FPTV market grew QoQ driven by North America and emerging market growth, despite demand decrease QoQ and YoY in EU/China
  - ASP declined in large-size TV market due to intensified competition in developed market (50/55" LED TV ASP in Developed Market :  $\Delta 5\% \downarrow$  QoQ)
- Samsung : Reinforced 60"+ large-size TV line-ups in North America; Sales increased in China driven by enhanced mass-market line-ups
  - Increased shipments of high value-added products including 60"+ large-size TV products
    - 60"+ large-size TV sales portion : 12% in 2Q  $\rightarrow$  14% in 3Q
  - Increased premium product sales in emerging market
    - F7/8000 shipments increased 3% QoQ in emerging market

### [ Digital Appliances]

- Market : Emerging market growth to decline, under continued trend of global market slowdown
- Samsung: Focused on improving competitiveness by enhancing mass-market model line-ups

# 4Q Outlook

## Semiconductor

### Memory

- DRAM : Expect tight market due to solid demand for mobile/server under industry supply uncertainty
- NAND : Expect market tightness due to solid demand for mobile and SSD (PC/Datacenter)

### System LSI

- Expect mobile AP demand to grow led by major customer's new products; high-pixel image sensor demand to increase

## DP

### LCD

- Expect possibly weaker panel demand led by low TV demand despite entering peak season
  - TV panel : Expect market inventory issues to continue while over 60" + large-size/UHD demand to grow
  - IT panel: Tablet panel portion growth to continue

- OLED : Enhance market leadership by improving differentiated product offerings such as 5.7" FHD (Glass & Curved)

## IM

### Handset

- Expect smartphone/tablet market growth to continue due to seasonality, while competitions to intensify further
- Smartphone: Expect balanced growth in both developed and emerging market
  - Developed markets : Expect demand growth driven by seasonal promotions, e.g. LTE subscriptions in North America and Korea
  - Emerging markets : Expect steady demand growth led by mass-market smartphone sales
- Tablet : Expect healthy demand growth led by year-end promotions

## CE

### TV

- Expect demand growth in developed market entering peak season; while the world-cup pull-in demand to drive growth in Latin America and other emerging markets, etc.
- Competitions to intensify over 60" + large-size/UHD TVs in developed market and China

### Digital Appliances

- Market demand to remain weak due to uncertainties in the global economy

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

(Unit : KRW Billion)

	3Q '13	2Q '13	3Q '12
<b>Current Assets</b>	<b>110,166</b>	<b>104,791</b>	<b>82,077</b>
- Cash *	52,684	46,986	30,336
- A/R	26,283	27,108	24,371
- Inventories	21,935	21,562	19,474
- Other Current Assets	9,265	9,135	7,896
<b>Non Current Assets</b>	<b>100,647</b>	<b>98,971</b>	<b>94,650</b>
- Investments	16,130	15,725	14,802
- PP&E	71,361	70,398	68,996
- Intangible Assets	3,971	4,062	3,698
- Other Non Current Assets	9,185	8,786	7,154
<b>Total Assets</b>	<b>210,813</b>	<b>203,762</b>	<b>176,727</b>
<b>Liabilities</b>	<b>66,374</b>	<b>65,382</b>	<b>60,188</b>
- Debts	11,756	13,825	15,345
- Trade Accounts and N/P	11,457	10,527	11,064
- Other Accounts and N/P & Accrued Expenses	18,846	18,043	14,479
- Income Tax Payables	3,509	3,066	3,356
- Unearned Revenue & Other Advances	2,998	2,884	2,515
- Other Liabilities	17,808	17,037	13,429
<b>Shareholders' Equity</b>	<b>144,439</b>	<b>138,380</b>	<b>116,539</b>
- Capital Stock	898	898	898
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>210,813</b>	<b>203,762</b>	<b>176,727</b>

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

	3Q '13	2Q '13	3Q '12
<b>Current ratio *</b>	<b>203%</b>	<b>197%</b>	<b>172%</b>
<b>Liability/Equity</b>	<b>46%</b>	<b>47%</b>	<b>52%</b>
<b>Debt/Equity</b>	<b>8%</b>	<b>10%</b>	<b>13%</b>
<b>Net debt/Equity</b>	<b>-28%</b>	<b>-24%</b>	<b>-13%</b>

※ Current ratio \* = Current assets/Current liabilities



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

(Unit : KRW Trillion)

	3Q '13	2Q '13	3Q '12
<b>Cash (Beginning of period)*</b>	<b>46.99</b>	<b>43.56</b>	<b>23.80</b>
Cash flows from operating activities	15.01	8.60	11.54
Net profit	8.24	7.77	6.56
Depreciation	3.94	3.81	3.87
Cash flows from investing activities	-7.07	-6.00	-5.75
Increase in tangible assets	-6.20	-5.47	-4.94
Cash flows from financing activities	-1.54	0.42	0.84
Increase in debts	-1.46	1.33	0.93
Increase in cash	5.70	3.43	6.53
<b>Cash (End of period)*</b>	<b>52.68</b>	<b>46.99</b>	<b>30.34</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)

	3Q '13	2Q '13	3Q '12
<b>Net Cash</b>	<b>40.93</b>	<b>33.16</b>	<b>14.99</b>

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