

Earnings Release Q1 2015

Samsung Electronics

April 2015

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 1Q 2015 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.

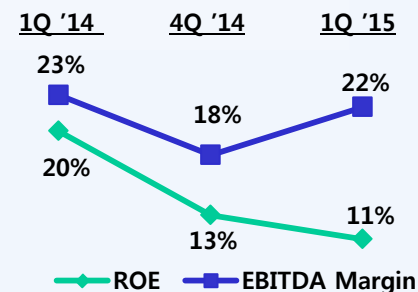
Income Statement

(Unit: KRW Trillion)

	1Q '15	% of sales	4Q '14	% of sales	1Q '14
Sales	47.12	100.0%	52.73	100.0%	53.68
Cost of Sales	28.96	61.5%	33.85	64.2%	32.05
Gross Profit	18.16	38.5%	18.88	35.8%	21.63
SG&A expenses	12.18	25.9%	13.60	25.8%	13.14
- R&D expenses	3.49	7.4%	3.65	6.9%	3.69
Operating Profit	5.98	12.7%	5.29	10.0%	8.49
Other non-operating income/expense	0.05	0.1%	△0.21	-	0.96
Equity method gain/loss	0.06	0.1%	0.25	0.5%	0.03
Finance income/expense	0.13	0.3%	0.27	0.5%	0.17
Profit Before Income Tax	6.22	13.2%	5.59	10.6%	9.65
Income tax	1.59	3.4%	0.25	0.5%	2.07
Net profit	4.63	9.8%	5.35	10.1%	7.57

Key Profitability Indicators

	1Q '15	4Q '14	1Q '14
ROE	11%	13%	20%
Profitability (Net profit/Sales)	0.10	0.10	0.14
Asset turnover (Sales/Asset)	0.82	0.95	0.98
Leverage (Asset/Equity)	1.36	1.40	1.44
EBITDA Margin	22%	18%	23%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		1Q '15	QoQ	4Q '14	1Q '14
Total		47.12	11% ↓	52.73	53.68
CE		10.26	28% ↓	14.27	11.32
	VD	6.22	36% ↓	9.79	7.39
IM		25.89	2% ↓	26.29	32.44
	Mobile	24.99	0.1% ↓	25.02	31.37
DS		17.10	3% ↓	17.71	15.56
	Semiconductor	10.27	4% ↓	10.66	9.39
	- Memory	8.32	2% ↑	8.18	6.29
	DP	6.85	3% ↓	7.05	6.10

Operating Profit

(Unit: KRW Trillion)		1Q '15	QoQ	4Q '14	1Q '14
Total		5.98	0.69	5.29	8.49
CE		△0.14	△0.32	0.18	0.19
IM		2.74	0.78	1.96	6.43
DS		3.39	0.25	3.13	1.87
	Semiconductor	2.93	0.23	2.70	1.95
	DP	0.52	0.05	0.47	△0.08

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

※ Sales for each business unit includes intersegment sales.

※ 2014 sales and operating profit of each business stated above reflect the organizational structure as of 2015.

Q1 Results and Outlook by Business Units

Semiconductor

[Q1 Results]

- Memory : Mobile/server demand remained solid despite seasonality
 - DRAM : Continuously enhanced cost competitiveness by 20nm migration ; Increased sales of differentiated products (e.g. DDR4/LPDDR4)
 - NAND : Increased sales of solution products (e.g. SSD/UFS)
- S.LSI : Revenue decreased QoQ under low seasonality; profitability improved led by 14nm ramp-up and utilization increase

[2Q Outlook]

- Memory: Expect strong mobile demand driven by new flagship smartphones ; Server DRAM and SSD demand for datacenters to continue to grow
- S.LSI: Expect earnings to improve as 14nm AP and LSI supply increase in earnest for new flagship smartphone

['15 Outlook]

- DRAM: Expect mobile/server DRAM demand to sustain solid growth driven by launches of smartphones with higher specification and continued solid server demand
- NAND: High-density mobile storage demand to increase and SSD adoption to expand; Enhance competitiveness by expanding supply of high value-added products
- S.LSI: Expect earnings to improve throughout the year driven by expansion of 14nm FinFET sales and high value-added LSI products shipments

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[Q1 Results]

- OLED: Shipments increased including new premium products
- LCD: Solid performance driven by expansion of premium TV panel sales despite shipment decrease under weak seasonality
 - TV panel shipments: decreased by high single-digit % QoQ
decreased by mid single-digit % YoY

[2Q Outlook]

- OLED : Focus on shipment expansion through addressing new product demand
However, factors for cost increase exist due to A3 line ramp-up
- LCD : Expect solid demand for TV panel due to China Labor day and new product launches; Actively address the demand with product mix focused on profitability

['15 Outlook]

- OLED: Expect shipment increase driven by new set product launches and expansion of external sales; Expect higher profitability; Shipments of flexible products to increase, which are mid to long-term growth engines
- LCD: In 1st half, expect continued solid shipments due to favorable supply and demand condition
In 2nd half, risk exists due to supply increase and demand decrease from exchange rate impact

Q1 Results and Outlook by Business Units

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[Q1 Results]

- ☐ Mobile : Earnings improved QoQ due to decreased marketing expenses and expansion of new mid/low-end smartphones (e.g. A/E/J) ; Revenue declined slightly QoQ due to decreased shipments of tablet and feature-phones
 - ☞ Marketing expenses decreased due to seasonality and stabilized inventory
- Smartphone: Shipments increased QoQ led by mid to low-end products, ASP declined QoQ
- ☐ Network: Revenue declined QoQ due to decreased investment in LTE network by overseas carriers

[2Q Outlook]

- ☐ Market: Expect smartphone and tablet demand to stagnate due to continued weak seasonality
- ☐ SEC: Expect earnings improvement led by increased high-end sales with S6 global expansion, while smartphone shipments to remain at similar level due to decreased mid/low-end sales; Expect marketing expenses to increase due to S6 expansion

[’15 Outlook]

- ☐ Market: Expect product/marketing competitions to intensify amid a slowdown of smartphone growth; Risk for weaker demand exists due to exchange rate impact (e.g. weak €)
- ☐ SEC: Pursue smartphone shipments growth by enhancing product competitiveness; Enhance R&D/marketing cost efficiency by streamlining line ups

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[Q1 Results]

- ☐ TV : Under weak seasonality, earnings declined QoQ led by decreased demand due to exchange rate impact in Europe/ emerging markets, as well as by increased material cost
 - LCD TV shipments increased YoY within the regions that are not impacted by exchange rates
 - North America YoY 8% ↑, Asia YoY 16% ↑
 - Portion of premium products(UHD/Curved) continued to increase
 - UHD TV portion 4Q 8% → 1Q 11%
- ☐ DA: Earnings improved YoY led by increased premium product sales
 - FDR/FSR : YoY 77% ↑, Drum Washing Machine : YoY 18% ↑
 - ※ FDR : French Door Refrigerator, FSR : Food Showcase Refrigerator

[2Q Outlook]

- ☐ TV: Expect continued exchange rate impact in Europe/CIS and similar market demand as the previous quarter
 - Focus on recovering profitability through expanding premium product sales amid new product launch
- ☐ DA: Expect earnings improvement by increased premium products sales and strong seasonality of air conditioner

[’15 Outlook]

- ☐ TV: Expect demand to grow led by spread of UHD amid competition over new technologies
- ☐ DA: Expect premium product demand and demand in US to increase

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

(Unit : KRW Billion)

	Mar 31, 2015	Dec 31, 2014	Mar 31, 2014
Current Assets	109,990.5	115,146.0	116,246.0
- Cash *	56,128.6	61,817.3	61,478.4
- A/R	24,911.7	24,694.6	25,235.9
- Inventories	19,119.8	17,317.5	19,648.5
- Other Current Assets	9,830.4	11,316.6	9,883.2
Non Current Assets	117,259.9	115,277.0	109,046.6
- Investments	17,439.7	17,900.0	14,677.0
- PP&E	83,442.4	80,873.0	76,519.0
- Intangible Assets	5,338.5	4,785.5	4,120.2
- Other Non Current Assets	11,039.3	11,718.5	13,730.4
Total Assets	227,250.4	230,423.0	225,292.6
Liabilities	59,631.1	62,334.8	69,730.9
- Debts	9,847.3	11,265.5	12,479.4
- Trade Accounts and N/P	8,736.9	7,914.7	10,263.0
- Other Accounts and N/P & Accrued Expenses	21,126.1	23,195.2	19,987.8
- Income Tax Payables	2,109.1	2,161.1	5,116.7
- Unearned Revenue & Other Advances	2,482.8	2,588.9	2,830.1
- Other Liabilities	15,328.9	15,209.4	19,053.9
Shareholders' Equity	167,619.3	168,088.2	155,561.7
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	227,250.4	230,423.0	225,292.6

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

	Mar 31, 2015	Dec 31, 2014	Mar 31, 2014
Current ratio *	223%	221%	214%
Liability/Equity	36%	37%	45%
Debt/Equity	6%	7%	8%
Net debt/Equity	-28%	-30%	-31%

* Current ratio = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	1Q '15	4Q '14	1Q '14
Cash (Beginning of period)*	61.82	66.95	54.50
Cash flows from operating activities	5.12	5.41	12.21
Net profit	4.63	5.35	7.57
Depreciation	4.56	4.38	4.00
Cash flows from investing activities	-7.47	-6.76	-6.54
Increase in tangible assets	-7.76	-7.56	-5.94
Cash flows from financing activities	-2.62	-3.96	1.26
Increase in debts	-1.27	-2.76	1.25
Increase in cash	-5.69	-5.13	6.98
Cash (End of period)*	56.13	61.82	61.48

※ 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)

	Mar 31, 2015	Dec 31, 2014	Mar 31, 2014
Net Cash	46.28	50.55	49.00

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