Driving Innovation Towards a Smarter Life

Oh-Hyun Kwon
Vice chairman & CEO
The materials in this report include forward-looking statements which can generally be identified by phrases such as Samsung Electronics (SEC) or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar implications. Similarly, such statements that describe the company’s business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. All such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in the presentation files above.

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 report.
Inspire the World, Create the Future

**Business portfolio**

- **Infotainment**
  - Component
  - System
  - Device
  - Information
  - Telecommunication
  - Audio/Video
  - Content & Service
- **Lifecare**
  - Software
  - Solution
  - Healthcare
  - Convenience
  - Environment

**Goals**

- **Revenue goal:** $400B in 2020
- **Most Valuable Brands**
  - Global Top 5
- **Most Admired Company**
  - Global Top 10
- **Most Innovative Company**
  - Global Top 5
- **Eco-Friendly Company**
  - Global Top Tier

No.1 in IT Industry & Global Top 10
Vision 2020 – Strategic Pillars

Provide a compelling vision to industry, society and employees

Industry Vision
- Lead new technology
- Build new market
- Create new lifestyle

Vision 2020
- Expand partner network
- Respect the environment
- Stakeholder management

Social Vision

Employee Vision
- Build expertise
- Develop talents
- Instill passion
Vision 2020 – Market Landscape

In spite of a sluggish global electronics market, smart devices and components market are growing rapidly...

Cumulative addressable market, in $Billion
(in parenthesis: CAGR 2010-2017)

- **Total (5.0%)**
- **Devices (4.8%)**
- **Components (4.7%)**
- **Display (6.6%)**

**Categories**

- **Devices**: Smart and feature phones, smart TV and other TV, laptops, tablets, medical devices, printers, home appliances, networks, digital cameras
- **Components**: memories, SoC, Image sensor, foundries, and LED

Sources: Display Search, Strategy Analytics, IDC, InMedica, Kalorama, Euromonitor, GFK, iSuppli, Samsung assumption

Note (*): CAGR for TVs is 2012 to 2017
Era of a “Smarter Life”

...these trends are explained by behavioral and industrial shifts, focusing on a “smarter life”

Want and needs
- Wellness
- Convenience
- Safety
- Rich Experience

IT explosion
- Connected device
- Application
- Information

Industry Convergence
- Education
- Car
- Healthcare
- Home

+ IT
Era of a “Smarter Life”

Facing a more complex environment, consumers want wellness, security, comfort and convenience and a rich experiences

<table>
<thead>
<tr>
<th>Wellness</th>
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<tbody>
<tr>
<td>Consumers awareness of the word “Wellness”</td>
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<table>
<thead>
<tr>
<th>Security &amp; Convenience</th>
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<tbody>
<tr>
<td>Consumer motivation for buying smart home solutions</td>
</tr>
</tbody>
</table>

Source: SRI International, 2010

Source: BCG smart home consumer survey, 2013
Era of a “Smarter Life”

The IT industry will expand dramatically, thereby answering consumers’ expectations.

**IT explosion**

**Device**  
(Connected devices)  
- 2013: 10  (B Units)  
- 2020: 25  (B Units)  
- **Smartphones**: 10%  
- **Tablet**: 16%  
  (Units, ‘13~’17 CAGR)

**Application**  
(Apps downloaded)  
- 2012: 64  (B Units)  
- 2017: 269  (B Units)  
- **Media & Game**: 42%  
- **Health & Fitness**: 4%  
  (Android Apps 2013)

**Information**  
(Digital Universe)  
- 2010: 1,227  (EB (*) )  
- 2020: 40,026  (EB (*) )  
- **Entertainment**: 47%  
- **Security**: 35%  
  (In the cloud, 2020)

Source: Machina Research, 2013  
Source: Gartner, 2013  
Source: IDC and EMC, 2012

Note (*): EB refers to Exabytes (1 EB = 1,000,000,000,000 GB)
Era of a “Smarter Life”

The convergence of consumers needs with CE and IT technology will transform many industries

- **Smart healthcare**
- **Smart office**
- **Smart home**
- **Smart car**

**mHealth, market size ($B)**

- 2013: 0
- 2015: 5
- 2017: 10

**Smart home, US market size ($B)**

- 2013: 1
- 2015: 5
- 2017: 10

**Source:**
- PwC
- BCG
Era of a “Smarter Life”

These phenomena would not be possible without new types of components

- Wellness
- Convenience
- Safety
- Rich Experience

IT explosion

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Industry Convergence

- N-screen
- Smart city
- Smart home

Required technology

- Enhanced computing power
- Higher storage capacity
- Less power consumption
- Simpler UI
Era of a “Smarter Life”

Components play a key role in development of smart devices

Differentiable for
low power, high performance, Innovative form factors
larger size, higher resolution, smart interfaces
Samsung Components – Enabling a Smarter Life

Build devices with high performance & low power consumption

2013 | 2014 | 2015 | 2016 | 2017

Memory
- NAND Tech. Barriers
- Vertical NAND
- DRAM Tech. Barriers
- New Material/Solution/Structures

AP
- 2D Transistor
- 3D (FinFET)
- Technology Barriers
- New Structures

Image Sensor
- Stack Structure
- Higher Resolution Technology

Display
- Curved
- Bended
- Foldable

* Time of Technology Development
Samsung Devices for a Smarter Life – TV

Deliver an immersive experience with smart TVs & new form factors

**Smart TV** (Rich experience)
- Intuitive UX/UI
- Differentiated content & service

**New form factor** (Reality)
- UHD TV
- Curved TV
- Smart Wall
- Smart Mirror

**Larger screens, 4K resolution**

**Smart evolution**

Note (*) UHD (Ultra High definition)
Empower users to truly experience, enjoy and fulfill their busy life

**N-service** (Simple, Convenience)
- Higher connectivity between devices
- Always on anywhere, anytime

**Life companion** (Convenience, Well-being)
- Phablet (Note 3)
- Curved
- Wearables

- Create new categories
- Brand-new way to stay connected
Samsung Devices for a Smarter Life – Appliances

Provide comfort & convenience with stylish design and eco-tech.

Comfort with eco-friendly technology

- Energy-efficient and water-saving
- Innovative digital features

Smart kitchen solution for convenience

- Smart functions for cooking experience
- Collaboration with top chefs
Pump up Samsung devices with powerful services

Samsung Smart Solutions – Multimedia Services

Connected devices

Number of connected devices, worldwide (Billion Units)

Source: Machina research, 2013
Samsung Smart Solutions – Smart Home

Connect home devices for greater peace of mind

People’s needs & Samsung’s competence

People want more
- Wellness
- Convenience
- Safety
- Rich Experience

Samsung’s Disruption
- Home control solution
- Smarter appliances
- Smart lighting
- TV + wireless speaker sys.

Smart Home

Security

Energy saving

Home fitness & healthcare

Home theater
Samsung Smart Solutions – Medical Devices

Develop innovative and advanced medical devices

Market needs & Samsung’s competence

Pain point in the market
- Analog
- Hard to use
- Low resolution
- Bulky

Samsung’s Disruption
- IT/CE capabilities
- Components technology
- Samsung group synergies

Healthcare innovation
- Optimized size
- High performance
- High resolution
- 3D image
- Portable

Hi-resolution image
Wearable bio-sensors
Portable device
Samsung Smart Solutions – Enterprise Solutions

Offer holistic solutions to enterprise customers

B2B portfolio

Enterprise devices
- Mobile
- NPC
- PRT
- LFD
- N/W

Enterprise solutions
- Samsung Knox
- SAFE
- Samsung Solutions Exchange

Security, Wireless Contents mgmt, Connectivity, etc.

Targets

$ B
100
50
0
2013
2020

Education
Government
Retail

SAMSUNG ANALYST DAY 2013 - 17/22 -
Our Core Competencies – R&D

Prepare the future with great capabilities

R&D Organization
- GBM 1~2 yrs
- DMC 3-5 yrs horizon
- SAIT Long term research

R&D Role
- Securing core technology
- Leveraging R&D resources
- Supporting local business

Advanced R&D
- Next generation telecommunication
- Smart home solution
- Holographic display
- Next generation memory based on new material (resistive RAM, magnetic RAM)

Number of patents, 2012
- US: 30,641
- Global: 102,995

Source: USPTO, Based on registration
Our Core Competencies – Human Resources

Create the future with global talents and a creative organization

Global talents

326k employees worldwide

- 7k Doctorates (16% Overseas, 84% Domestic)
- 40k S/W Staffs (51% Overseas, 49% Domestic)
- 1.6k Designers (13% Overseas, 87% Domestic)

34 R&D Centers and 5 PIT (Product Innovation Team)

- Identify growth engines for the future
- Conceptualize product features and designs
Future Aspiration – Open Innovation & Acquisitions

Foster a rich ecosystem of partners, leverage inorganic growth

**Open Innovation**

**OIC locations**
- Shared technology roadmap
- Smooth integration within Samsung ecosystems

**Purpose**
- Fund Start-ups
- Accelerate Ideas
- Create Partnerships

**Acquisitions**
- Strategic for new business
- Opportunistic for current business

Smarter life

MEDISON

mspot

NeuroLogica

csr
Growth target by categories

We will continue to outpace the market growth

**Smartphone, TV**
- TAM (*) 1.3%

<table>
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**Appliances, Printers, LED, Medical equipment**
- TAM 4.9%

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**Memory, SoC, Image sensor**
- TAM 4.2%

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**Displays**
- TAM 6.0%

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Conclude

Going above and beyond

($B)

Revenue projection from 2013
Current revenue growth
Vision set in 2009

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