

Earnings Release Q4 2014

Samsung Electronics

January 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 Q4 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

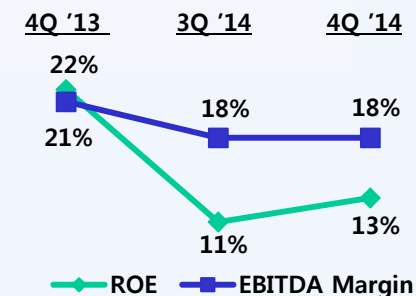
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	4Q '14	% of sales	3Q '14	% of sales	4Q '13	FY '14	% of sales	FY '13	% of sales
Sales	52.73	100.0%	47.45	100.0%	59.28	206.21	100.0%	228.69	100.0%
Cost of Sales	33.85	64.2%	30.71	64.7%	36.45	128.28	62.2%	137.70	60.2%
Gross Profit	18.88	35.8%	16.74	35.3%	22.83	77.93	37.8%	91.00	39.8%
SG&A expenses	13.60	25.8%	12.68	26.7%	14.52	52.90	25.7%	54.21	23.7%
- R&D expenses	3.65	6.9%	3.34	7.0%	3.79	14.39	7.0%	14.32	6.3%
Operating Profit	5.29	10.0%	4.06	8.6%	8.31	25.03	12.1%	36.79	16.1%
Other non-operating income/expense	△0.21	-	0.54	1.1%	0.86	1.54	0.7%	0.82	0.4%
Equity method gain/loss	0.25	0.5%	0.002	0.0%	△0.04	0.34	0.2%	0.50	0.2%
Finance income/expense	0.27	0.5%	0.24	0.5%	0.12	0.97	0.5%	0.26	0.1%
Profit Before Income Tax	5.59	10.6%	4.85	10.2%	9.25	27.88	13.5%	38.36	16.8%
Income tax	0.25	0.5%	0.62	1.3%	1.95	4.48	2.2%	7.89	3.4%
Net profit	5.35	10.1%	4.22	8.9%	7.30	23.39	11.3%	30.47	13.3%

Key Profitability Indicators

	4Q '14	3Q '14	4Q '13	FY '14	FY '13
ROE	13%	11%	22%	15%	22%
Profitability (Net profit/Sales)	0.10	0.09	0.12	0.11	0.13
Asset turnover (Sales/Asset)	0.95	0.85	1.20	0.93	1.16
Leverage (Asset/Equity)	1.40	1.42	1.46	1.40	1.46
EBITDA Margin	18%	18%	21%	20%	23%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)	4Q '14	QoQ	3Q '14	4Q '13	FY '14	YoY	FY '13
Total	52.73	11% ↑	47.45	59.28	206.21	10% ↓	228.69
CE	14.27	23% ↑	11.60	14.27	50.18	0.3% ↓	50.33
VD	9.79	36% ↑	7.21	10.07	32.45	2% ↓	33.12
IM	26.29	7% ↑	24.58	33.89	111.76	19% ↓	138.82
Mobile	25.02	6% ↑	23.52	32.56	107.41	21% ↓	135.35
DS	17.71	9% ↑	16.29	17.00	65.79	3% ↓	67.76
Semiconductor	10.66	8% ↑	9.89	10.44	39.73	6% ↑	37.44
- Memory	8.18	3% ↑	7.93	6.52	29.32	24% ↑	23.71
DP	7.05	13% ↑	6.25	6.46	25.73	14% ↓	29.84

Operating Profit

(Unit: KRW Trillion)	4Q '14	QoQ	3Q '14	4Q '13	FY '14	YoY	FY '13
Total	5.29	1.23	4.06	8.31	25.03	△11.76	36.79
CE	0.18	0.13	0.05	0.66	1.18	△0.49	1.67
IM	1.96	0.21	1.75	5.47	14.56	△10.39	24.96
DS	3.13	0.80	2.33	2.14	9.43	△0.57	10.00
Semiconductor	2.70	0.44	2.26	1.99	8.78	1.89	6.89
DP	0.47	0.42	0.06	0.11	0.66	△2.32	2.98

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.

Q4 Results and '15 Outlook by Business Units

Semiconductor

[Q4 Results]

- Memory : Solid demand continued under strong seasonality
 - DRAM : Increased sales of high value-added products (e.g. DDR4)
 - NAND : Expanded solution product sales (e.g. high-density SSD and eMCP); Secured profitability through 10nm-class migration
- S.LSI : Earnings improved QoQ led by increased 20nm AP and LSI product sales

['15 Outlook]

- DRAM: Expect solid server DRAM demand growth to continue; Mobile DRAM demand to increase driven by new OS and higher resolution display adoption in smartphones
- NAND: Expect server/PC SSD and high-density mobile storage demand to increase
- S.LSI: Expect earnings to improve driven by 14nm FinFET supply and sales of high value-added products (e.g. high-pixel CIS)

['15 Q1 Outlook]

- Memory: Expect strong DDR4/LPDDR4 demand and solid SSD demand to continue despite low seasonality
- S.LSI : Expect volume ramp of 14nm ; supply for customer's new set product to begin while demand for existing applications to slow down under seasonality

D P

[Q4 Results]

- OLED: Earnings improved led by increased new premium products shipments
- LCD: Premium TV Panels such as UHD/Curved/60"+ shipments and ASP increased driven by year-end seasonal demands
 - TV panel : Shipments decreased by low single-digit % QoQ increased by mid single-digit % YoY

['15 Outlook]

- OLED: Expect shipments to increase due to expansion of customer base; Focus on earnings improvement Secure future growth driver by increasing flexible panel sales
- LCD: Expect solid supply and demand condition to continue led by trend towards UHD and larger size panel

['15 Q1 Outlook]

- OLED: Expect shipments to grow as demand increases for new products; Focus on enhancing profitability
- LCD: Address TV set makers' demand for Chinese New Year and new products with profitability-driven product mix

Q4 Results and '15 Outlook by Business Units

IM

[Q4 Results]

- IM: Despite slight decline in smartphone shipments QoQ, earnings improved due to efficient cost management and increase in revenue from improved product mix
 - Sales trend
 - Smartphone: ASP improved due to increase of high-end product portion, mainly driven by global expansion of Note4
 - Tablet: Shipments increased QoQ with Tab4 sales growth
 - Efficiency of marketing expenses improved as inventory stabilized
- Network : Revenue increased due to overseas carriers' expansion of LTE network

['15 Outlook]

- Market : Expect smartphone competitions to intensify amid the demand growth driven by LTE and emerging market
 - Expect tablet growth to continue with mid to low-end demand
- Samsung : Focus on increasing smartphone shipments and securing profitability with new product portfolio

['15 Q1 Outlook]

- Market : Expect decrease in smartphone and tablet demand under weak seasonality
- Samsung : Strive to improve earnings with smartphone shipments growth due to the expansion of A series, etc.

CE

[Q4 Results]

- TV : Under strong year-end seasonality in US and European market, earnings improved QoQ led by increased premium product sales
 - Higher shipments growth QoQ from peak-season demand
 - LCD TV QoQ 46% ↑
 - Shipments of new premium products continued to increase
 - Curved TV QoQ 78% ↑ , UHD TV QoQ 46% ↑
- Digital Appliances : Earnings improved QoQ driven by increased sales of fridge/washing machine in US market
 - Increased premium refrigerator model shipments
 - FDR/FSR Sales QoQ 16% ↑ / YoY 25% ↑
 - ※ FDR: French Door Refrigerator, FSR: Food Showcase Refrigerator

['15 Outlook]

- Expect TV demand to grow driven by UHD expansion and competition over new display technology
- Demand for digital appliances to increase in US market, premium product demand to grow

['15 Q1 Outlook]

- Expect TV demand to decrease QoQ entering weak seasonality; Focus on successful new product launch

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

(Unit : KRW Billion)

	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013
Current Assets	115,146.0	119,811.3	110,760.3
- Cash *	61,817.3	66,951.2	54,496.0
- A/R	24,694.6	24,069.5	24,988.5
- Inventories	17,317.5	18,872.7	19,134.9
- Other Current Assets	11,316.6	9,917.9	12,140.9
Non Current Assets	115,277.0	111,935.2	103,314.7
- Investments	17,900.0	17,709.7	12,660.7
- PP&E	80,873.0	76,012.1	75,496.4
- Intangible Assets	4,785.5	4,684.8	3,980.6
- Other Non Current Assets	11,718.5	13,528.6	11,177.0
Total Assets	230,423.0	231,746.5	214,075.0
Liabilities	62,334.8	68,278.8	64,059.0
- Debts	11,265.5	13,938.5	11,160.5
- Trade Accounts and N/P	7,914.7	9,483.4	8,437.1
- Other Accounts and N/P & Accrued Expenses	23,195.2	17,747.1	20,541.1
- Income Tax Payables	2,161.1	3,943.6	3,386.0
- Unearned Revenue & Other Advances	2,588.9	3,048.2	2,882.4
- Other Liabilities	15,209.4	20,118.0	17,651.9
Shareholders' Equity	168,088.2	163,467.7	150,016.0
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	230,423.0	231,746.5	214,075.0

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

	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013
Current ratio *	221%	225%	216%
Liability/Equity	37%	42%	43%
Debt/Equity	7%	9%	7%
Net debt/Equity	-30%	-32%	-29%

※ Current ratio * = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	3Q '14	4Q '14	FY '14
Cash (Beginning of period)*	60.66	66.95	54.50
Cash flows from operating activities	10.44	5.41	36.98
Net profit	4.22	5.35	23.39
Depreciation	4.33	4.38	16.91
Cash flows from investing activities	-3.90	-6.76	-26.04
Increase in tangible assets	-3.86	-7.56	-22.04
Cash flows from financing activities	-0.20	-3.96	-3.06
Increase in debts	-0.12	-2.76	0.27
Increase in cash	6.29	-5.13	7.32
Cash (End of period)*	66.95	61.82	61.82

※ 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)

	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013
Net Cash	50.55	53.01	43.34

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