

**CONSOLIDATED FINANCIAL STATEMENTS OF
SAMSUNG ELECTRONICS CO., LTD. AND ITS SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS**

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Independent Auditors' Report

[English Translation of Independent Auditor's Report Originally Issued in Korean on February 16, 2022]

To the Shareholders and the Board of Directors of Samsung Electronics Co., Ltd.

Audit Opinion

We have audited the accompanying consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Retained Earnings

(A) Retained earnings as of December 31, 2021 and 2020 consist of the following:

| <i>(In millions of Korean won)</i> | December 31, 2021 | December 31, 2020 |
|------------------------------------|--------------------------|--------------------------|
| Discretionary reserve, etc. | 170,814,107 | 174,739,565 |
| Unappropriated retained earnings | 122,250,656 | 96,328,646 |
| Total | 293,064,763 | 271,068,211 |

(B) Details of interim and year-end dividends are as follows:

(1) Interim dividends (Record date: March 31, 2021 and 2020, June 30, 2021 and 2020 and September 30, 2021 and 2020)

| <i>(In millions of Korean won and number of shares)</i> | | 2021 | 2020 | |
|---|---|-------------------|------------------|---------------|
| | Number of shares eligible for dividends | Ordinary shares | 5,969,782,550 | 5,969,782,550 |
| | | Preference shares | 822,886,700 | 822,886,700 |
| 1 st Quarter | Dividend rate (based on par value) | 361% | 354% | |
| | Dividend amount | Ordinary shares | 2,155,092 | 2,113,303 |
| | | Preference shares | 297,062 | 291,302 |
| | Total | 2,452,154 | 2,404,605 | |
| | Number of shares eligible for dividends | Ordinary shares | 5,969,782,550 | 5,969,782,550 |
| | | Preference shares | 822,886,700 | 822,886,700 |
| 2 nd Quarter | Dividend rate (based on par value) | 361% | 354% | |
| | Dividend amount | Ordinary shares | 2,155,092 | 2,113,303 |
| | | Preference shares | 297,062 | 291,302 |
| | Total | 2,452,154 | 2,404,605 | |
| | Number of shares eligible for dividends | Ordinary shares | 5,969,782,550 | 5,969,782,550 |
| | | Preference shares | 822,886,700 | 822,886,700 |
| 3 rd Quarter | Dividend rate (based on par value) | 361% | 354% | |
| | Dividend amount | Ordinary shares | 2,155,092 | 2,113,303 |
| | | Preference shares | 297,062 | 291,302 |
| | Total | 2,452,154 | 2,404,605 | |

(2) Year-end dividends (Record date: December 31, 2021 and 2020)

| <i>(In millions of Korean won and number of shares)</i> | | 2021 | 2020 |
|---|-------------------|------------------|-------------------|
| Number of shares eligible for dividends | Ordinary shares | 5,969,782,550 | 5,969,782,550 |
| | Preference shares | 822,886,700 | 822,886,700 |
| Dividend rate (based on par value) | Ordinary shares | 361% | 1932% |
| | Preference shares | 362% | 1933% |
| Dividend amount | Ordinary shares | 2,155,092 | 11,533,620 |
| | Preference shares | 297,884 | 1,590,640 |
| | Total | 2,452,976 | 13,124,260 |

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Other Components of Equity

Other components of equity as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Gain on valuation of financial assets at fair value through other comprehensive income | 4,616,639 | 4,975,756 |
| Share of other comprehensive loss of associates and joint ventures | 166,835 | (58,629) |
| Loss on overseas business translation | (3,824,733) | (10,977,583) |
| Remeasurement of net defined benefit assets | (3,173,977) | (2,653,425) |
| Other | 86,763 | 26,726 |
| Total | (2,128,473) | (8,687,155) |

21. Expenses by Nature

Expenses by nature for the years ended December 31, 2021 and 2020 consist of the following:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|--------------------|--------------------|
| Changes in finished goods, work in process, and other | (4,517,560) | (3,234,887) |
| Raw materials used, merchandise purchased, and other | 95,625,437 | 81,792,130 |
| Wages and salaries | 28,207,782 | 25,054,684 |
| Post-employment benefit | 1,360,344 | 1,290,179 |
| Depreciation | 31,285,209 | 27,115,735 |
| Amortization | 2,962,152 | 3,219,881 |
| Welfare | 5,073,002 | 4,655,347 |
| Utilities | 4,928,929 | 4,717,553 |
| Outsourcing | 5,594,602 | 5,409,889 |
| Advertising | 5,376,015 | 4,269,043 |
| Sales promotion expenses | 6,286,159 | 5,861,954 |
| Other | 45,788,872 | 40,661,604 |
| Total¹ | 227,970,943 | 200,813,112 |

¹ Equal to the sum of cost of sales and selling and administrative expenses in the consolidated statements of profit or loss.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|--|-------------------|-------------------|
| Selling and administrative expenses | | |
| Wages and salaries | 7,245,981 | 6,763,143 |
| Post-employment benefit | 310,823 | 279,711 |
| Commissions | 6,192,568 | 5,678,703 |
| Depreciation | 1,529,507 | 1,593,365 |
| Amortization | 543,544 | 492,314 |
| Advertising | 5,376,015 | 4,269,043 |
| Sales promotion expenses | 6,286,159 | 5,861,954 |
| Transportation | 2,792,690 | 2,218,422 |
| Service charges | 4,039,642 | 3,368,401 |
| Other | 4,840,946 | 4,688,270 |
| Subtotal | 39,157,875 | 35,213,326 |
| Research and development expenses | | |
| Total expenses | 22,595,434 | 21,220,972 |
| Capitalized expenses | (193,708) | (109,482) |
| Subtotal | 22,401,726 | 21,111,490 |
| Total | 61,559,601 | 56,324,816 |

23. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|------------------|------------------|
| Other non-operating income | | |
| Dividend income | 135,840 | 152,440 |
| Rental income | 132,801 | 147,104 |
| Gain on disposal of property, plant and equipment | 340,400 | 154,249 |
| Other | 1,596,654 | 930,275 |
| Total | 2,205,695 | 1,384,068 |

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|------------------|------------------|
| Other non-operating expenses | | |
| Loss on disposal of property, plant and equipment | 75,586 | 87,673 |
| Donations | 270,927 | 311,421 |
| Other | 1,709,458 | 2,089,808 |
| Total | 2,055,971 | 2,488,902 |

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial Income and Expenses

Details of financial income and expenses for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|------------------|-------------------|
| Financial income | | |
| Interest income | 1,278,278 | 1,974,458 |
| Interest income from financial assets measured at amortized cost | 1,278,051 | 1,974,141 |
| Interest income from financial assets measured at fair value through profit or loss | 227 | 317 |
| Foreign exchange differences | 6,525,676 | 9,270,039 |
| Gains from derivatives | 739,233 | 1,023,103 |
| Total | 8,543,187 | 12,267,600 |

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|------------------|-------------------|
| Financial expenses | | |
| Interest expenses | 431,540 | 583,013 |
| Interest expenses from financial liabilities measured at amortized cost | 213,477 | 302,782 |
| Other financial liabilities | 218,063 | 280,231 |
| Foreign exchange differences | 6,486,093 | 9,868,591 |
| Losses from derivatives | 786,921 | 866,451 |
| Total | 7,704,554 | 11,318,055 |

The Company recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as financial income and expenses.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Income Tax Expense

(A) Income tax expense for the years ended December 31, 2021 and 2020 consists of the following:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|--|-------------|-------------|
| Current taxes | | |
| Current tax on profits for the year | 11,135,521 | 7,361,115 |
| Adjustments recognize in the current year | (195,237) | 339,673 |
| Subtotal | 10,940,284 | 7,700,788 |
| Deferred taxes | | |
| Changes in deferred taxes arising from unused tax credits | (332,975) | (325,880) |
| Changes in deferred taxes arising from temporary differences | 2,172,312 | 2,312,926 |
| Changes in deferred taxes arising from unused tax losses | 507,313 | 264,349 |
| Other | 157,443 | (14,898) |
| Subtotal | 2,504,093 | 2,236,497 |
| Items charged directly to equity | - | - |
| Income tax expense | 13,444,377 | 9,937,285 |

(B) The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the weighted-average statutory tax rate applicable to profits of the Company as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|-------------|-------------|
| Profit before income tax | 53,351,827 | 36,345,117 |
| Tax calculated at weighted average of applicable tax rates¹ | 15,760,775 | 8,972,156 |
| Adjustments: | | |
| Permanent differences | (464,839) | (269,002) |
| Temporary differences for which no deferred income tax was recognized | (80,250) | (130,892) |
| Tax credits and exemptions | (4,627,136) | (1,902,680) |
| Results of interest in subsidiaries, etc. | 2,267,026 | 2,774,410 |
| Impact of changes in tax rates | 8,691 | (5,019) |
| Other | 580,110 | 498,312 |
| Subtotal | (2,316,398) | 965,129 |
| Income tax expense | 13,444,377 | 9,937,285 |

¹ The weighted average of statutory tax rates are applied to the respective profits of the Company applicable to each tax authority as of December 31, 2021 and 2020.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) The movement in deferred income tax assets and liabilities resulting from the tax effect of temporary differences for the years ended December 31, 2021 and 2020 are as follows:

(1) 2021

| <i>(In millions of Korean won)</i> | Temporary differences | | | Deferred income tax assets (liabilities) | | |
|---|----------------------------|------------------------|------------------------------|--|------------------------|------------------------------|
| | Balance as of January 1 | Increase (Decrease) | Balance as of December 31 | Balance as of January 1 | Increase (Decrease) | Balance as of December 31 |
| Deferred tax arising from temporary differences | | | | | | |
| Revaluation of land | (3,420,886) | 14,261 | (3,406,625) | (940,744) | 3,922 | (936,822) |
| Investments in subsidiaries, associates and joint ventures ¹ | (111,924,859) | (14,891,920) | (126,816,779) | (19,172,409) | (1,442,145) | (20,614,554) |
| Accumulated depreciation and other | (2,285,841) | (1,528,757) | (3,814,598) | (992,777) | (779,016) | (1,771,793) |
| Accrued income | (139,406) | 117,253 | (22,153) | (31,486) | 38,339 | 6,853 |
| Provisions, accrued expenses and other | 13,121,416 | 2,858,039 | 15,979,455 | 3,764,808 | 796,066 | 4,560,874 |
| Foreign currency translation | (24,683) | 87,298 | 62,615 | (10,077) | 22,153 | 12,076 |
| Asset impairment losses | 1,855,765 | (721,717) | 1,134,048 | 453,486 | (194,600) | 258,886 |
| Other | 562,628 | (1,054,853) | (492,225) | (21,726) | (617,031) | (638,757) |
| Subtotal | (102,255,866) | (15,120,396) | (117,376,262) | (16,950,925) | (2,172,312) | (19,123,237) |
| Deferred tax arising from tax losses | | | | | | |
| Unused tax losses | 3,618,601 | (1,603,153) | 2,015,448 | 943,794 | (507,313) | 436,481 |
| Deferred tax arising from tax credits | | | | | | |
| Unused tax credits | 1,328,527 | 358,538 | 1,687,065 | 1,333,387 | 332,975 | 1,666,362 |
| Deferred tax recognized in equity | | | | | | |
| Gain (loss) on valuation of financial assets at fair value through other comprehensive income and other | (1,660,421) | (1,914,673) | (3,575,094) | (909,176) | (2,246,134) | (3,155,310) |
| Remeasurement of net defined benefit assets | 3,735,320 | 712,190 | 4,447,510 | 1,047,075 | 191,638 | 1,238,713 |
| Subtotal | 2,074,899 | (1,202,483) | 872,416 | 137,899 | (2,054,496) | (1,916,597) |
| Deferred tax assets | | | | 4,275,000 | (13,786) | 4,261,214 |
| Deferred tax liabilities | | | | (18,810,845) | (4,387,360) | (23,198,205) |
| Total | | | | (14,535,845) | (4,401,146) | (18,936,991) |

¹ Deferred tax assets are not recognized if it is probable that the temporary differences will not reverse in the foreseeable future for investments in subsidiaries, associates and joint ventures.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) 2020

| <i>(In millions of Korean won)</i> | Temporary differences | | | Deferred income tax assets (liabilities) | | |
|--|-------------------------|---------------------|---------------------------|--|---------------------|---------------------------|
| | Balance as of January 1 | Increase (Decrease) | Balance as of December 31 | Balance as of January 1 | Increase (Decrease) | Balance as of December 31 |
| Deferred tax arising from temporary differences | | | | | | |
| Revaluation of land | (3,417,804) | (3,082) | (3,420,886) | (939,896) | (848) | (940,744) |
| Investments in subsidiaries, associates and joint ventures ¹ | (96,397,199) | (15,527,660) | (111,924,859) | (16,669,138) | (2,503,271) | (19,172,409) |
| Accumulated depreciation and other | (4,529,334) | 2,243,493 | (2,285,841) | (982,556) | (10,221) | (992,777) |
| Accrued income | (248,662) | 109,256 | (139,406) | (61,332) | 29,846 | (31,486) |
| Provisions, accrued expenses and other | 12,251,647 | 869,769 | 13,121,416 | 3,282,747 | 482,061 | 3,764,808 |
| Foreign currency translation | (97,929) | 73,246 | (24,683) | (30,227) | 20,150 | (10,077) |
| Asset impairment losses | 1,790,729 | 65,036 | 1,855,765 | 492,332 | (38,846) | 453,486 |
| Other | 2,252,684 | (1,690,056) | 562,628 | 270,071 | (291,797) | (21,726) |
| Subtotal | (88,395,868) | (13,859,998) | (102,255,866) | (14,637,999) | (2,312,926) | (16,950,925) |
| Deferred tax arising from tax losses | | | | | | |
| Unused tax losses | 4,563,095 | (944,494) | 3,618,601 | 1,208,143 | (264,349) | 943,794 |
| Deferred tax arising from tax credits | | | | | | |
| Unused tax credits | 1,311,498 | 17,029 | 1,328,527 | 1,007,507 | 325,880 | 1,333,387 |
| Deferred tax recognized in equity | | | | | | |
| Loss on valuation of financial assets at fair value through other comprehensive income and other | (2,928,550) | 1,268,129 | (1,660,421) | (895,922) | (13,254) | (909,176) |
| Remeasurement of net defined benefit assets | 2,738,197 | 997,123 | 3,735,320 | 769,512 | 277,563 | 1,047,075 |
| Subtotal | (190,353) | 2,265,252 | 2,074,899 | (126,410) | 264,309 | 137,899 |
| Deferred tax assets | | | | 4,505,049 | (230,049) | 4,275,000 |
| Deferred tax liabilities | | | | (17,053,808) | (1,757,037) | (18,810,845) |
| Total | | | | (12,548,759) | (1,987,086) | (14,535,845) |

¹ Deferred tax assets are not recognized if it is probable that the temporary differences will not reverse in the foreseeable future for investments in subsidiaries, associates and joint ventures.

The Company assessed that the deferred tax asset is realizable as the estimated average annual taxable income in future years exceeds the tax loss carry forwards and tax credit carry forwards to be reversed in each accounting period. Temporary differences in which deferred tax effects were not recognized due to uncertainty regarding the ultimate realizability of such assets as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|------------------------------------|---------|---------|
| Unused tax losses | 706,512 | 751,255 |
| Unused tax credits | 47,929 | 37,816 |

Expected expiry dates of unused tax losses and credits for which no deferred tax asset is recognized are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2021 | 2022 | 2023 and after |
|------------------------------------|--------|-------|--------|----------------|
| Unused tax losses | - | 1,316 | - | 705,196 |
| Unused tax credits | 13,302 | 3,145 | 24,364 | 7,118 |

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(D) Details of the period when the deferred tax assets (liabilities) are recovered (settled) as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Deferred tax assets | | |
| Deferred tax assets to be recovered within 12 months | 2,999,046 | 2,839,030 |
| Deferred tax assets to be recovered after more than 12 months | 1,262,168 | 1,435,970 |
| Subtotal | 4,261,214 | 4,275,000 |
| Deferred tax liabilities | | |
| Deferred tax liabilities to be settled after more than 12 months | (23,198,205) | (18,810,845) |
| Total | (18,936,991) | (14,535,845) |

26. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020 are calculated as follows:

(1) Ordinary shares

| <i>(In millions of Korean won, thousands of number of shares)</i> | 2021 | 2020 |
|---|--------------|--------------|
| Profit for the year attributable to owners of the parent company | 39,243,791 | 26,090,846 |
| Profit for the year available for ordinary shares | 34,488,944 | 22,929,390 |
| Weighted-average number of ordinary shares outstanding | 5,969,783 | 5,969,783 |
| Basic earnings per ordinary share (in Korean won) | 5,777 | 3,841 |

(2) Preference shares

| <i>(In millions of Korean won, thousands of number of shares)</i> | 2021 | 2020 |
|---|--------------|--------------|
| Profit for the year attributable to owners of the parent company | 39,243,791 | 26,090,846 |
| Profit for the year available for preference shares | 4,754,847 | 3,161,456 |
| Weighted-average number of preference shares outstanding | 822,887 | 822,887 |
| Basic earnings per preference share (in Korean won) | 5,778 | 3,842 |

(B) Diluted earnings per share

The Company does not have dilutive potential ordinary shares and as a result, basic earnings per share and diluted earnings per share are the same for the years ended December 31, 2021 and 2020.

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Statements of Cash Flows

(A) The Company used the indirect method to present cash flows from operating activities. Adjustments and changes in assets and liabilities arising from operating activities for the years ended December 31, 2021 and 2020 are as follows:

- Adjustments

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|-------------------|-------------------|
| Adjustments: | | |
| Income tax expense | 13,444,377 | 9,937,285 |
| Financial income | (2,485,679) | (3,718,841) |
| Financial expenses | 1,917,705 | 2,306,770 |
| Post-employment benefits | 1,360,344 | 1,290,179 |
| Depreciation | 31,285,209 | 27,115,735 |
| Amortization | 2,962,152 | 3,219,881 |
| Bad debt expenses (reversal) | 17,990 | 40,006 |
| Dividend income | (135,840) | (152,440) |
| Share of profit of associates and joint ventures | (729,614) | (506,530) |
| Gain on disposal of property, plant and equipment | (340,400) | (154,249) |
| Loss on disposal of property, plant and equipment | 75,586 | 87,673 |
| Loss on valuation of inventories | 1,735,741 | 1,000,763 |
| Others | (51,938) | 1,152,322 |
| Total | 49,055,633 | 41,618,554 |

- Changes in assets and liabilities arising from operating activities

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|--|---------------------|----------------|
| Changes in assets and liabilities : | | |
| Decrease (increase) in trade receivables | (7,302,604) | 1,269,982 |
| Decrease (increase) in non-trade receivables | (204,348) | 471,034 |
| Increase in prepaid expenses | (204,971) | (16,429) |
| Decrease (increase) in inventories | (9,712,379) | (7,540,656) |
| Increase (decrease) in trade payables | 1,027,017 | 3,885,742 |
| Increase (decrease) in other payables | 1,516,076 | 196,710 |
| Increase (decrease) in advances received | (24,371) | 95,851 |
| Increase (decrease) in withholdings | 275,998 | 99,300 |
| Increase (decrease) in accrued expenses | 3,340,697 | 5,332,676 |
| Increase (decrease) in provisions | 1,862,320 | 944,417 |
| Payment of post-employment benefits | (606,870) | (610,734) |
| Increase in plan assets | (2,866,087) | (2,327,602) |
| Other | (3,387,362) | (1,677,867) |
| Total | (16,286,884) | 122,424 |

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Significant non-cash investing and financing transactions for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|--|-------------|-------------|
| Valuation of financial assets at fair value through other comprehensive income | 3,653,253 | 3,423,908 |
| Valuation of investments in associates and joint ventures | 211,979 | 43,297 |
| Reclassification of construction in progress to property, plant and equipment | 50,451,574 | 42,177,828 |
| Acquisition of right-of-use assets (New lease contracts established) | 1,748,911 | 810,823 |
| Reclassification of current portion of debentures | 477,651 | 5,318 |
| Reclassification of current portion of long-term borrowings | 852,317 | 710,781 |

(C) Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows:

(1) 2021

| <i>(In millions of Korean won)</i> | As of January 1 | Cash flows from financing activities | Non-cash transactions | | As of December 31 |
|-------------------------------------|----------------------------|---|--------------------------------|--------------------------|------------------------------|
| | | | New lease contracts | Other¹ | |
| Short-term borrowings | 16,553,429 | (2,616,943) | - | (248,693) | 13,687,793 |
| Debentures and long-term borrowings | 3,663,952 | (836,470) | 1,748,912 | 127,962 | 4,704,356 |
| Total | 20,217,381 | (3,453,413) | 1,748,912 | (120,731) | 18,392,149 |

¹ Other includes amortization and effects of changes in foreign currency exchange rates.

(2) 2020

| <i>(In millions of Korean won)</i> | As of January 1 | Cash flows from financing activities | Non-cash transactions | | As of December 31 |
|-------------------------------------|----------------------------|---|--------------------------------|--------------------------|------------------------------|
| | | | New lease contracts | Other¹ | |
| Short-term borrowings | 14,393,468 | 2,191,186 | - | (31,225) | 16,553,429 |
| Debentures and long-term borrowings | 4,018,569 | (850,452) | 810,823 | (314,988) | 3,663,952 |
| Total | 18,412,037 | 1,340,734 | 810,823 | (346,213) | 20,217,381 |

¹ Other includes amortization, effects of changes in foreign currency exchange rates, and the cumulative effect of changes in accounting policies.

For the years ended December 31, 2021 and 2020, cash outflows from principal repayment (financial activities) amount to ₩ 876,437 million and ₩ 823,935 million, respectively, and cash outflows due to interest expenses (operating activities) in relation to the lease liabilities amount to ₩ 106,880 million and ₩ 109,040 million, respectively.

(D) The Company reported cash receipts and payments arising from transactions occurring frequently, of large gross amounts, and with short-term maturities, such as short-term financial instruments, borrowings and other, on a net basis. As of December 31, 2021, most of the Company's cash and cash equivalents consist of bank deposits.

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28. Financial Risk Management

The Company's financial risk management focuses on minimizing the market risk, credit risk, and liquidity risk arising from operating activities. To mitigate these risks, the Company implements and operates a financial risk policy and program that closely monitors and manages such risks. In addition, the Company uses derivatives to hedge certain risk exposure.

The finance team mainly carries out the Company's financial risk management. After implementing the global financial risk management policies, the finance team periodically measures, evaluates, and hedges the financial risk and also establishes and implements the global financial risk management policy.

The Company also manages the foreign exchange risk by monitoring foreign exchange rate fluctuations at local finance centers across major regions (United States, United Kingdom, Singapore, China, Brazil, and Russia) and acting as an agent of foreign exchange transactions. In addition, the Company manages the liquidity risk by utilizing a globally integrated finance structure.

The Company's financial assets that are under the financial risk management are comprised of cash and cash equivalents, short-term financial instruments, financial assets at amortized cost, trade receivables and others. The Company's financial liabilities under financial risk management are comprised of trade payables, borrowings, and others.

(A) Market risk

(1) Foreign exchange risk

The Company is exposed to the foreign exchange risk arising from its global operations performed in currencies other than its functional currency. The major currencies that are exposed to the foreign exchange risk are the US dollar, Euro, and Indian Rupee.

The Company focuses on minimizing the impact of the foreign exchange fluctuation by maintaining the equal amount of assets and liabilities denominated in each foreign currency, irrespective of the foreign exchange fluctuation considerations. To prevent the exchange position, the Company's foreign exchange management policy requires the normal business transactions, including imports and exports, as well as the financing transactions such as depositing and borrowing, to be in local currency or for the cash-in currency to be matched up with the cash-out currency. Moreover, the Company periodically evaluates and monitors the foreign exchange risk to efficiently mitigate such risk, and the speculative foreign exchange transactions are strictly prohibited.

As of December 31, 2021 and 2020, when the currency rates change by 5%, the impact on profit or loss (before income tax effects) arising from financial assets and liabilities denominated in foreign currencies other than the functional currency are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | | December 31, 2020 | |
|------------------------------------|--------------------------|-----------------|--------------------------|-----------------|
| | Increase | Decrease | Increase | Decrease |
| USD | 250,489 | (250,489) | 174,400 | (174,400) |
| EUR | 107,519 | (107,519) | 112,244 | (112,244) |
| INR | 24,216 | (24,216) | 21,959 | (21,959) |

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(2) Interest rate risk

Risk of changes in interest rates for floating interest rate financial instruments is defined as the risk that the fair value of components of the statements of financial position, and future cash flows of interest income (expenses) of a financial instrument, will fluctuate because of the changes in market interest rates. The Company's position with regard to interest rate risk exposure is mainly driven by its floating interest rate debt obligations and interest-bearing deposits. The Company implemented policies and operates to minimize uncertainty arising from changes in interest rates and financial expenses.

As of December 31, 2021 and 2020, changes in profit or loss (before income tax effects) as a result of a 1%p change in interest rates on floating interest rate financial assets and liabilities are presented below:

| <i>(In millions of Korean won)</i> | December 31, 2021 | | December 31, 2020 | |
|------------------------------------|--------------------------|-----------------|--------------------------|-----------------|
| | Increase | Decrease | Increase | Decrease |
| Financial assets | 71,131 | (71,131) | 81,013 | (81,013) |
| Financial liabilities | (18,779) | 18,779 | (2,195) | 2,195 |
| Net effect | 52,352 | (52,352) | 78,818 | (78,818) |

(3) Price risk

The Company's investment portfolio consists of direct and indirect investments in equity instruments classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which is in line with the Company's strategy.

As of December 31, 2021 and 2020, price fluctuation of marketable equity securities (listed stocks) by 1% would result in changes in other comprehensive income (before income tax) of ₩ 116,087 million and ₩ 69,101 million, respectively, and changes in profit before tax of ₩ 4,784 million and ₩ 4,316 million, respectively.

(B) Credit risk

Credit risk arises during the normal course of transactions and investing activities where clients or other parties fail to discharge an obligation. The Company monitors and sets the client's and the counterparty's credit limit on a periodic basis based on the client's and counterparty's financial conditions, default histories and other important factors. Adequate insurance coverage is maintained for trade receivables related to the trading partners situated in higher risk countries.

Credit risk can arise from transactions with financial institutions which include financial instrument transactions such as cash and cash equivalents, deposits, and derivative instruments. To minimize such risk, the Company transacts only with banks which have strong international credit rating (S&P A and above), and all new transactions with financial institutions with no prior transaction history are approved, managed and monitored by the Company's finance team and the local finance center. The Company generally enters into a financial agreement with no restrictions, such as debt ratio covenants, provision of collateral and/or repayment of loans/ borrowings. The Company requires separate approvals for contracts with restrictions.

As of December 31, 2021 and December 31, 2020, the Company estimates that its maximum exposure to credit risk is the carrying amount of its financial assets, net of impairment losses.

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(C) Liquidity risk

Due to large investments made by the Company, maintaining adequate levels of liquidity risk is critical. The Company strives to achieve this goal by periodically forecasting its capital balance, estimating the required cash levels, and managing income and expenses.

The Company manages its liquidity risk by periodically forecasting the projected cash flows. If abnormal signs are identified, the Company works with the local finance center and provides liquidity support by utilizing a globally integrated finance structure, such as Cash Pooling. In addition, the Company maintains a liquidity management process which provides an additional financial support from the local finance center and the Company. The Cash Pooling program allows the sharing of surplus funds among the entities and contributes to minimizing the liquidity risk and strengthening the Company's competitive position by reducing capital operation expenses and financial expenses.

For the need of large scale of liquidity, the Company secures the credit limit for overseas subsidiaries through payment guarantees.

As of December 31, 2021 and 2020, the following table is an undiscounted cash flow analysis for financial liabilities according to their remaining contractual maturity.

| <i>(In millions of Korean won)</i> | December 31, 2021 | | | | |
|------------------------------------|-------------------------------|---------------------|----------------------|--------------------|------------------------------|
| | Less than 3 months | 4 - 6 months | 7 - 12 months | 1 - 5 years | More than 5 years |
| Financial liabilities | 55,185,809 | 1,814,271 | 1,674,980 | 5,462,057 | 944,232 |

| <i>(In millions of Korean won)</i> | December 31, 2020 | | | | |
|------------------------------------|-------------------------------|---------------------|----------------------|--------------------|------------------------------|
| | Less than 3 months | 4 - 6 months | 7 - 12 months | 1 - 5 years | More than 5 years |
| Financial liabilities | 44,988,792 | 733,776 | 1,651,951 | 3,945,429 | 578,346 |

The table above shows the Company's financial liabilities based on the remaining period at the consolidated statements of financial position date until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Company's derivative financial liabilities of ₩ 113,590 million (December 31, 2020: ₩ 47,704 million) has been included within the less than 3 months bucket. These are the Company's trading portfolio of derivative instruments, on a net settlement term, of which the contractual maturities are not essential for understanding its cash flows. These contracts are managed on a net fair value basis rather than by the maturity date. Net settled derivatives consist of forwards on currency rates used by the Company to manage the exchange rate profile.

Derivatives that are settled on a gross basis by the delivery of underlying items, including derivatives for hedging, will be settled within the next 60 months from the end of the reporting period. These derivative are not included in the table above.

There is no maximum liquidity risk exposure from those other than the above financial liabilities (e.g., payment and performance guarantees) as of December 31, 2021.

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(D) Derivative financial instruments

The Company applies cash flow hedge accounting to hedge the foreign currency risk of forecasted transaction including hedging the price risk associated with inventory. Details of derivative financial instruments that qualify as cash flow hedges as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | | December 31, 2020 | |
|-------------------------------------|--------------------------|--------------------|--------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Currency forward exchange contracts | | | | |
| Current items | 34,075 | 11,090 | 11,311 | 22,236 |
| Non-current items | 16,790 | 3,280 | 11,999 | 19,694 |
| Total | 50,865 | 14,370 | 23,310 | 41,930 |

For the years ended December 31, 2021 and 2020, the Company recognizes the gains and losses relating to the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges in other comprehensive income, which amount to the gain of ₩ 50,410 million (after tax) and loss of ₩ 33,406 million (after tax), respectively, and recognizes the gains and losses relating to the ineffective portion in profit or loss, which amount to the gain of ₩ 451 million (before tax) and loss of ₩ 27 million (before tax), respectively. For the years ended December 31, 2021 and 2020, gains and losses reclassified directly from other comprehensive income to profit or loss amount to the gain of ₩ 1,117 million (after tax) and the gain of ₩ 4,664 million (after tax), respectively and the gains reclassified from other comprehensive income to the carrying amount of inventory amount to the gain of ₩ 1,539 million (after tax) and the gain of ₩ 3,792 million (after tax), respectively.

(E) Capital risk management

The purpose of capital management is to maintain a sound capital structure. The Company monitors capital on the basis of credit ratings and debt ratio. Debt ratio is calculated by dividing the total liabilities by total equity in the financial statements.

The Company's capital risk management policy has not changed since the prior reporting periods. The Company has maintained an AA- and Aa3 credit ratings from S&P and Moody's, respectively.

The total liabilities to equity ratios as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | December 31, 2020 |
|------------------------------------|--------------------------|--------------------------|
| Total liabilities | 121,721,227 | 102,287,702 |
| Total equity | 304,899,931 | 275,948,016 |
| Debt ratio | 39.9% | 37.1% |

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(F) Fair value estimation

- (1) Carrying amounts and fair values of financial instruments by category as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2021 | | December 31, 2020 | |
|---|--------------------|---------------------|--------------------|-----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | 39,031,415 | (*) | 29,382,578 | (*) |
| Short-term financial instruments | 81,708,986 | (*) | 92,441,703 | (*) |
| Short-term financial assets at amortized cost | 3,369,034 | (*) | 2,757,111 | (*) |
| Short-term financial assets at fair value through profit or loss | 40,757 | 40,757 | 71,451 | 71,451 |
| Trade receivables | 40,713,415 | (*) | 30,965,058 | (*) |
| Financial assets at fair value through other comprehensive income | 13,965,839 | 13,965,839 | 12,575,216 | 12,575,216 |
| Financial assets at fair value through profit or loss | 1,525,344 | 1,525,344 | 1,202,969 | 1,202,969 |
| Other ^(*2) | 9,040,189 | 328,216 | 6,634,873 | 239,107 |
| Total financial assets | 189,394,979 | | 176,030,959 | |
| Financial liabilities | | | | |
| Trade payables | 13,453,351 | (*) | 9,739,222 | (*) |
| Short-term borrowings | 13,687,793 | (*) | 16,553,429 | (*) |
| Other payables | 14,126,970 | (*) | 10,645,637 | (*) |
| Current portion of long-term liabilities | 1,329,968 | 554,106 | 716,099 | 5,318 |
| - Current portion of long-term borrowing | 852,317 | (*) ^(*3) | 710,781 | ^(*3) |
| - Current portion of debentures | 477,651 | 554,106 | 5,318 | 5,318 |
| Debentures | 508,232 | 546,339 | 948,137 | 997,101 |
| Long-term borrowings | 2,866,156 | (*) ^(*3) | 1,999,716 | ^(*3) |
| Long-term other payables ^(*2) | 2,562,158 | (*) | 1,274,304 | 2,176 |
| Other ^(*2) | 10,781,684 | 337,394 | 9,639,252 | 284,628 |
| Total financial liabilities | 59,316,312 | | 51,515,796 | |

(*) Assets and liabilities whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

(*) Assets measured at the cost of ₩ 8,711,973 million (December 31, 2020: ₩ 6,395,766 million) and liabilities measured at the cost of ₩ 13,006,448 million (December 31, 2020: ₩ 10,626,752 million) are excluded as the carrying amount is a reasonable estimation of fair value.

(*) Lease liabilities, classified under the current portion of long-term liabilities and long-term borrowings, are excluded from the fair value disclosures in accordance with *Korean IFRS 1107*.

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- (2) Fair value hierarchy classifications of the financial instruments that are measured or disclosed at fair value as of December 31, 2021 and 2020 are as follows:

| December 31, 2021 | | | | |
|---|----------------|----------------|----------------|----------------------|
| <i>(In millions of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total balance |
| 1) Assets | | | | |
| Short-term financial assets at fair value through profit or loss | - | 35,620 | 5,137 | 40,757 |
| Financial assets at fair value through other comprehensive income | 11,608,708 | - | 2,357,131 | 13,965,839 |
| Financial assets at fair value through profit or loss | 478,401 | - | 1,046,943 | 1,525,344 |
| Other | - | 307,213 | 21,003 | 328,216 |
| 2) Liabilities | | | | |
| Current portion of debentures | - | 554,106 | - | 554,106 |
| Debentures | - | 546,339 | - | 546,339 |
| Other | - | 331,956 | 5,438 | 337,394 |

| December 31, 2020 | | | | |
|---|----------------|----------------|----------------|----------------------|
| <i>(In millions of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total balance |
| 1) Assets | | | | |
| Short-term financial assets at fair value through profit or loss | - | 58,763 | 12,688 | 71,451 |
| Financial assets at fair value through other comprehensive income | 6,910,108 | - | 5,665,108 | 12,575,216 |
| Financial assets at fair value through profit or loss | 431,626 | - | 771,343 | 1,202,969 |
| Other | - | 239,107 | - | 239,107 |
| 2) Liabilities | | | | |
| Current portion of debentures | - | 5,318 | - | 5,318 |
| Debentures | - | 997,101 | - | 997,101 |
| Long-term other payables | - | - | 2,176 | 2,176 |
| Other | - | 277,556 | 7,072 | 284,628 |

The levels of the fair value hierarchy and its application to financial assets and liabilities are described below.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statements of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The instruments included in Level 1 are listed equity investments, most of which are classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the entity-specific estimates. If all significant inputs required for a fair value of an instrument are observable, the instrument is included in Level 2.

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If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

The Company performs the fair value measurements required for financial reporting purposes, including Level 3 fair values and discusses valuation processes and results at least once every quarter in line with the Company's quarterly reporting dates. The Company's policy is to recognize transfers between levels at the end of the reporting period, if corresponding events or changes in circumstances have occurred.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statements of financial position date, with the resulting value discounted back to present value

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. For trade and other receivables that are classified as current assets, the book value approximates a reasonable estimate of fair value.

(3) Valuation technique and the inputs

The Company utilizes a present value technique to discount future cash flows using a proper interest rate for corporate bonds, government and public bonds, and bank debentures that are classified as Level 2 in the fair value hierarchy.

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 3 as of December 31, 2021.

(In millions of Korean won and percentage)

| Classification | Fair value | Valuation technique | Level 3 inputs | Input range (Weighted average) |
|---|------------|----------------------|----------------------------------|--|
| Financial assets at fair value through other comprehensive income | | | | |
| Samsung Venture Investment | 22,198 | Discounted cash flow | Permanent growth rate | -1.0%~1.0%(0.0%) |
| | | | Weighted average cost of capital | 19.7%~21.7%(20.7%) |
| MiCo Ceramics Co., Ltd. | 24,636 | Discounted cash flow | Permanent growth rate | -1.0%~1.0%(0.0%) |
| | | | Weighted average cost of capital | 14.7%~16.7%(15.7%) |
| TCL China Star Optoelectronics Technology Co., Ltd. (CSOT) | 1,309,315 | Discounted cash flow | Permanent growth rate | -1.0%~1.0%(0.0%) |
| | | | Weighted average cost of capital | 11.1%~13.1%(12.1%) |
| China Star Optoelectronics Semiconductor Display Technology Ltd. (CSOSDT) | 418,040 | Discounted cash flow | Permanent growth rate | -1.0%~1.0%(0.0%) |
| | | | Weighted average cost of capital | 11.1%~13.1%(12.1%) |
| Others | | | | |
| Put option on equity instruments | 21,003 | Binomial model | Risk-free discount rate | 0.8%~1.4%, 2.6% |
| | | | Price volatility | 17.7%~27.7%(22.7%) 23.6%~33.6%(28.6%) |

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(4) Changes in Level 3 instruments for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|---|-------------|-------------|
| Financial assets | | |
| Balance as of January 1 | 6,449,139 | 7,407,684 |
| Acquisitions | 1,075,389 | 882,331 |
| Disposals | (402,782) | (2,531,276) |
| Amount recognized in profit or loss | 463,818 | (55,103) |
| Amount recognized in other comprehensive income | 1,543,511 | 829,764 |
| Other | (5,698,861) | (84,261) |
| Balance as of December 31 | 3,430,214 | 6,449,139 |

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Financial liabilities | | |
| Balance as of January 1 | 9,248 | 2,316 |
| Amount recognized in profit or loss | (784) | 196 |
| Other | (3,026) | 6,736 |
| Balance as of December 31 | 5,438 | 9,248 |

(5) Sensitivity analysis for recurring fair value measurements categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or unfavorable.

The results of the sensitivity analysis for the effect on profit or loss (before tax amount for other comprehensive income or loss) from changes in inputs for major financial instruments which are categorized within Level 3 and subject to sensitivity analysis are as follows:

| <i>(In millions of Korean won)</i> | Favorable changes | | Unfavorable changes | |
|--|--------------------------|---------------|----------------------------|---------------|
| | Profit or loss | Equity | Profit or loss | Equity |
| Financial assets at fair value through other comprehensive income ¹ | - | 150,377 | - | (109,915) |
| Others ² | 2,920 | - | (4,898) | - |

¹ For equity securities, changes in fair value are calculated with the correlation between the growth rate (-1%~1%) and the discount rate, which are significant unobservable inputs.

² Changes were calculated based on the correlation between the fair value and price volatility (-5%~5%), which is a significant unobservable input.

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29. Segment Information

(A) Operating segment information

The chief operating decision-maker has been identified as the Management Committee. The Company determines operating segments based on the units reported to the Management Committee. The Management Committee reviews the operating profits of each operating segment in order to assess the performance and to make strategic decisions regarding the allocation of resources to the segments.

Sales revenue consists mostly of product sales. The operating segments are product-based and are identified based on the internal organization and revenue streams. As of the reporting date, the operating segments are comprised of CE, IM, DS (Semiconductor and DP), Harman, and others.

The segment information for each reporting period is prepared after allocating the intercompany reconciliations to depreciation, amortization of intangible assets and operating profits. Total assets and liabilities of each operating segment are excluded from the disclosure as these have not been provided regularly to the Management Committee.

(1) For the year ended December 31, 2021

| <i>(In millions of Korean won)</i> | CE | IM | DS | | | | Total ¹ |
|--|------------|-------------|--------------------|--------------------|------------|------------|--------------------|
| | | | Total ¹ | Semi- conductor | DP | Harman | |
| Net revenue | 55,832,435 | 109,251,383 | 125,089,024 | 94,158,569 | 31,712,526 | 10,039,922 | 279,604,799 |
| Depreciation | 668,356 | 739,774 | 28,353,128 | 22,826,329 | 5,504,216 | 311,237 | 31,285,209 |
| Amortization | 74,182 | 1,264,152 | 1,179,743 | 930,002 | 239,821 | 229,772 | 2,962,152 |
| Operating profit | 3,645,721 | 13,647,575 | 33,734,199 | 29,199,292 | 4,457,365 | 599,097 | 51,633,856 |

¹ Other operating segments are not separately disclosed.

(2) For the year ended December 31, 2020

| <i>(In millions of Korean won)</i> | CE | IM | DS | | | | Total ¹ |
|--|------------|------------|--------------------|--------------------|------------|-----------|--------------------|
| | | | Total ¹ | Semi- conductor | DP | Harman | |
| Net revenue | 48,173,324 | 99,587,493 | 103,036,146 | 72,857,803 | 30,585,715 | 9,183,748 | 236,806,988 |
| Depreciation | 582,929 | 855,573 | 24,330,737 | 18,124,847 | 6,183,077 | 264,928 | 27,115,735 |
| Amortization | 76,270 | 1,394,396 | 1,321,305 | 1,053,892 | 257,446 | 233,518 | 3,219,881 |
| Operating profit | 3,561,536 | 11,472,671 | 21,120,231 | 18,804,970 | 2,236,919 | 55,518 | 35,993,876 |

¹ Other operating segments are not separately disclosed.

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(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the years ended December 31, 2021 and 2020 are as follows:

(1) As of and for the year ended December 31, 2021

| <i>(In millions of Korean won)</i> | Korea | America | Europe | Asia and Africa | China | Intercompany elimination | Consolidated |
|------------------------------------|--------------|----------------|---------------|----------------------------|--------------|-------------------------------------|---------------------|
| Net revenue | 43,971,631 | 97,903,868 | 50,323,287 | 41,834,609 | 45,571,404 | - | 279,604,799 |
| Non-current assets ¹ | 127,116,179 | 10,758,956 | 5,951,905 | 9,088,409 | 18,244,469 | (995,135) | 170,164,783 |

¹ Financial instruments, deferred tax assets, investments in associates and joint ventures, and others are excluded from non-current assets.

(2) As of and for the year ended December 31, 2020

| <i>(In millions of Korean won)</i> | Korea | America | Europe | Asia and Africa | China | Intercompany elimination | Consolidated |
|------------------------------------|--------------|----------------|---------------|----------------------------|--------------|-------------------------------------|---------------------|
| Net revenue | 37,035,377 | 78,305,571 | 45,967,097 | 37,692,286 | 37,806,657 | - | 236,806,988 |
| Non-current assets ¹ | 110,075,478 | 9,035,206 | 6,087,436 | 8,972,711 | 13,782,478 | (531,915) | 147,421,394 |

¹ Financial instruments, deferred tax assets, investments in associates and joint ventures, and others are excluded from non-current assets.

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30. Related Party Transactions

(A) Sale and purchase transactions

Sale and purchase transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

| | | 2021 | | | |
|------------------------------------|------------------------------------|------------------|---------------------------------------|-------------------|---------------------------------------|
| <i>(In millions of Korean won)</i> | Name of company¹ | Sales | Disposal of non-current assets | Purchases | Purchase of non-current assets |
| Associates and joint ventures | Samsung SDS | 142,435 | - | 1,732,273 | 569,840 |
| | Samsung Electro-Mechanics | 47,031 | - | 1,525,854 | - |
| | Samsung SDI | 76,160 | 269 | 671,169 | 36,180 |
| | Cheil Worldwide | 27,740 | - | 758,877 | 16 |
| | Other | 1,288,094 | 68 | 12,361,130 | 118,099 |
| | Total | 1,581,460 | 337 | 17,049,303 | 724,135 |
| Other related parties | Samsung C&T | 79,183 | 32,705 | 334,386 | 4,045,297 |
| | Other | 352,919 | - | 1,608,435 | 633,109 |
| | Total | 432,102 | 32,705 | 1,942,821 | 4,678,406 |
| Other ² | Samsung Engineering | 787 | - | 48,284 | 2,404,314 |
| | S-1 | 13,819 | - | 469,979 | 35,762 |
| | Other | 129,439 | 2,371 | 496,451 | 261,614 |
| | Total | 144,045 | 2,371 | 1,014,714 | 2,701,690 |

¹ Transactions with separate entities that are related parties of the Company.

² Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

| | | 2020 | | | |
|------------------------------------|------------------------------------|------------------|---------------------------------------|-------------------|---------------------------------------|
| <i>(In millions of Korean won)</i> | Name of company¹ | Sales | Disposal of non-current assets | Purchases | Purchase of non-current assets |
| Associates and joint ventures | Samsung SDS | 108,634 | 77 | 1,752,792 | 469,270 |
| | Samsung Electro-Mechanics | 37,837 | - | 1,664,069 | - |
| | Samsung SDI | 73,561 | 272 | 601,286 | 91,949 |
| | Cheil Worldwide | 26,996 | - | 649,164 | - |
| | Other | 1,059,045 | 30 | 10,556,776 | 166,842 |
| | Total | 1,306,073 | 379 | 15,224,087 | 728,061 |
| Other related parties | Samsung C&T | 94,736 | 43,214 | 328,484 | 4,057,233 |
| | Other | 309,819 | - | 1,105,252 | 497,163 |
| | Total | 404,555 | 43,214 | 1,433,736 | 4,554,396 |
| Other ² | Samsung Engineering | 4,104 | - | 70,073 | 1,946,409 |
| | S-1 | 17,199 | - | 436,211 | 43,336 |
| | Other | 100,591 | - | 422,989 | 172,023 |
| | Total | 121,894 | - | 929,273 | 2,161,768 |

¹ Transactions with separate entities that are related parties of the Company.

² Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Balances of receivables and payables

Balances of receivables and payables arising from the sales and purchases of goods and services as of December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | Name of company ¹ | December 31, 2021 | |
|------------------------------------|------------------------------|-------------------|-----------------------|
| | | Receivables | Payables ² |
| | Samsung SDS | 64,521 | 616,949 |
| | Samsung Electro-Mechanics | 3,659 | 176,549 |
| Associates and joint ventures | Samsung SDI | 130,638 | 100,835 |
| | Cheil Worldwide | 206 | 428,090 |
| | Other | 397,709 | 1,361,554 |
| | Total | 596,733 | 2,683,977 |
| Other related parties | Samsung C&T | 220,550 | 1,739,997 |
| | Other | 20,306 | 251,766 |
| | Total | 240,856 | 1,991,763 |
| Other ³ | Samsung Engineering | 338 | 1,151,536 |
| | S-1 | 2,423 | 40,558 |
| | Other | 48,703 | 185,256 |
| | Total | 51,464 | 1,377,350 |

¹ Balances due from and to separate entities that are related parties of the Company.

² Payables and others include lease liabilities.

³ Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

| <i>(In millions of Korean won)</i> | Name of company ¹ | December 31, 2020 | |
|------------------------------------|------------------------------|-------------------|-----------------------|
| | | Receivables | Payables ² |
| | Samsung SDS | 36,905 | 543,388 |
| | Samsung Electro-Mechanics | 379 | 120,407 |
| Associates and joint ventures | Samsung SDI | 108,561 | 89,178 |
| | Cheil Worldwide | 195 | 398,836 |
| | Other | 253,921 | 1,154,549 |
| | Total | 399,961 | 2,306,358 |
| Other related parties | Samsung C&T | 245,138 | 2,327,126 |
| | Other | 20,484 | 172,726 |
| | Total | 265,622 | 2,499,852 |
| Other ³ | Samsung Engineering | 492 | 538,853 |
| | S-1 | 2,091 | 45,257 |
| | Other | 11,344 | 55,053 |
| | Total | 13,927 | 639,163 |

¹ Balances due from and to separate entities that are related parties of the Company.

² Payables and others include lease liabilities.

³ Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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- (C) For the years ended December 31, 2021 and 2020, the Company invested ₩ 47,090 million and ₩ 83,280 million, respectively, in associates and joint ventures. In addition, the Company recovered ₩ 19,169 million of investments in associates and joint ventures for the year ended December 31, 2021, and there was no return of investments in associates and joint ventures for the year ended December 31, 2020.
- (D) For the year ended December 31, 2021, the Company declared ₩ 3,527,449 million of dividends (₩ 1,659,962 million for the year ended December 31, 2020) to the related parties. In addition, for the year ended December 31, 2021, the Company declared ₩ 267,738 million (₩ 125,744 million for the year ended December 31, 2020) of dividends to the entities that are not related parties of the Company in accordance with *Korean IFRS 1024*, but belong to the same conglomerate according to the Monopoly Regulation and Fair Trade Act. As of December 31, 2021 and 2020, there is no dividend payables to the entities that are not in scope of Korean IFRS 1024.
- (E) For the year ended December 31, 2021, the Company entered into lease agreements with its related parties amounted to ₩ 12,602 million, and the lease payments made to the related parties for the years ended December 31, 2021 and 2020 amounted to ₩ 31,893 million and ₩ 51,798 million, respectively.
- (F) Key management compensation

The compensation paid or payable to key management (executive directors) for their services for the years ended December 31, 2021 and 2020 consists of:

| <i>(In millions of Korean won)</i> | 2021 | 2020 |
|------------------------------------|-------------|-------------|
| Short-term employee benefits | 20,370 | 13,333 |
| Post-employment benefits | 886 | 987 |
| Other long-term employee benefits | 8,092 | 7,287 |

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31. Information for Non-Controlling Interests

(A) Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Company for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In millions of Korean won)</i> | Samsung Display Co., Ltd. and its subsidiaries | |
|---|---|------------------|
| | 2021 | 2020 |
| Percentage of non-controlling interests | 15.2% | 15.2% |
| Balance as of January 1 | 7,723,784 | 7,427,228 |
| Profit for the year | 580,164 | 294,139 |
| Dividends | (3,123) | (54,121) |
| Other | (272,270) | 56,538 |
| Balance as of December 31 | 8,028,555 | 7,723,784 |

(B) The summarized financial information for each subsidiary with non-controlling interests that are material to the Company before the intercompany eliminations for the years December 31, 2021 and 2020 are as follows:

(1) Summarized consolidated statements of financial position

| <i>(In millions of Korean won)</i> | Samsung Display Co., Ltd. and its subsidiaries | |
|------------------------------------|---|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Current assets | 35,220,985 | 28,354,913 |
| Non-current assets | 24,773,119 | 26,904,627 |
| Current liabilities | 7,539,403 | 7,631,559 |
| Non-current liabilities | 1,359,478 | 841,323 |
| Equity attributable to: | 51,095,223 | 46,786,658 |
| Owners of the parent company | 51,012,895 | 46,282,988 |
| Non-controlling interests | 82,328 | 503,670 |

(2) Summarized consolidated statements of comprehensive income

| <i>(In millions of Korean won)</i> | Samsung Display Co., Ltd. and its subsidiaries | |
|---|---|-------------|
| | 2021 | 2020 |
| Sales | 31,557,504 | 30,474,830 |
| Profit for the year | 3,511,314 | 1,874,486 |
| Other comprehensive income (loss) | 1,256,904 | 408,022 |
| Total comprehensive income attributable to: | 4,768,218 | 2,282,508 |
| Owners of the parent company | 4,752,963 | 2,267,953 |
| Non-controlling interests | 15,255 | 14,555 |

Samsung Electronics Co., Ltd. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Summarized consolidated statements of cash flows

| <i>(In millions of Korean won)</i> | Samsung Display Co., Ltd. and its subsidiaries | |
|--|---|-------------|
| | 2021 | 2020 |
| Cash flows from operating activities | 10,943,029 | 7,800,766 |
| Cash flows from investing activities | (9,927,110) | (6,933,401) |
| Cash flows from financing activities | (1,284,749) | (536,883) |
| Reclassification to assets held-for-sale | - | (139) |
| Effect of exchange rate changes on cash and cash equivalents | 52,154 | (27,688) |
| Increase (decrease) in cash and cash equivalents | (216,676) | 302,655 |
| Cash and cash equivalents at beginning of the year | 975,535 | 672,880 |
| Cash and cash equivalents at end of year | 758,859 | 975,535 |

32. Assets and Liabilities Held-for-Sale

(A) Sales of ownership interest in SSM and SSL

For the year ended December 31, 2020, the Company decided to sell its 100% ownership in Samsung Suzhou Module Co., Ltd. (“SSM”) and 60% ownership in Samsung Suzhou LCD Co., Ltd. (“SSL”) to TCL China Star Opto-electronics Technologies Co., Ltd. (“CSOT”). The Company entered into the sales agreement on August 28, 2020, and the sales were completed on April 1, 2021.

(B) Details of assets and liabilities classified as held-for-sale as of December 31, 2020 are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2020 |
|------------------------------------|--------------------------|
| Assets held-for-sale | |
| Cash and cash equivalents | 139 |
| Inventories | 53,157 |
| Other current assets | 26,474 |
| Property, plant and equipment | 766,614 |
| Intangible assets | 1,421 |
| Other non-current assets | 81,627 |
| Total | 929,432 |
| Liabilities held-for-sale | |
| Current liabilities | 337,032 |
| Non-current liabilities | 1,710 |
| Total | 338,742 |

(C) Details of accumulated other comprehensive income attributable to assets held-for-sale are as follows:

| <i>(In millions of Korean won)</i> | December 31, 2020 |
|---|--------------------------|
| Loss on overseas business translation, net of tax | (12,132) |