

Earnings Release Q2 2015

Samsung Electronics

July 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 2Q 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.

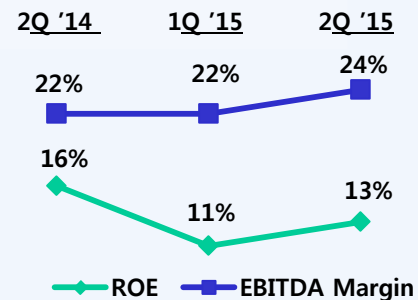
Income Statement

(Unit: KRW Trillion)

	2Q '15	% of sales	1Q '15	% of sales	2Q '14
Sales	48.54	100.0%	47.12	100.0%	52.35
Cost of Sales	28.96	59.7%	28.96	61.5%	31.67
Gross Profit	19.58	40.3%	18.16	38.5%	20.68
SG&A expenses	12.68	26.1%	12.18	25.9%	13.49
- R&D expenses	3.34	6.9%	3.49	7.4%	3.70
Operating Profit	6.90	14.2%	5.98	12.7%	7.19
Other non-operating income/expense	0.50	1.0%	0.05	0.1%	0.25
Equity method gain/loss	0.04	0.1%	0.06	0.1%	0.06
Finance income/expense	0.19	0.4%	0.13	0.3%	0.28
Profit Before Income Tax	7.63	15.7%	6.22	13.2%	7.79
Income tax	1.88	3.9%	1.59	3.4%	1.53
Net profit	5.75	11.9%	4.63	9.8%	6.25

Key Profitability Indicators

	2Q '15	1Q '15	2Q '14
ROE	13%	11%	16%
Profitability (Net profit/Sales)	0.12	0.10	0.12
Asset turnover (Sales/Asset)	0.84	0.82	0.95
Leverage (Asset/Equity)	1.35	1.36	1.42
EBITDA Margin	24%	22%	22%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

		<u>2Q '15</u>	<u>QoQ</u>	<u>1Q '15</u>	<u>2Q '14</u>
Total		48.54	3% ↑	47.12	52.35
CE		11.20	9% ↑	10.26	13.00
	VD	6.66	7% ↑	6.22	8.06
IM		26.06	1% ↑	25.89	28.45
	Mobile	25.50	2% ↑	24.99	27.51
DS		17.87	4% ↑	17.10	16.23
	Semiconductor	11.29	10% ↑	10.27	9.78
	- Memory	8.49	2% ↑	8.32	6.92
	DP	6.62	3% ↓	6.85	6.33

Operating Profit

(Unit: KRW Trillion)

		<u>2Q '15</u>	<u>QoQ</u>	<u>1Q '15</u>	<u>2Q '14</u>
Total		6.90	0.92 ↑	5.98	7.19
CE		0.21	0.35 ↑	△0.14	0.77
IM		2.76	0.02 ↑	2.74	4.42
DS		3.87	0.48 ↑	3.39	2.09
	Semiconductor	3.40	0.47 ↑	2.93	1.86
	DP	0.54	0.02 ↑	0.52	0.22

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

※ Sales for each business unit includes intersegment sales.

Q2 Results and Outlook by Business Units

Semiconductor

[Q2 Results]

- Memory : Mobile/Server demand increased despite low seasonality
 - DRAM : Expanded 20nm process portion, and increased sales of DDR4/LPDDR4
 - NAND : Earnings improved due to expansion of shipments of solution products such as SSD/UFS
- S.LSI : Increased sales of 14nm AP and RF/PMIC for new flagship smartphones; demand for high value-added LSI including high-pixel CIS, flexible display DDI remained solid

[2H Outlook]

- DRAM: Expect high density DDR4/LPDDR4 demand to increase; Expect to secure profitability by adjusting product mix depending on market demand and by increasing 20nm portion
- NAND: Expect solid demand to continue led by shift to high-density storage and broader adoption of SSD; supply of V-NAND and sales of solution products to increase
- S.LSI : Expect earnings to improve driven by increase in 14nm foundry supply ; high-pixel CIS sales to remain solid driven by new model launches and sales expansion into China

[Q3 Outlook]

- Memory: Expect solid mobile and server demand due to seasonality and launch of new products
- S.LSI: Expect 14nm foundry supply to begin, but the effect of Q2 new smartphone launch to slow down

D P

[Q2 Results]

- OLED: Earnings decreased QoQ driven by increased ramp-up cost of new flexible display line and by smartphone shipment decrease
- LCD: Despite decreased panel shipments, earnings improved led by an increase in shipment area from larger size TV products and by higher shipments of premium TVs such as UHD
 - TV panel shipments: (units) decreased by mid single-digit % QoQ (area) increased by low single-digit % QoQ

[2H Outlook]

- OLED : Expect earnings to improve by expanding sales of new high-resolution premium products, and by enhancing sales for external customers
- LCD : Expect continuing growth of UHD market and the shifting to larger size TV; However, potential risk exists such as supply increase from industry capacity expansion, demand slowdown from FX headwinds in Europe/emerging markets
 - Focus on securing profitability amid difficult market conditions

[3Q Outlook]

- Despite downside risk in LCD, expect overall earnings to remain at a similar level to the previous quarter due to improvement in OLED

Q2 Results and Outlook by Business Units

IM

[Q2 Results]

- Mobile : Overall revenue increased slightly as ASP improved due to the expansion of S6 sales; Profit increased marginally QoQ due to the decrease of mid/low-end smartphone shipments and increased marketing expenses
 - Smartphone: Shipments decreased QoQ due to low sales for older mid/low-end models; ASP improved significantly driven by improved product mix
- Network: Profit decreased QoQ due to reduced investments of domestic & overseas carriers on LTE equipment

[2H Outlook]

- Market: Expect smartphone demand to increase YoY, but the growth rate is projected to slow down
- SEC: Focus on maintaining strong high-end sales with strategic adjustment of S6 price and new large-screen model launches and continue to manage operational expenses efficiently

[Q3 Outlook]

- Market: Expect smartphone demand to grow slightly QoQ
- SEC: Increase overall smartphone shipments with the new model launches to enhance model line-ups; Tablet shipments to stay similar to the previous quarter

CE

[Q2 Results]

- TV : Despite decreased demand from continued FX rate impact of Europe/emerging markets, earnings improved led by strong sales of premium products amid new product launch
 - Shipments increased significantly QoQ/YoY in North America, with strong sales of new products
 - LCD TV: North America QoQ 33%↑, YoY 18%↑
 - Sales of premium products such as UHD/Curved increased
 - UHD TV: QoQ 55%↑ / Curved TV: 61%↑
- Digital Appliances : Earnings improved QoQ driven by strong sales of refrigerators/washing machines amid economy recovery in North America region
 - Shipments: refrigerator QoQ 19%↑ / washing machine QoQ 9%↑

[2H Outlook]

- TV: Expect market demand to increase under strong year-end seasonality, but risks exist for weakening demand from continued impact from global currency headwinds
 - Expand affordable premium product line-ups including SUHD/Curved; focus on earnings improvement by actively addressing premium demand in the peak season
- Digital appliances: Continue to pursue earnings improvement by expanding sales of premium products

[Q3 Outlook]

- TV: Focus on securing profitability by expanding sales of mass-market UHD products under weak seasonality

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

(Unit : KRW Billion)

	Jun 30, 2015	Mar 31, 2015	Jun 30, 2014
Current Assets	115,789.7	109,990.5	112,799.7
- Cash *	61,833.8	56,128.6	60,663.0
- A/R	25,578.1	24,911.7	24,432.9
- Inventories	19,311.2	19,119.8	18,276.1
- Other Current Assets	9,066.6	9,830.4	9,427.7
Non Current Assets	115,901.2	117,259.9	111,923.4
- Investments	14,466.2	17,439.7	17,548.8
- PP&E	84,666.3	83,442.4	75,593.7
- Intangible Assets	5,530.4	5,338.5	4,220.3
- Other Non Current Assets	11,238.3	11,039.3	14,560.6
Total Assets	231,690.9	227,250.4	224,723.1
Liabilities	57,754.2	59,631.1	65,209.6
- Debts	11,313.7	9,847.3	13,972.2
- Trade Accounts and N/P	6,766.9	8,736.9	8,161.6
- Other Accounts and N/P & Accrued Expenses	17,710.9	21,126.1	17,044.4
- Income Tax Payables	1,750.6	2,109.1	4,304.7
- Unearned Revenue & Other Advances	2,263.5	2,482.8	2,294.0
- Other Liabilities	17,948.6	15,328.9	19,432.7
Shareholders' Equity	173,936.7	167,619.3	159,513.5
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	231,690.9	227,250.4	224,723.1

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

	Jun 30, 2015	Mar 31, 2015	Jun 30, 2014
Current ratio *	251%	223%	226%
Liability/Equity	33%	36%	41%
Debt/Equity	7%	6%	9%
Net debt/Equity	-29%	-28%	-29%

* Current ratio = Current assets/Current liabilities

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

(Unit : KRW Trillion)

	2Q '15	1Q '15	2Q '14
Cash (Beginning of period)*	56.13	61.82	61.48
Cash flows from operating activities	10.71	5.12	8.91
Net profit	5.75	4.63	6.25
Depreciation	4.95	4.56	4.20
Cash flows from investing activities	-3.70	-7.47	-8.84
Increase in tangible assets	-6.29	-7.76	-4.68
Cash flows from financing activities	-1.67	-2.62	-0.16
Increase in debts	1.25	-1.27	1.91
Increase in cash	5.71	-5.69	-0.82
Cash (End of period)*	61.83	56.13	60.66

* 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)

	Jun 30, 2015	Mar 31, 2015	Jun 30, 2014
Net Cash	50.52	46.28	46.69

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