

Earnings Release Q1 2022

Samsung Electronics

April 2022

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 review on our Q1 2022 financial results is completed. The review 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 DX (Digital eXperience), DS (Device Solutions)**
- Numerous other matters at the national and international levels which could affect our future results**

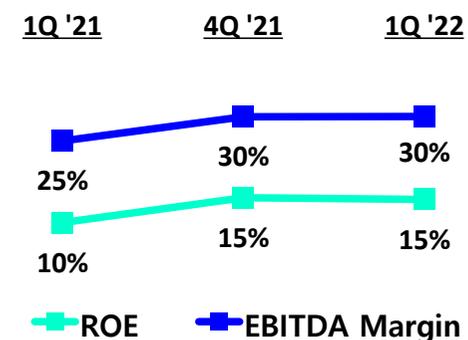
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	Q1 '22	% of sales	Q4 '21	% of sales	Q1 '21
Sales	77.78	100.0%	76.57	100.0%	65.39
Cost of Sales	47.07	60.5%	44.95	58.7%	41.50
Gross Profit	30.71	39.5%	31.62	41.3%	23.89
SG&A expenses	16.59	21.3%	17.75	23.2%	14.51
- R&D expenses	5.92	7.6%	6.47	8.4%	5.44
Operating Profit	14.12	18.2%	13.87	18.1%	9.38
Other non-operating income/expense	0.25	-	0.21	-	△0.02
Equity method gain/loss	0.23	-	0.13	-	0.15
Finance income/expense	0.47	-	0.16	-	0.24
Profit Before Income Tax	15.07	19.4%	14.36	18.8%	9.75
Income tax	3.75	-	3.52	-	2.61
Net profit	11.32	14.6%	10.84	14.2%	7.14
Profit attributable to owners of the parent	11.13	14.3%	10.64	13.9%	7.09
Basic Earnings Per Share(KRW)	1,638		1,566		1,044

Key Profitability Indicators

	Q1 '22	Q4 '21	Q1 '21
ROE	15%	15%	10%
Profitability (Net profit/Sales)	0.15	0.14	0.11
Asset turnover (Sales/Asset)	0.72	0.76	0.68
Leverage (Asset/Equity)	1.40	1.39	1.40
EBITDA Margin	30%	30%	25%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	Q1 '22	Q4 '21	Q1 '21	QoQ	YoY
Total	77.78	76.57	65.39	2% ↑	19% ↑
DX	48.07	44.57	42.48	8% ↑	13% ↑
VD / DA	15.47	15.35	12.99	1% ↑	19% ↑
- VD	8.72	9.29	7.22	6% ↓	21% ↑
MX / Networks	32.37	28.95	29.21	12% ↑	11% ↑
- MX	31.23	27.70	28.20	13% ↑	11% ↑
DS	26.87	26.28	19.32	2% ↑	39% ↑
- Memory	20.09	19.45	14.43	3% ↑	39% ↑
SDC	7.97	9.06	6.92	12% ↓	15% ↑
Harman	2.67	2.85	2.37	7% ↓	13% ↑

Operating Profit

(Unit: KRW Trillion)

	Q1 '22	Q4 '21	Q1 '21	QoQ	YoY
Total	14.12	13.87	9.38	0.25	4.74
DX	4.56	3.38	5.51	1.17	△0.95
VD / DA	0.80	0.70	1.12	0.10	△0.31
MX / Networks	3.82	2.66	4.39	1.15	△0.57
DS	8.45	8.83	3.36	△0.38	5.09
SDC	1.09	1.32	0.36	△0.23	0.73
Harman	0.10	0.22	0.11	△0.12	△0.01

※ Sales and operating profit of each business stated above reflect the organizational structure as of 2021, and the sales of business units include intersegment sales.

※ The DX Division provides earnings call materials based on the business structure before the reorganization to prevent confusion and to improve understanding among investor

※ DX: Device eXperience, MX: Mobile eXperience, DS: Device Solutions

※ Harman's sales and operating profit figures are based on Samsung Electronics' fiscal year, and acquisition related expenses are reflected.

Q1 Results and Outlook by Business Unit

DS

[Q1 '22 Results]

- Memory Exceeded bit growth guidance thanks to solid demand mainly from server and PC, and price declines were milder-than-expected, leading our performance to top market forecasts
However, results declined Q-Q due to a one-off special incentive and seasonality
- DRAM Achieved record-high quarterly sales for server by actively responding to strong demand mainly from datacenters
- NAND Maintained stance of refraining from excessive sales expansion; addressed demand centered on SSD in a timely manner
- S.LSI Improved earnings Q-Q backed by positive currency effects and increases in ASP, despite decreased supply of SoCs and image sensors due to weak seasonality for the mobile industry
- Foundry Despite concerns like supply issues, demand was solid in all applications, supply of advanced processes grew, and we aligned with our yield target trajectory

[Q2 '22 Outlook]

- Memory Demand to stay solid, centered on server, amid persistent uncertainties
- DRAM Expand sales of high-value-added products while actively addressing demand for applications with high growth potential
- NAND Amid issues related to shortages of active/passive component devices, focus on timely responses by actively addressing demand for enterprise SSD
- S.LSI Focus on maximizing supply of key components such as SoCs and image sensors
- Foundry Enhance technology leadership via world's first mass production of GAA 3-nano process; expand supply and secure more new orders from global customers, including those in USA/Europe

[2H '22 Outlook]

- Memory Amid lingering uncertainties, high density mobile demand to recover on the back of solid server demand following increased penetration of a new CPU and DDR5 and strengthened lineups of flagship products
Preemptively address demand by expanding cutting-edge interfaces such as DDR5 and LPDDR5x.
Under a stance of flexible supply linked to market conditions, further stabilize cost competitiveness and strengthen market leadership by operating a portfolio centered on high-value-added solutions and through industry-leading technology
- S.LSI Concentrate on expanding SoC business by bolstering volume-zone lineup
- Foundry Exceed market growth by sustaining leadership in GAA process technology, adopt pricing strategies to ensure future investments, and raise the yield and portion of our advanced processes

SDC

[Q1 '22 Results]

- Mobile Recorded slight Q-Q decrease in results amid weak seasonality, but delivered a historically high 1Q performance driven by strong sales at major smartphone customers and expansion into new application areas
- Large Despite increased sales of QD display, losses persisted due to a continued decline in LCD ASP and initial costs related to QD

[Q2 '22 Outlook]

- Mobile Despite risk factors to dampen consumer sentiment, including prolonged geopolitical conflicts and lockdowns in some areas, results to remain solid thanks to continued demand of OLED smartphones
- Large Revenue to increase and losses to narrow on the back of a release of TVs that feature QD display amid ramp ups in production of QD display
Ramp down LCD production as planned

[2H '22 Outlook]

- Mobile Major smartphone customers to release new products; expand customer base of foldables
Sales to increase on accelerated adoption of OLED in new application areas such as IT, gaming, and automotives
- Large Secure leadership position in the premium segment in the large panel market by diversifying product lines and customers of QD display

Q1 Results and Outlook by Business Unit

MX / NW

[Q1 '22 Results]

- MX Market demand contracted Q-Q/Y-Y due to weak seasonality and political instability in the international landscape
Delivered sequential revenue growth and profitability improvements thanks to strong sales of the Galaxy S22 series centered on S22 Ultra; increased sales of new mass-market 5G models that further strengthened premium experiences; generated strong sales of premium tablets with the launch of Tab S8; and delivered solid sales of Device Ecosystem products, such as wearables
- NW Expanded business overseas while meeting domestic 5G expansion needs

[Q2 '22 Outlook]

- MX Market to decrease slightly due to continued weak seasonality and effects of COVID-19/international geopolitical uncertainties
Continuation of solid sales of S22 series, increased sales of new A series models, and improved visibility of key component supply to lead Y-Y revenue growth across all product lines
Minimize impacts of macro uncertainties by rebalancing supply utilizing our global SCM capabilities; secure solid double-digit profitability
- NW Stably supply telecommunications companies while striving to win new business opportunities

[2H '22 Outlook]

- MX Risks related to prolonging COVID-19 and component supply issues to persist, but the smartphone market to continue growing and the wearable market to post high growth
Expand premium user base in flagship market by continually offering innovative performances that increase customer satisfaction and loyalty; maximize sales of new foldable products in particular via undisrupted supply; and optimize user experiences through collaboration with partners to sustain high growth following the mainstreaming of foldables
Increase sales of Device Ecosystem products by leveraging enhanced customer value; enhance multi-device experiences/synergies through company-wide cooperation, including the VD/DA businesses; and maintain solid profitability by improving mix/operational efficiency
- NW Maintain growth momentum by meeting domestic needs for 5G installations in a timely manner and by actively expanding our business in overseas markets; continue to reinforce leadership position in vRAN (virtualized Radio Access Network) technology

VD / DA

[Q1 '22 Results]

- VD Market contracted Q-Q due to seasonality and dwindled Y-Y due to the base effect of last year's pent-up demand, with effects of the Russia situation also having an impact
Increasing revenue and profit YoY by expanding sales of premium products, such as Neo QLED/Super Big TVs
- DA Amid the ongoing raw material/logistics cost burden, maintained growth momentum of revenue through increased sales of premium products, centering on BESPOKE

[Q2 '22 Outlook]

- VD Market demand to contract both Q-Q and Y-Y due to a shift in consumption from home entertainment → travel/leisure, mainly in advanced markets, combined with effects of geopolitical issues
Pursue revenue growth by driving sales of new models centering on strategic products, such as Neo QLED/The Freestyle
Continue to optimize operations by establishing pre-emptive sales/supply plans by continually monitoring market risks such as raw material/logistics issues
- DA Promote revenue growth and profitability improvement by enhancing product mix via global expansion of BESPOKE and expanded sales of air conditioners amid strong seasonality

[2H '22 Outlook]

- VD Market uncertainties to continue due to impacts of strong seasonality and prolonged macro risks
Expand sales of our differentiated strategic products, such as Neo QLED 8K/Lifestyle products, and reinforce our leadership in the premium segment through innovative products such as Micro LED/Odyssey Ark
- DA Amid lingering Issues related to high material costs and global logistics, actively address risks by increasing sales of premium products and enhancing production capabilities of our global manufacturing base

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Assets	439,327.0	426,621.2	392,826.3
- Cash *	125,889.6	124,206.7	131,865.0
- A/R	44,465.0	40,713.4	33,962.1
- Inventories	47,590.7	41,384.4	30,620.0
- Investments	28,090.4	29,284.6	25,175.7
- PP&E	149,618.0	149,928.5	132,747.7
- Intangible Assets	20,010.7	20,236.2	18,386.7
- Other Assets	23,662.6	20,867.4	20,069.1
Total Assets	439,327.0	426,621.2	392,826.3
Liabilities	124,036.0	121,721.2	118,557.7
- Debts	18,050.4	18,392.1	19,972.8
- Trade Accounts and N/P	15,133.9	13,453.4	11,133.6
- Other Accounts and N/P & Accrued Expenses	43,401.9	43,512.9	49,025.4
- Current income tax liabilities	7,193.8	6,749.1	4,457.6
- Unearned Revenue & Other Advances	2,393.1	2,518.9	2,791.0
- Other Liabilities	37,862.9	37,094.8	31,177.3
Shareholders' Equity	315,290.9	304,899.9	274,268.6
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	439,327.0	426,621.2	392,826.3

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term financial assets at amortized cost, Long-term time deposits, etc.

	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Current ratio *	257%	248%	232%
Liability/Equity	39%	40%	43%
Debt/Equity	6%	6%	7%
Net debt/Equity	△34%	△35%	△41%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q1 '22	Q4 '21	Q1 '21
Cash (Beginning of period) *	124.21	120.47	124.73
Cash flows from operating activities	10.45	20.63	13.80
Net profit	11.32	10.84	7.14
Depreciation	9.01	8.86	7.15
Cash flows from investing activities	△9.65	△12.95	△8.05
Purchases of PP&E	△8.71	△12.37	△10.00
Cash flows from financing activities	△0.50	△3.80	△0.59
Increase in debts	△0.49	△1.33	△0.59
Acquisition of treasury stock	-	-	-
Payment of dividends	△0.00	△2.46	△0.00
Increase in cash	1.68	3.74	7.14
Cash (End of period) *	125.89	124.21	131.87

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term financial assets at amortized cost, Long-term time deposits, etc.

Current State of Net Cash (Net Cash =Cash* - Debts)

(Unit : KRW Trillion)

	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Net Cash	107.84	105.81	111.89

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term financial assets at amortized cost, Long-term time deposits, etc.