

2Q14 QUARTERLY EARNINGS

July 25, 2014

SAMSUNG SDI

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2Q14 Quarterly Earnings (Energy Solution)

[Unit: bn KRW]

Category		2Q14	QoQ	YoY	1Q14	2Q13
Revenue		1,048.6	-7.7%	-19.8%	1,135.7	1,306.9
Energy	Small-sized LIB	743.0	-3.9%	-11.9%	773.0	843.0
	xEV & ESS LIB	90.0	40.6%	210.3%	64.0	29.0
	Sub-total	833.0	-0.5%	-4.5%	837.0	872.0
Display		211.0	-29.0%	-48.3%	297.0	408.0
Operating Profit (%)		0.7 (0.1%)	Turned Black	-97.8%	△38.9 (-3.4%)	32.3 (2.5%)
Pre-tax Income (%)		40.4 (3.9%)	-27.6%	-76.6%	55.8 (4.9%)	172.4 (13.2%)
Net Income (%)		20.5 (2.0%)	-49.9%	-84.5%	40.9 (3.6%)	132.5 (10.1%)

2Q14 Quarterly Earnings (Materials)

[Unit: bn KRW]

Category	2Q14	QoQ	YoY	1Q14	2Q13
Revenue	1,060.8	1.2%	-9.0%	1,048.6	1,165.3
Chemicals	694.9	1.7%	-5.0%	683.5	731.1
Electronic Materials	365.9	0.2%	-15.7%	365.1	434.2
Operating Profit (%)	29.3 (2.8%)	15.8%	-60.3%	25.3 (2.4%)	73.8 (6.3%)
Pre-tax Income (%)	31.0 (2.9%)	38.4%	-52.7%	22.4 (2.1%)	65.5 (5.6%)
Net Income (%)	4.7 (0.4%)	-75.0%	-91.1%	18.8 (1.8%)	52.9 (4.5%)

2Q14 Financial Status

[Unit: bn KRW]

Category	Energy Solution			Materials		
	2Q14	QoQ	1Q14	2Q14	QoQ	1Q14
Assets	<u>10,874.9</u>	240.1	10,634.8	<u>4,805.0</u>	62.2	4,742.8
Liabilities	<u>2,922.3</u>	-125.2	3,047.5	<u>1,569.5</u>	-77.8	1,647.3
Equity	<u>7,952.6</u>	365.3	7,587.3	<u>3,235.5</u>	140.0	3,095.5
Cash & Cash equiv.	<u>821.0</u>	163.4	657.6	<u>887.8</u>	171.1	716.7
Debt	<u>1,164.2</u>	-8.5	1,172.7	<u>963.2</u>	-57.9	1,021.1

※ Cash & Cash equiv. including short-term financial instruments

ANALYSIS & OUTLOOK

2Q14 Analysis

» 2Q Shipment enlarged

- China sales up by twice in YoY thanks to strong S/Phone demand
- Solid sales growth led by the US power tool makers
- Continue to improve product mix through new applications

2H14 Outlook

» Estimate 2.45bn cell(+5% YoY) LIB demand

- New S/Phone, Tablet PC by a major player
 - 4G expansion in China acting as S/Phone growth engine
 - Year-end promotion by US power tool makers to boost demand
- ### » China & Non-IT sales increase, leading revolutionary products such as Wearable to maximize both top and bottom lines

2Q14 Analysis

- » **Surging revenue**
 - Jump 4x in YoY, 17% increase in QoQ
- » **Expanding back-log orders**
 - European premium OEM, Chinese OEMs
- » **Making progress in China**
 - JV (June, 2014) established and preparing plant construction
- » **New product development & stronger ties**
 - LVS show cased at Ford Media Day (May)
 - MOU with BMW for strategic partnership and expansion of enhanced battery supply for future xEVs (July)

2H14 Outlook

- » **Continuous sales growth in 2H14**
 - Surge by 4x in YoY, jump 2x from 1H14
- » **Strengthen market power through securing new orders**
- » **Expect to take greater control of Chinese xEV sector as begins to open up**
 - Central government's strong xEV policy
 - Accelerating xEV LIB biz with new back-log orders from Chinese local OEMs
- » **Stronger strategic tie with major OEMs**
 - Collaborate on advanced project developments

2Q14 Analysis

- » **Revenue from Residential/Utility increased**
 - Upturn Residential sales in Japan thanks to re-introduction of government subsidy
 - Supply MWs to EU/Australian utility firms
 - 11MWh (UKPN, England)
 - 1MWh (SP-Ausnet (ABB), Aus)
- » **Won the largest ESS order**
 - W1tn worth of battery pack contract from Nichicon(Japan) for residential ESS
- » **Secured Utility project in China**
- » **Established entrance platform targeting China and emerging markets**

2H14 Outlook

- » **North American utility market to widen**
 - Target to win landmark orders throughout partnership with SIs & PDs[※]
 - Participate Solar Power International 2014 for aggressive order activities (Introduce ESS solutions for Commercial/Utility)
- » **Focus sales growth in Residential/Utility**
 - New residential All-in-one model(GER/UK)
 - Ship new high-energy utility model(1.5MWh/40ft)
- » **To win Utility projects globally and UPS orders from local/overseas Samsung affiliates**

※ SI(System Integrator), PD(Project Developer)

2Q14 Analysis

>> Sales and profit increased

- Despite the volume increase of synthetic resins in QoQ, improvement was limited due to strong KRW & PC line maintenance
- Artificial marbles sales & profit increased as capacity expansion completed in 1H

2H14 Outlook

>> Further improvements with strong seasonality and better product mix

- Revenue growth is expected driven by cyclical upturn and strategic sales expansion in HA/Automobiles/China
- Build stable profit structure propelled by sales growth of artificial marbles and high-margin resins

2Q14 Analysis

» Profit improved despite the limited sales growth

- Solid Semi materials sales growth in virtue of strong end demand
- Polarizer film turned into profit in June as TV polarizer shipment increased
- PV paste earnings slowed down amid silver price decline and weak demand

2H14 Outlook

» Expect improved earnings led by semi materials and polarizer sales increase

- Earnings expect to improve amid continuous sales increase of semi materials and recovery of the solar cell paste market
- Margin of display materials including polarizer expect to improve driven by profit turn-around in polarizer business as shipment for large-size panel and UHD TV increases

Appendix

❖ Income Statement (Energy Solution)

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[Unit: bn KRW]

Category	2Q13	3Q13	4Q13	FY13	1Q14	2Q14
Revenue	1,306.9	1,296.6	1,204.8	5,016.5	1,135.7	1,048.6
COGS	1,090.0	1,088.7	1,026.7	4,260.0	999.9	878.4
Gross profit (%)	216.9 (16.6%)	207.9 (16.0%)	178.1 (14.8%)	756.5 (15.1%)	135.8 (12.0%)	170.2 (16.2%)
Operating profit (%)	32.3 (2.5%)	29.2 (2.3%)	-55.6 (-4.6%)	-27.4 (-0.5%)	-38.9 (-3.4%)	0.7 (0.1%)
Non-OP	140.1	121.6	-192.5	211.4	94.7	39.7
Pre-tax income (%)	172.4 (13.2%)	150.8 (11.6%)	-248.1 (-20.6%)	184.0 (3.7%)	55.8 (4.9%)	40.4 (3.9%)
Tax	39.9	25.8	-57.9	36.1	14.9	19.9
Net income (%)	132.5 (10.1%)	125.0 (9.6%)	-190.2 (-15.8%)	147.9 (2.9%)	40.9 (3.6%)	20.5 (2.0%)
NI excluding Minority interests (%)	129.2 (9.9%)	119.8 (9.2%)	-196.0 (-16.3%)	130.6 (2.6%)	39.1 (3.4%)	19.1 (1.8%)
Depreciation	106.5	109.0	113.2	430.6	98.3	94.6
CAPEX	187.7	110.4	129.4	654.5	64.9	70.3

※ Balance Sheet (Energy Solution)

[Unit: bn KRW]

Category	2Q13	3Q13	FY13	1Q14	2Q14
Total assets	11,001.1	10,847.4	10,555.7	10,634.8	10,874.9
Current assets	2,523.0	2,153.5	2,063.2	1,955.3	2,087.0
Quick assets	1,926.0	1,629.0	1,537.4	1,456.0	1,555.2
Inventory	597.0	524.5	525.8	499.3	531.9
Non-current assets	8,478.1	8,693.9	8,492.5	8,679.5	8,787.9
Investment assets	5,933.6	6,190.8	6,355.3	6,553.8	6,711.9
Tangible assets	2,172.7	2,136.6	1,788.0	1,772.2	1,729.2
Intangible assets	166.8	168.5	167.1	168.1	166.6
Other assets	205.0	198.0	182.1	185.4	180.2
Total Liabilities	3,476.7	3,200.7	3,013.3	3,047.5	2,922.3
Current liabilities	1,949.4	1,624.0	1,527.0	1,506.5	1,337.7
Non-current liabilities	1,527.3	1,576.7	1,486.3	1,541.0	1,584.6
Shareholders' equity	7,524.4	7,646.7	7,542.4	7,587.3	7,952.6
Paid-in capital	240.7	240.7	240.7	2,407	240.7

※ Income Statement (Materials)

[Unit: bn KRW]

Category	2Q13	3Q13	4Q13	FY13	1Q14	2Q14
Revenue	1,165.3	1,125.5	1,091.0	4,411.1	1,048.6	1,060.8
COGS	937.1	891.9	919.8	3,593.5	853.4	867.5
Gross profit (%)	228.2 (19.6%)	233.6 (20.8%)	171.2 (15.7%)	817.6 (18.5%)	195.2 (18.6%)	193.3 (18.2%)
Operating profit (%)	73.8 (6.3%)	84.2 (7.5%)	-9.3 (-0.9%)	195.4 (4.4%)	25.3 (2.4%)	29.3 (2.8%)
Non-OP	-8.3	-12.4	2.0	2.0	-2.9	1.7
Pre-tax income (%)	65.5 (5.6%)	71.8 (6.4%)	-7.3 (-0.7%)	197.4 (4.5%)	22.4 (2.1%)	31.0 (2.9%)
Tax	12.2	12.4	7.3	46.8	6.0	19.9
Continuous OP	53.3	59.4	-14.7	150.6	16.5	11.0
Discontinue OP	-0.4	-8.4	98.4	104.4	2.3	-6.3
Net income (%)	52.9 (4.5%)	51.0 (4.5%)	83.7 (7.7%)	255.0 (5.8%)	18.8 (1.8%)	4.7 (0.4%)
NI excluding Minority interests (%)	53.0 (4.5%)	51.1 (4.5%)	85.1 (7.8%)	256.6 (5.8%)	17.4 (1.7%)	4.6 (0.4%)
Depreciation	45.3	57.4	48.7	194.0	58.9	49.8
CAPEX	65.8	85.1	235.3	438.9	62.1	34.6

※ Balance Sheet (Materials)

[Unit: bn KRW]

Category	2Q13	3Q13	FY13	1Q14	2Q14
Total assets	5,051.9	5,264.8	4,987.8	4,742.8	4,805.0
Current assets	1,851.5	2,324.7	1,882.9	1,631.2	1,693.2
Quick assets	921.5	1,884.5	1,491.0	1,252.1	1,352.6
Inventory	930.0	440.2	391.9	379.1	340.6
Non-current assets	3,200.4	2,940.1	3,104.9	3,111.6	3,111.8
Investment assets	827.5	884.0	775.7	801.6	839.9
Tangible assets	1,768.8	1,556.2	1,561.4	1,548.0	1,533.0
Intangible assets	496.5	484.7	744.6	739.1	716.6
Other assets	107.6	15.2	23.2	22.9	22.3
Total liabilities	2,078.4	2,201.4	1,897.0	1,647.3	1,569.5
Current liabilities	1,064.0	1,251.2	1,002.1	838.0	718.7
Non-current liabilities	1,014.4	950.2	894.9	809.3	850.8
Shareholders' equity	2,973.5	3,063.4	3,090.8	3,095.5	3,235.5
Paid-in capital	262.2	262.2	262.2	262.2	262.2

Company	Stake Holding	2Q14 Book Value (bn KRW)
Samsung C&T	7.18%	861.5
Samsung Engineering	13.10%	419.6
S1	11.03%	341.1
Samsung Fine Chem	14.65%	155.5
Samsung Heavy	0.42%	26.1
Samsung Techwin	0.12%	3.3
Hotel Shilla	0.07%	2.7
Sub-total of listed Samsung companies		1,809.8
Samsung Display	15.22%	4,770.1
Samsung Everland (Current Cheil Industries)	8.00%	444.4
Samsung General Chemical	13.10%	341.9
Samsung Economic Research Institute (SERI)	29.60%	17.5
SD Flex	50.00%	7.8
Samsung Venture Investment	-	9.9
Sub-total of unlisted Samsung companies		5,591.7
Sub-total of unlisted non-Samsung companies		89.2
Total		7,490.7