

2015 4Q Earnings Results

January 29, 2016

SAMSUNG
ELECTRO-MECHANICS



This presentation material is prepared for investors' reference, based on data that have not been filed with the financial supervisory commission.

Additionally, in 2015, Samsung Electro-Mechanics discontinued the HDD Motor business and exited the Power, Tuner, and ESL businesses. All financial data pertaining to the discontinued HDD Motor business and the transferred module businesses have been separated and reflected in “Discontinued Operations”. Previous financial data also reflects the changes for comparison.

Business data contains forward projections from internal market estimates and publicly available sources. Actual business performance may differ from the projections herein, as a result of unexpected changes in the market environment and other conditions.

This material is unrelated with any solicitation to purchase Samsung Electro-Mechanics issued securities.

The financial information in this document is consolidated earnings results based on K-IFRS.

4Q'15 Results Overview

| Sales |

Decreased 247.5bn QoQ (15.4%↓) and 213.3bn YoY

- Weak demand for strategic customer flagship models and larger than expected inventory adjustment

| Operating Profit |

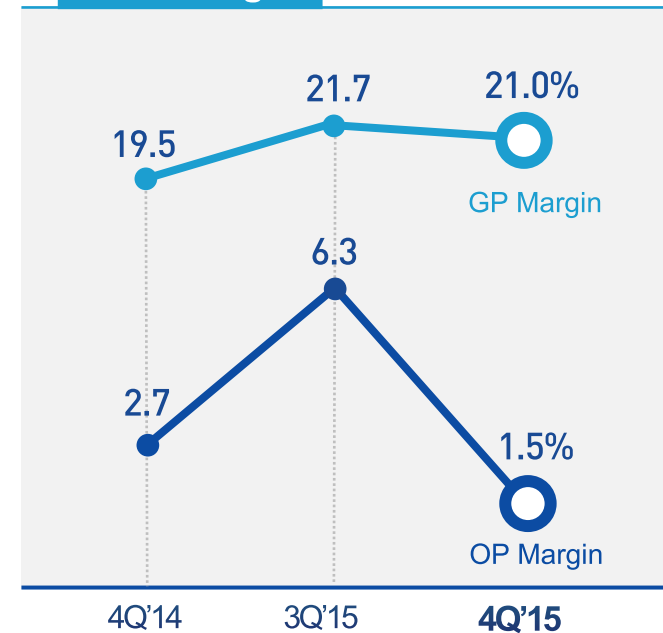
Decreased 80.9bn QoQ (79.7%↓) and 21.9bn YoY

Income Statement

(Billion KRW)					
	4Q'14	3Q'15	4Q'15	QoQ	YoY
Sales	1,575.3	1,609.5	1,362.0	247.5↓	213.3↓
Operating Profit	42.5	101.5	20.6	80.9↓	21.9↓
Pre-tax Profit	810.2	107.1	△7.7	114.8↓	817.9↓
Discontinued Operations	△127.0	△93.2	△34.7	58.5↑	92.3↑
Net Income	557.8	△9.1	△16.6	7.5↓	574.4↓

※ Net income attributable to owners of the parent

Profit Margin



2015 Earnings Overview

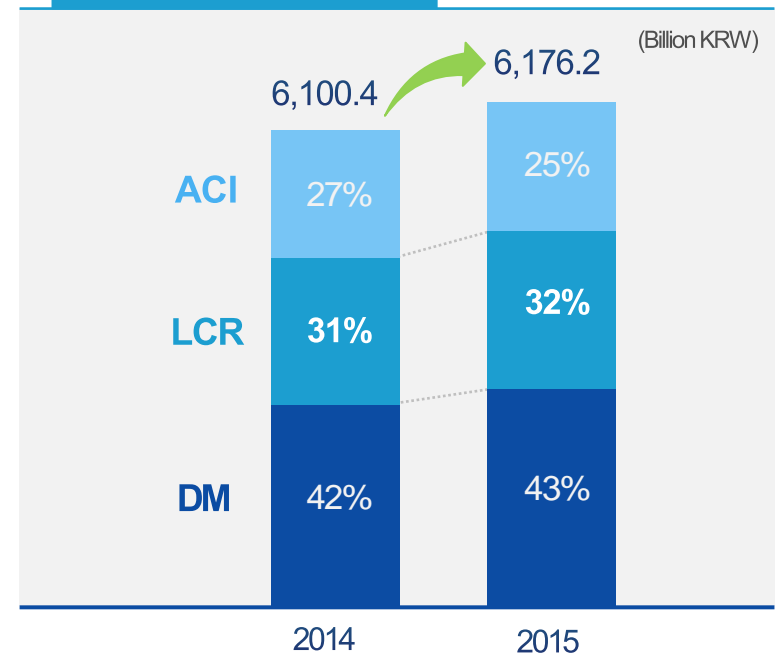
- ◆ **Sales : Increased 75.8bn YoY (1.2%↑); OP : Gained 236.4bn YoY**
 - Improved product sales mix, greater China sales, better production yields and leadtimes, and increased internal efficiencies.
- ◆ **Sales Proportion : LCR and DM product groups up, ACI product group down**
 - Sustained growth in core businesses (MLCC, camera module, etc) and contribution from new growth areas (EMC, WPT, etc)

Income Statement

(Billion KRW)			
	2014	2015	YoY
Sales	6,100.4	6,176.2	75.8↑
Operating Profit	64.9	301.3	236.4↑
Pre-tax Profit	816.2	366.8	449.4↓
Discontinued Operations	△180.0	△301.5	121.5↓
Net Income	502.7	11.2	491.5↓

※ Net income attributable to owners of the parent

Sales Portion



4Q'15 Financial Position

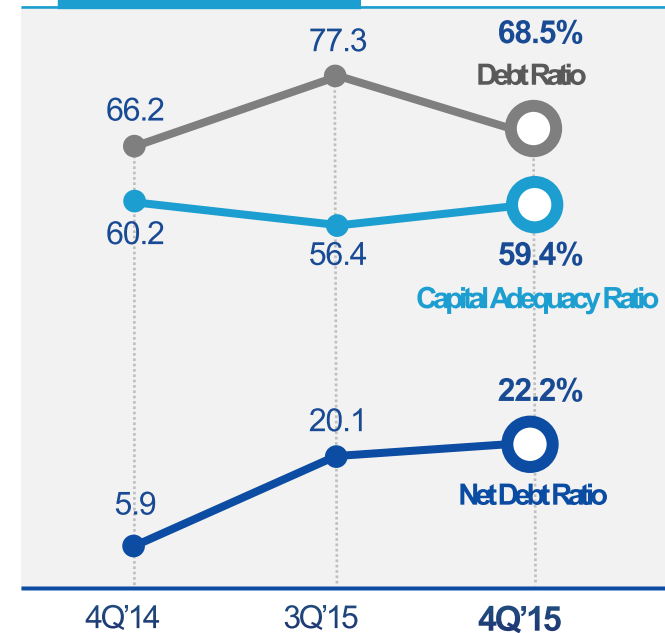
- ◆ Total Assets amounted to 7,269.3bn (QoQ 542.8bn ↓)
Total Liabilities posted at 2,953.9bn (QoQ 453.1bn ↓)
- ◆ Debt Ratio and Capital Adequacy Ratio posted at 69% and 59%, respectfully
Maintained a healthy financial structure

Financial Analysis

	4Q'14	3Q'15	4Q'15	QoQ	YoY
(Billion KRW)					
Total Assets	7,718.6	7,812.1	7,269.3	542.8↓	449.3↓
Current Assets	3,554.0	3,277.6	2,729.8	547.8↓	824.2↓
(Cash *)	(1,438.0)	(1,241.8)	(1,035.3)	(206.5↓)	(402.7↓)
Total Liabilities	3,075.8	3,407.0	2,953.9	453.1↓	121.9↓
Debts	1,713.1	2,179.1	2,041.6	137.5↓	328.5↑
(Net Debts *)	(275.1)	(887.3)	(956.3)	(69.0↑)	(681.2↑)
Total Shareholders' Equity	4,642.8	4,405.1	4,315.4	89.7↓	327.4↓

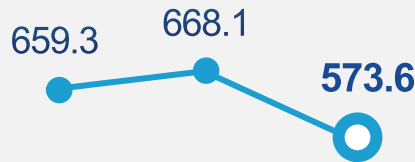
※ Cash = Cash + Deposit, Net Debts = Debts - Cash

Financial Ratios

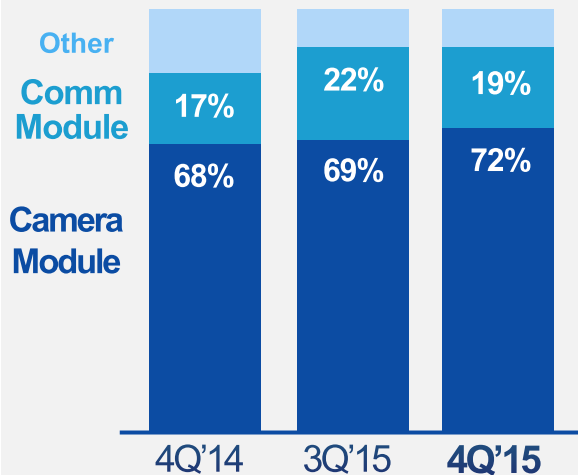


Quarterly Performance

(Billion KRW)



Sales Portion



Camera Module

◆ 4Q'15 Results

- Sales declined on weak demand for strategic customer flagship models
- Increased support for mid/low-end handsets (13M)

◆ 2016 Biz Outlook and Strategy

- Find differentiation via increased functionality and lower costs, expand automotive product line-up
- Increase sales to China and other emerging markets

Communication Module

◆ 4Q'15 Results

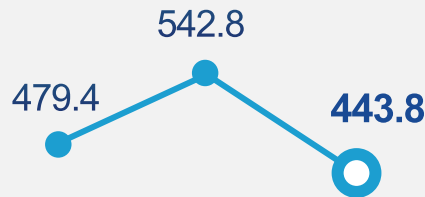
- Sales declined on weak demand for high-end components
- Increased supply of WPT and Cellular FEM to mid/low-end handsets

◆ 2016 Biz Outlook and Strategy

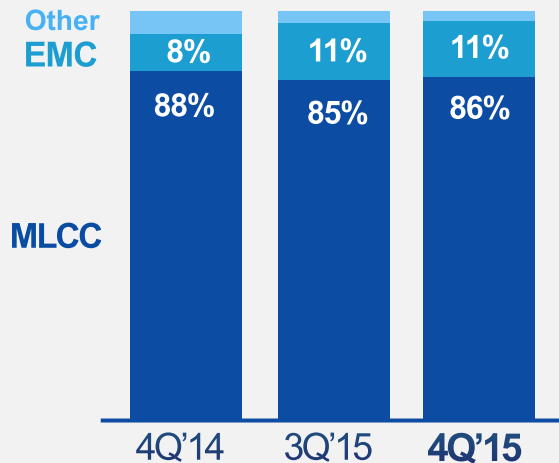
- Expand WPT line-up and increase customer diversification
- Expand Cellular FEM product line-up

Quarterly Performance

(Billion KRW)



Sales Portion



MLCC

◆ 4Q'15 Results

- Sales decreased on demand weakness and larger than expected inventory adjustment
- Expanded sales of solution MLCC to China market

◆ 2016 Biz Outlook and Strategy

- Expand differentiated, high-value product line-up for IT, auto and industrial applications
- Improve competitiveness with stabilization of new overseas production facility

EMC

◆ 4Q'15 Results

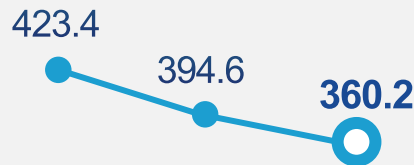
- Inventory adjustments lead to demand weakness

◆ 2016 Biz Outlook and Strategy

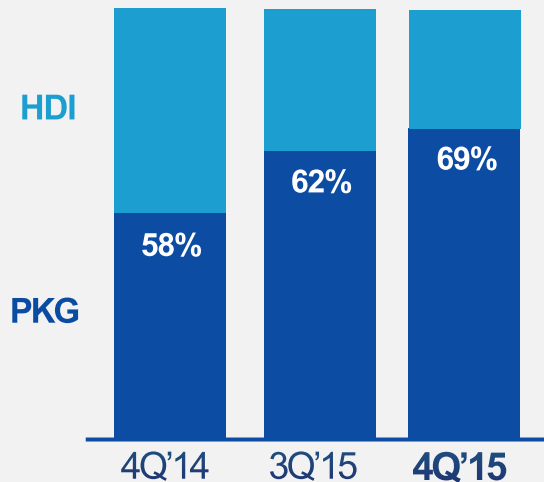
- Increase customer diversification with advanced development of new low cost manufacturing methods
- Expand product line-up with introduction of small-sized, high frequency inductors, high-end beads, etc.

Quarterly Performance

(Billion KRW)



Sales Portion



P K G

◆ 4Q'15 Results

- Sales growth on increased demand for high-end FCCSP
- Improved product mix on supply of new advanced CPU for PC market

◆ 2016 Biz Outlook and Strategy

- Increase marketshare in flagship products with timely approvals
- Expand sales of high, value-added parts, catalyzed by growing demand for slim substrates for CPU

H D I

◆ 4Q'15 Results

- Mainboard sales declined on falling demand for strategic customer handsets

◆ 2016 Biz Outlook and Strategy

- Increase design-in activities at strategic customer with introduction of new high-density substrates; greater supply to China market
- Leverage overseas production facilities to stabilize pricing and increase competitiveness

DM (Camera Module)

- ◆ **Smartphone differentiation trend :**
High resolution → Increased functionality
 - Dual camera adoption and increased functionality for front camera
- ◆ **Camera module market growth on accelerated adoption in auto**
 - Demand growth on legislative changes and increased interest in ADAS solutions

LCR

- ◆ **Trends continue to nurture demand for slim, high-end, and multifunctional components**
 - Demand growth continues for small-sized, high capacity, high efficiency passive electronic components
- ◆ **Demand accelerates for non-IT applications**
 - Demand growth in auto/industrial for small-sized, high efficiency, high endurance products

DM (Communication Module)

- ◆ **China LTE expansion and advanced communication features**
 - Increased adoption of Cellular FEM
- ◆ **Increased demand and adoption of WPT in mobile applications**
 - Mid/low-end adoption, plus demand diversification into auto/industrial and infrastructure

ACI

- ◆ **PKG**
 - Change market paradigm with introduction of new packaging technologies
 - Increase FCBGA marketshare
- ◆ **HDI**
 - Growth from introduction of new thin, high density mainboards
 - Expand supply to growing SSD market

A1. Income Statement (4Q'15)

(Billion KRW)

	4Q'14	3Q'15	4Q'15	QoQ	YoY
Sales	1,575.3	1,609.5	1,362.0	247.5↓	213.3↓
Cost of Sales	1,267.5	1,260.0	1,076.1	183.9↓	191.4↓
Gross Profit (%)	307.8 (19.5%)	349.5 (21.7%)	285.9 (21.0%)	63.6↓ (0.7%p↓)	21.9↓ (1.5%p↑)
SG&A	265.3	248.0	265.3	17.3 ↑	-
Operating Profit (%)	42.5 (2.7%)	101.5 (6.3%)	20.6 (1.5%)	80.9↓ (4.8%p↓)	21.9↓ (1.2%p↓)
Non-operating Profit and Loss	△767.7	△5.6	28.3	33.9 ↑	796.0↑
Pre-tax Profit (%)	810.2 (51.4%)	107.1 (6.7%)	△7.7 (△0.6%)	114.8↓ (7.3%p↓)	817.9↓ (52.0%p↓)
Income Tax	124.1	21.1	△25.0	46.1 ↓	149.1↓
Non-controlling Interests	1.3	1.9	△0.8	2.7↓	2.1↓
Continuing Operations	684.8	84.1	18.1	66.0↓	666.7↓
Discontinued Operations	△127.0	△93.2	△34.7	58.5 ↑	92.3↑
Net Income (%)	557.8 (35.4%)	△9.1 (△0.6 %)	△16.6 (△1.2%)	7.5↓ (0.6%p↓)	574.4↓ (36.6%p↓)
EBITDA Margin	60.6%	15.9%	10.7%	5.2%p↓	49.9%p↓
R O E	72.8%	9.5%	△0.8%	10.3%p↓	73.6%p↓

※ EBITDA Margin = (Pre-tax Profit + Financial Cost + Depreciation – Financial Profit) / Sales

※ Historical and comparative data prepared in accordance with K-IFRS Article 1105

A2. Income Statement (2015)

(Billion KRW)

	2014	2015	YoY
Sales	6,100.4	6,176.2	75.8↑
Cost of Sales	5,065.0	4,864.7	200.3↓
Gross Profit (%)	1,035.4 (17.0%)	1,311.5 (21.2%)	276.1↑ (4.2%p↑)
SG&A	970.5	1,010.2	39.7↑
Operating Profit (%)	64.9 (1.1%)	301.3 (4.9%)	236.4↑ (3.8%p↑)
Non-operating Profit and Loss	△751.3	△65.5	685.8↑
Pre-tax Profit (%)	816.2 (13.4%)	366.8 (5.9%)	449.4↓ (7.5%p↓)
Income Tax	127.3	44.6	82.7↓
Non-controlling Interests	6.2	9.5	3.3↑
Continuing Operations	682.7	312.7	370.0↓
Discontinued Operations	△180.0	△301.5	121.5↓
Net Income (%)	502.7 (8.2%)	11.2 (0.2%)	491.5↓ (8.0%p↓)
EBITDA Margin	24.4%	15.6%	8.8%p↓
R O E	18.3%	8.2%	10.1%p↓

※ EBITDA Margin = (Pre-tax Profit + Financial Cost + Depreciation – Financial Profit) / Sales

※ Historical and comparative data prepared in accordance with K-IFRS Article 1105

A3. Statement of Financial Position (4Q'15)

(Billion KRW)

	4Q'14	3Q'15	4Q'15	QoQ	YoY
Total Assets	7,718.6	7,812.1	7,269.3	542.8↓	449.3↓
Current Assets	3,554.0	3,277.6	2,729.8	547.8↓	824.2↓
Quick Assets	2,541.7	2,542.8	2,046.8	496.0↓	494.9↓
Cash	1,438.0	1,241.8	1,035.3	206.5↓	402.7↓
Inventory Assets	841.2	708.9	679.0	29.9↓	162.2↓
Discontinued Operations	171.1	25.9	4.0	21.9↓	167.1↓
Non-Current Assets	4,164.6	4,534.5	4,539.5	5.0↑	374.9↑
Investments	980.4	881.5	845.8	35.7↓	134.6↓
Tangible Assets	2,925.9	3,301.8	3,298.4	3.4↓	372.5↑
Others	258.3	351.2	395.3	44.1↑	137.0↑
Total Liabilities	3,075.8	3,407.0	2,953.9	453.1↓	121.9↓
Current Liabilities	2,151.0	1,815.3	1,768.1	47.2↓	382.9↓
Non-Current Liabilities	924.8	1,591.7	1,185.8	405.9↓	261.0↑
Total Equity	4,642.8	4,405.1	4,315.4	89.7↓	327.4↓
Current Ratio	165.2%	180.6%	154.4%	26.2%p↓	10.8%p↓
Capital Adequacy Ratio	60.2%	56.4%	59.4%	3.0%p↑	0.8%p↓
Debt Ratio	66.2%	77.3%	68.5%	8.8%p↓	2.3%p↑
Net Debt Ratio	5.9%	20.1%	22.2%	2.1%p↑	16.3%p↑

A4. Cash Flow (4Q'15)

(Billion KRW)

	4Q'14	3Q'15	4Q'15	QoQ	YoY
Cash Flow from Operations	453.6	1,282.4	1,291.8	9.4↑	838.2↑
Current Account Balance	238.8	109.1	286.4	177.3↑	47.6↑
Investment Activities	△824.1	363.5	355.4	8.1↓	1,179.5↑
CAPEX	169.0	347.6	277.4	70.2↓	108.4↑
Other	△993.1	15.9	78.0	62.1↑	1,071.1↑
Free Cash Flow	1,062.9	△254.4	△69.0	185.4↑	1,131.9↓
Financing Activities	△78.5	263.8	△137.5	401.3↓	59.0↓
Cash and Cash Equivalents	1,438.0	1,291.8	1,085.3	206.5↓	352.7↓