

**Earnings Release Q3 2014**

**Samsung Electronics**

**October 2014**

# 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 2014 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.

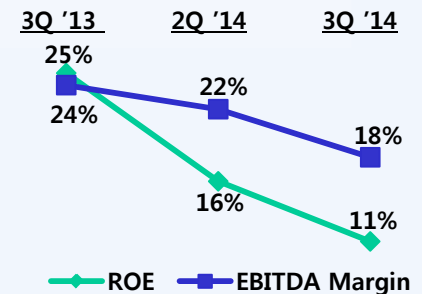
# Income Statement

(Unit: KRW Trillion)

	3Q '14	% of sales	2Q '14	% of sales	3Q '13
<b>Sales</b>	<b>47.45</b>	<b>100.0%</b>	<b>52.35</b>	<b>100.0%</b>	<b>59.08</b>
Cost of Sales	30.71	64.7%	31.67	60.5%	35.53
<b>Gross Profit</b>	<b>16.74</b>	<b>35.3%</b>	<b>20.68</b>	<b>39.5%</b>	<b>23.56</b>
SG&A expenses	12.68	26.7%	13.49	25.8%	13.39
- R&D expenses	3.34	7.0%	3.70	7.1%	3.66
<b>Operating Profit</b>	<b>4.06</b>	<b>8.6%</b>	<b>7.19</b>	<b>13.7%</b>	<b>10.16</b>
Other non-operating income/expense	0.54	1.1%	0.25	0.5%	△0.03
Equity method gain/loss	0.002	0.0%	0.06	0.1%	0.15
Finance income/expense	0.24	0.5%	0.28	0.5%	△0.04
<b>Profit Before Income Tax</b>	<b>4.85</b>	<b>10.2%</b>	<b>7.79</b>	<b>14.9%</b>	<b>10.24</b>
Income tax	0.62	1.3%	1.53	2.9%	1.99
<b>Net profit</b>	<b>4.22</b>	<b>8.9%</b>	<b>6.25</b>	<b>11.9%</b>	<b>8.24</b>

## Key Profitability Indicators

	3Q '14	2Q '14	3Q '13
<b>ROE</b>	<b>11%</b>	<b>16%</b>	<b>25%</b>
Profitability (Net profit/Sales)	0.09	0.12	0.14
Asset turnover (Sales/Asset)	0.85	0.95	1.21
Leverage (Asset/Equity)	1.42	1.42	1.47
<b>EBITDA Margin</b>	<b>18%</b>	<b>22%</b>	<b>24%</b>



# Segment Sales & Operating Profit

## Sales

		(Unit: KRW Trillion)			
		<u>3Q '14</u>	<u>QoQ</u>	<u>2Q '14</u>	<u>3Q '13</u>
<b>Total</b>		<b>47.45</b>	<b>9% ↓</b>	<b>52.35</b>	<b>59.08</b>
CE		11.60	11% ↓	13.00	12.05
	VD	7.21	10% ↓	8.06	7.68
IM		24.58	14% ↓	28.45	36.57
	Mobile	23.52	15% ↓	27.51	35.66
DS		16.29	0.4% ↑	16.23	17.90
	Semiconductor	9.89	1% ↑	9.78	9.74
	- Memory	7.93	15% ↑	6.92	6.37
	DP	6.25	1% ↓	6.33	8.09

## Operating Profit

		(Unit: KRW Trillion)			
		<u>3Q '14</u>	<u>QoQ</u>	<u>2Q '14</u>	<u>3Q '13</u>
<b>Total</b>		<b>4.06</b>	<b>△3.13</b>	<b>7.19</b>	<b>10.16</b>
CE		0.05	△0.72	0.77	0.35
IM		1.75	△2.67	4.42	6.70
DS		2.33	0.24	2.09	3.09
	Semiconductor	2.26	0.40	1.86	2.06
	DP	0.06	△0.16	0.22	0.98

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

※ Sales for each business unit includes intersegment sales.

※ 2013 sales and operating profit of each business stated above reflect the organizational structure as of 2014.

# Q3 Results and Q4 Market Outlook by Business Units

## Semiconductor

### [Q3 Results]

- Memory : Amid solid seasonal demand, improved earnings through profit driven product mix management and continuous leading edge process migration
  - DRAM : Actively addressed increased demands such as mobile and EDP, while expanding 20nm class portion
  - NAND : Expanded shipments of mobile storage and high-density PC/enterprise SSD products, while increasing 10nm class/3bit portion of shipments
- S.LSI : Earnings declined due to lower AP demand and LSI components inventory adjustment by major customers

### [Q4 Outlook]

- Memory : Expect continued solid demand under peak season
  - DRAM : Expect supply-demand balance to remain stable; Solid demand for new mobile products; Strong demand for new server platform
  - NAND : Expect increased demand for high-density mobile storage and consumer, while strong high-density SSD demand for PC/Enterprise to continue
- S.LSI : Expect revenue to improve driven by increase in 20nm AP supply and expansion of LSI products sales

## D P

### [Q3 Results]

- Earnings declined due to weak OLED shipments despite strong LCD sales
  - OLED : Earnings weakened reflecting lower sales QoQ as customers changed line-ups and adjusted inventories
  - LCD : Earnings improved QoQ driven by increased UHD TV and IT panels shipments and higher TV panel ASP
- TV panel : Shipments decreased by low single-digit % QoQ increased by mid single-digit % YoY
  - ☞ Shipments expansion continued for premium products such as UHD and curved panels
- IT panel : Overall shipments expanded; Focused on profit driven product mix management

### [Q4 Outlook]

- LCD : Expect solid supply and demand condition to continue led by TV panel size increase and UHD TV market growth
- OLED : Expect new high-end product shipments to increase; Focus on expanding customer base and reinforcing mass-market product line-up

# Q3 Results and Q4 Market Outlook by Business Units

## I M

### [Q3 Results]

- Despite slight growth in shipments, earnings declined QoQ as ASP decreased due to weak smartphone product mix and sales decrease put pressure on the cost structure
  - Smartphone: Shipments up slightly driven by mid to low-end products; ASP down due to reduced price for older models and declined shipment portion of H/E products; Marginal impact from new Note4, which was released around the end of Q3
  - Tablet : Under strong seasonality, Shipments increased led by expansion of new Tab S
- Network: Sales slightly improved driven by increased LTE investments by Local and global carriers

### [Q4 Outlook]

- Expect demand for smartphone and tablet to increase under year-end seasonality while competition among set makers to intensify
  - Increased competition for launch of new models by set makers; Price competition to intensify further for year-end promotion

## C E

### [Q3 Results]

- TV : Earnings declined QoQ due to decreased ASP and higher panel price, while shipments slowed down following 1<sup>st</sup> half strong sales in Latin America led by the World Cup
  - In China & Asia, shipments increased QoQ led by reinforced emerging market product line-ups including mass-market UHD TV
    - LCD TV (QoQ) : China 24% ↑, Asia 11% ↑
    - Increased shipments of new products (Curved/UHD, etc.)
      - Curved TV QoQ 62% ↑, UHD TV QoQ 31% ↑
- Digital Appliances : Earnings declined QoQ due to sales slowdown amid low seasonality, while air conditioner shipments decreased due to earlier-than-expected ending of peak season
  - Increased sales of new models of refrigerator
    - FDR/FSR sales: QoQ 17% ↑, YoY 45% ↑
      - ※ FDR : French Door Refrigerator, FSR : Food Showcase Refrigerator

### [Q4 Outlook]

- Expect significantly higher level of market demand growth for TV QoQ, entering strong year-end seasonality in developed market
- Expect digital appliances demand to increase driven by US & EU markets

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

(Unit : KRW Billion)

	Sep 30, 2014	Jun 30, 2014	Sep 30, 2013
<b>Current Assets</b>	<b>119,811.3</b>	<b>112,799.7</b>	<b>110,166.0</b>
- Cash *	66,951.2	60,663.0	52,683.6
- A/R	24,069.5	24,432.9	26,282.7
- Inventories	18,872.7	18,276.1	21,934.6
- Other Current Assets	9,917.9	9,427.7	9,265.1
<b>Non Current Assets</b>	<b>111,935.2</b>	<b>111,923.4</b>	<b>100,646.9</b>
- Investments	17,709.7	17,548.8	16,130.5
- PP&E	76,012.1	75,593.7	71,360.6
- Intangible Assets	4,684.8	4,220.3	3,971.0
- Other Non Current Assets	13,528.6	14,560.6	9,184.8
<b>Total Assets</b>	<b>231,746.5</b>	<b>224,723.1</b>	<b>210,812.9</b>
<b>Liabilities</b>	<b>68,278.8</b>	<b>65,209.6</b>	<b>66,374.1</b>
- Debts	13,938.5	13,972.2	11,755.9
- Trade Accounts and N/P	9,483.4	8,161.6	11,457.0
- Other Accounts and N/P & Accrued Expenses	17,747.1	17,044.4	18,845.7
- Income Tax Payables	3,943.6	4,304.7	3,508.9
- Unearned Revenue & Other Advances	3,048.2	2,294.0	2,998.5
- Other Liabilities	20,118.0	19,432.7	17,808.1
<b>Shareholders' Equity</b>	<b>163,467.7</b>	<b>159,513.5</b>	<b>144,438.8</b>
- Capital Stock	897.5	897.5	897.5
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>231,746.5</b>	<b>224,723.1</b>	<b>210,812.9</b>

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

	Sep 30, 2014	Jun 30, 2014	Sep 30, 2013
<b>Current ratio *</b>	<b>225%</b>	<b>226%</b>	<b>203%</b>
<b>Liability/Equity</b>	<b>42%</b>	<b>41%</b>	<b>46%</b>
<b>Debt/Equity</b>	<b>9%</b>	<b>9%</b>	<b>8%</b>
<b>Net debt/Equity</b>	<b>-32%</b>	<b>-29%</b>	<b>-28%</b>

※ Current ratio \* = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	3Q '14	2Q '14	3Q '13
<b>Cash (Beginning of period)*</b>	60.66	61.48	46.99
Cash flows from operating activities	10.44	8.91	15.01
Net profit	4.22	6.25	8.24
Depreciation	4.33	4.20	3.94
Cash flows from investing activities	-3.90	-8.84	-7.07
Increase in tangible assets	-3.86	-4.68	-6.20
Cash flows from financing activities	-0.20	-0.16	-1.54
Increase in debts	-0.12	1.91	-1.46
Increase in cash	6.29	-0.82	5.70
<b>Cash (End of period)*</b>	66.95	60.66	52.68

※ 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)

	Sep 30, 2014	Jun 30, 2014	Sep 30, 2013
<b>Net Cash</b>	53.01	46.69	40.93

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