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," "foressees," "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

Billion USD

2010: 136
2011: 143
2012: 188
2013(E): 211*

* 2013(E): Bloomberg Consensus
Balanced structure

By Business area

- DP
- Semi
- CE
- IM

Component
Device

By Geography

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

* 2013(E) : Fn Guide Consensus

2013.1H
**Profitability**

**Strong improvement**

- **OP margin**: 17%
- **2013(E)**: 35*
- **CAGR**: 32%

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>15</td>
</tr>
<tr>
<td>2011</td>
<td>14</td>
</tr>
<tr>
<td>2012</td>
<td>27</td>
</tr>
<tr>
<td><strong>2013(E)</strong></td>
<td><strong>35</strong></td>
</tr>
</tbody>
</table>

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

- Gross margin:
  - 2010: 34%
  - 2011: 32%
  - 2012: 37%
  - 2013.3Q: 40%

- SG&A / Revenue:
  - 2010: 23%
  - 2011: 23%
  - 2012: 23%
  - 2013.3Q: 23%

- ROE:
  - 2010: 20%
  - 2011: 14%
  - 2012: 21%
  - 2013.3Q: 25%
Improved equity ratios

Debt ratio
- 2010: 50%
- 2011: 54%
- 2012: 49%
- 2013.3Q: 46%

Cash borrowing ratio
- 2010: 12%
- 2011: 14%
- 2012: 12%
- 2013.3Q: 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

Capex  R&D  Patent  Mkt.  HR  M&A

Maximize Mgmt Effectiveness

Finance  Risk Management  Systems (ERP/SCM)
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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>
</tr>
</thead>
<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

2010 2011 2012 2013(E)
Continuous investing for growth


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

New focus

- H/W
- In-house
- Comp.

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

- 2010: $19.5 B, 19th
- 2011: $19.5 B, 17th
- 2012: $39.6 B*, 9th
- 2013: $39.6 B*, 8th

*Samsung GMO, Brand Awareness Survey

No. 1 Brand Awareness
- Smart phone
- TV

* 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 ($80 B)
‘People’ as one of our core values

People:
- Domestics: 190K
- Overseas

Budget:
- 2010: $11B
- 2013: $18B

Domestics Overseas

326K

SAMSUNG
ANALYST DAY 2013
Strategic directions for HR

Securing talent

Talent
Creative Lab
Open Innovation
S/W

Creative
Efficient HR

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

- Reinforcing current businesses
- Finding new business opportunities
- Securing talent
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Maximize Mgmt Effectiveness

Finance  Risk Management  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
Global ERP

All employees access Real-time data managed by One system at Any time

Non-standardized
54 Countries, 115 Systems

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

One Global ERP
24 hour, Year-round operation

Standardization Process / Data

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

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

- 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
PBR & PER declined despite increased ROE and profits

Operating profit 2,000

PBR & PER declined despite increased ROE and profits

Thousand KRW

Billion USD

Operating profit

PBR 1.6 x

PER 7.0 x

'09 '10 '11 '12 '13.9

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