Invest in our future

Sang-hoon Lee
President & Chief Financial Officer
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.
Sustainable Growth & Profitability

Enhance Competitive Edge

- Capex
- R&D
- Patent
- Mkt.
- HR
- M&A

Maximize Mgmt Effectiveness

- Finance
- Risk Management
- Systems (ERP/SCM)
Sustainable Growth & Profitability

Enhance Competitive Edge

Capex  R&D  Patent  Mkt.  HR  M&A

Maximize Mgmt Effectiveness

Finance  Risk Management  Systems (ERP/SCM)
Continuous growth

2010: $136 Billion USD
2011: $143 Billion USD
2012: $188 Billion USD
2013(E): $211 Billion USD

CAGR: 16%

* 2013(E): Bloomberg Consensus
Balanced structure

**By Business area**

- DP
- Semi
- CE
- IM

**By Geography**

- America 28%
- EU / CIS 23%
- China 18%
- Domestic 11%
- Others 20%

* 2013(E) : Fn Guide Consensus
Strong improvement

<table>
<thead>
<tr>
<th>Year</th>
<th>OP margin</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>14</td>
<td>32%</td>
</tr>
<tr>
<td>2012</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>2013(E)</td>
<td>35*</td>
<td>32%</td>
</tr>
</tbody>
</table>

* 2013(E) : Bloomberg Consensus
Increase in premium product sales have boosted profits

- **Gross margin**: 34% in 2010, 32% in 2011, 37% in 2012, 40% in 2013.3Q
- **SG&A / Revenue**: 23% in 2010, 23% in 2011, 23% in 2012, 23% in 2013.3Q
- **ROE**: 20% in 2010, 14% in 2011, 21% in 2012, 25% in 2013.3Q
Disciplined Financial management

Improved equity ratios

**Debt ratio**
- 2010: 50
- 2011: 54
- 2012: 49
- 2013: 46%

**Cash borrowing ratio**
- 2010: 12
- 2011: 14
- 2012: 12
- 2013: 8%
Delivered asset efficiency to minimize working capital increase

Working Capital Increase
* Working Capital Increase to Cash flow from Operation
Sustainable Growth & Profitability
Enhance Competitive Edge
Maximize Mgmt Effectiveness

Capex | R&D | Patent | Mkt. | HR | M&A

Finance | Risk Management | Systems (ERP/SCM)
Investments

Sustainable Growth & Profitability

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Maximize Mgmt Effectiveness
- Finance
- Risk Management
- Systems (ERP/SCM)
Key source of sustainable growth & competitive edge

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex (Billion USD)</th>
<th>EBITDA (Billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>2011</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>2012</td>
<td>21</td>
<td>41</td>
</tr>
<tr>
<td>2013 (E)</td>
<td>22*</td>
<td>50**</td>
</tr>
</tbody>
</table>

* Annual Budget
** Bloomberg Consensus
Manage under strict principles and guidelines

<table>
<thead>
<tr>
<th>Principles</th>
<th>Guidelines</th>
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<tbody>
<tr>
<td>- Differentiate technology and Profitability</td>
<td>- Execution within C/F</td>
</tr>
<tr>
<td>- Flexible planning to reduce risk</td>
<td>- IRR</td>
</tr>
<tr>
<td></td>
<td>- Payback period</td>
</tr>
</tbody>
</table>
New focus

Capacity, M/S → Technology, New Market

ROIC: 15, 21% (2013E)
Continuous investing for growth

People
- Global R&D investment ranking #2 in 2013, Booz&Co.

Budget
- $8B in 2010
- $14B in 2013

Domestics and Overseas
- 80K in 2013
- 50K in 2010
Key strategic shifts

**New focus**
- H/W
- In-house
- Comp.
- S/W
- Open Innovation
- Set

**New directions**
- Effective use of global R&D resources
- Soft competitive edge
- New growth engine
Persistent increase in IP risk

Threats

- patent troll and competitors

Changes

- regulations in major countries
Reinforcing IP competitive edge

IP Centers
- HQ
- 3 Regional

Patent Experts
- 600 In-house experts

Early Engagement
- Product planning stage
Global top 10 brand value

$39.6B*

No.1 Brand Awareness
- Smart phone
- TV

Samsung GMO, Brand Awareness Survey

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td></td>
<td>* Interbrand</td>
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</table>

* Interbrand
Utilize strong brand assets

Brand ideal
- “Accelerating discoveries and possibilities”
- Fully integrated with all business activities

Differentiated strategy
- Experiential
- Interactive
- Localized

2020 Brand Value: Global Top 5 ($80B)
‘People’ as one of our core values

- **Domestics**
  - 2010: 190K
  - 2013: 326K

- **Overseas**
  - 2010: $11B
  - 2013: $18B

**People**

**Budget**
Strategic directions for HR

- Securing talent
  - Talent
  - Creative Lab
  - Open Innovation
  - S/W

- Creativity

- Efficient HR

Future competitive edge
14 companies, over $1B invested
Growth objectives via M&A

- Reinforcing current businesses
- Finding new business opportunities
- Securing talent
Sustainable Growth & Profitability

Enhance Competitive Edge

Capex, R&D, Patent, Mkt., HR, M&A

Maximize Mgmt Effectiveness

Finance, Risk Management, Systems (ERP/SCM)
Sustainable Growth & Profitability

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Maximize Mgmt Effectiveness
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- Systems (ERP/SCM)
Real-time monitoring under rules & processes

Monitoring system
- Regional market condition
- F/X, Inventory, A/R
- Contingency plan

Rules & processes
- Manuals
- Check-list system
- Early warning protocol
Increase of government regulations globally
All employees access **Real-time** data managed by **One system** at **Any time**

- Lack of process standardization
- For different working places
- Complicated system interface

**Non-standardized**
54 Countries, 115 Systems

**One Global ERP**
24-hour, Year-round operation

- Real-time information sharing
- Fast response to global business Environment changes

**Standardization Process / Data**
Global SCM

Operational excellence

- Development
- Procurement
- Manufacturing
- After Service
- Sales
- Logistics

Speed
- Weekly decision making
- Production flexibility (CELL)
- Global logistics Hub

Flexibility
- Global S&OP *
- Customer collaboration (CPFR)
- Retail & channel SCM

* S&OP : Sales and Operation Plan
• Total shareholder return based on free cash flow

• Target dividend yield

• Three year review term
Valuation

PBR & PER declined despite increased ROE and profits

Operating profit 2,000

Thousand KRW

PBR & PER declined despite increased ROE and profits

Billion USD

Operating
profit

PBR

1.6 x

12.3

PER

7.0 x

10 15 14

'10 '11 '09 '12 '13.9

10 15 14 27

'09 '10 '11 '12 '13(E)
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