

Earnings Release Q2 2022

Samsung Electronics

July 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 Q2 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**

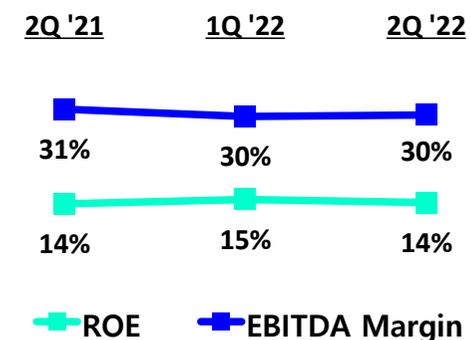
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	Q2 '22	% of sales	Q1 '22	% of sales	Q2 '21
Sales	77.20	100.0%	77.78	100.0%	63.67
Cost of Sales	46.27	59.9%	47.07	60.5%	37.07
Gross Profit	30.93	40.1%	30.71	39.5%	26.61
SG&A expenses	16.84	21.8%	16.59	21.3%	14.04
- R&D expenses	6.25	8.1%	5.92	7.6%	5.38
Operating Profit	14.10	18.3%	14.12	18.2%	12.57
Other non-operating income/expense	△0.14	-	0.25	-	△0.14
Equity method gain/loss	0.26	-	0.23	-	0.19
Finance income/expense	0.24	-	0.47	-	0.26
Profit Before Income Tax	14.46	18.7%	15.07	19.4%	12.88
Income tax	3.36	-	3.75	-	3.25
Net profit	11.10	14.4%	11.32	14.6%	9.63
Profit attributable to owners of the parent	10.95	14.2%	11.13	14.3%	9.45
Basic Earnings Per Share(KRW)	1,613		1,638		1,391

Key Profitability Indicators

	Q2 '22	Q1 '22	Q2 '21
ROE	14%	15%	14%
Profitability (Net profit/Sales)	0.14	0.15	0.15
Asset turnover (Sales/Asset)	0.71	0.72	0.67
Leverage (Asset/Equity)	1.38	1.40	1.37
EBITDA Margin	30%	30%	31%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	Q2 '22	Q1 '22	Q2 '21	QoQ	YoY
Total	77.20	77.78	63.67	1% ↓	21% ↑
DX	44.46	48.07	36.40	8% ↓	22% ↑
VD / DA	14.83	15.47	13.40	4% ↓	11% ↑
- VD	7.54	8.72	7.17	14% ↓	5% ↑
MX / Networks	29.34	32.37	22.67	9% ↓	29% ↑
- MX	28.00	31.23	21.43	10% ↓	31% ↑
DS	28.50	26.87	23.05	6% ↑	24% ↑
- Memory	21.08	20.09	17.88	5% ↑	18% ↑
SDC	7.71	7.97	6.87	3% ↓	12% ↑
Harman	2.98	2.67	2.42	12% ↑	23% ↑

Operating Profit

(Unit: KRW Trillion)

	Q2 '22	Q1 '22	Q2 '21	QoQ	YoY
Total	14.10	14.12	12.57	△0.02	1.53
DX	3.02	4.56	4.34	△1.53	△1.32
VD / DA	0.36	0.80	1.06	△0.45	△0.71
MX / Networks	2.62	3.82	3.23	△1.20	△0.61
DS	9.98	8.45	6.93	1.53	3.05
SDC	1.06	1.09	1.28	△0.04	△0.22
Harman	0.10	0.10	0.11	0.00	△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.

Q2 Results and Outlook by Business Unit

DS

【 Q2 '22 Results】

- Memory Server demand remained solid, but demand for consumer products weakened due to widening impacts of macro issues. As a result, memory shipments were below bit guidance
Performance improved Q-Q as ASP was better-than-expected thanks to our disciplined sales strategy, aiming to adequately meet market demand, and to benefits of a strong dollar
- DRAM Total bit growth missed guidance, but we achieved the industry's highest sales of server products for any quarter by addressing solid demand centering on server
- NAND Bit growth came in below guidance, despite a proportion of high-density products for server SSD, as mobile demand was much weaker than expected
- S.LSI Earnings improved Q-Q lifted by a growing supply of major components such as DDIs and SOCs
Solidified leadership in sensor technology through the world's first supply of 200-Mega pixel sensors
- Foundry Results increased as we entered a targeted yield trajectory and increased supply to global customers. Strengthened our technological competitiveness through the world's first mass production of the GAA process

【 2H '22 Outlook】

- Memory Fundamental server demand to stay solid as investments in new growth areas and core infrastructure are expected to continue, but demand for PC and mobile is likely to weaken due to weakened consumer sentiment caused by macro issues
Continue monitoring demand amid effects of strong seasonality and risks of an economic slowdown
Maintain stance of portfolio optimization centering on high density/value-added solutions
- DRAM Manage supply flexibly in line with demand with a focus on profitability
- NAND Focus on creating demand, mainly for high-density, and continue to strengthen leadership by actively addressing demand based on our cost competitiveness
- S.LSI Continue to expand SOC business for the volume zone and reinforce leadership in image sensors by increasing the customer base for 200M pixel image sensors
- Foundry Exceed market growth by reinforcing technological competitiveness, including by developing the 2nd gen GAA process, by sustaining evolution of derivative processes, and by adding new global clients

SDC

【 Q2 '22 Results】

- Mobile Achieved solid earnings, despite weak seasonality for smartphones, thanks to continued demand for our customers' flagship models and positive effects of foreign exchange movements
- Large QD-yields improved rapidly, but results decreased due to initial costs related to QD and a decline in LCD ASP

【 2H '22 Outlook】

- Mobile Results to grow with the release of new products by major smartphone customers; expansion of the customer base for foldables, and increase in adoption in new application areas such as IT, automotives, and gaming
- Large TV earnings to improve with the full-fledged releases of new products from monitor manufacturers adopting QD Display. Shutdown of LCD production also to positively impact earnings

Q2 Results and Outlook by Business Unit

MX / NW

[Q2 '22 Results]

- MX Market demand contracted Q-Q due to geopolitical issues and concerns over inflation amid continued weak seasonality. Earnings decreased Q-Q due to elevated costs and adverse currency effects, but revenue increased Y-Y thanks to increased sales of new premium models, such as S22/Tab S8-series, as a supply disruption was mostly resolved
- NW Revenue grew slightly under strong sales activities and the business continued to pursue new opportunities, highlighted by the addition of DISH Network as our newest US customer

[2H '22 Outlook]

- MX Market to remain similar Y-Y or grow slightly, affected by geopolitical volatility and economic uncertainties. Secure solid profitability by targeting sales of foldables that surpass those of the Galaxy Note-series and fully mainstream foldables via delivering a differentiated consumer experience enabled with global partnerships; expanding the Galaxy Ecosystem through successful launches of wearable products; and boosting operational efficiency
- NW Grow revenue by actively expanding our key overseas businesses and meeting domestic needs for 5G installations in a timely manner. Continue to reinforce our technology leadership in 5G core chips and vRAN (virtualized radio access network)

VD / DA

[Q2 '22 Results]

- VD Market contracted Q-Q and Y-Y respectively due to entering weak seasonality and the base effect of last year's pent-up demand on top of a decrease in consumer confidence from high interest rates, inflation, etc. Performance declined due to a decrease in revenue amid declining market demand and cost increases. However, we improved sales structure by expanding sales centering on high-value-added products, such as Neo QLED/Lifestyle lines, and are maintaining firm leadership centering on the premium market
- DA Achieved record-high quarterly revenue for a second consecutive quarter thanks to the global expansion of Bespoke products and the strong seasonality for air conditioners

[2H '22 Outlook]

- VD Macro risks likely to keep casting uncertainties on overall TV demand despite opportunities such as peak seasonality and global sporting events. Focus on capturing peak-season demand and secure profitability by expanding sales of strategic products and through strategic partnerships with major channel partners. At the same time, proactively target recently robust B2B signage demand while also solidifying status as the market leader with innovative products such as Micro LED and Odyssey Ark
- DA Focus on securing profitability by increasing sales mainly for the premium segment, strengthening B2B/online sales, and sustaining efforts to further enhance cost efficiency

[Appendix 1] Financial Position

(Unit : KRW Billion)

	June 30, 2022	Mar 31, 2022	June 30, 2021
Assets	448,040.7	439,327.0	384,777.7
- Cash *	125,352.3	125,889.6	111,102.2
- A/R	44,026.2	44,465.0	35,624.9
- Inventories	52,092.2	47,590.7	33,592.4
- Investments	27,592.1	28,090.4	25,273.5
- PP&E	154,254.6	149,618.0	139,389.9
- Intangible Assets	20,096.9	20,010.7	20,747.0
- Other Assets	24,626.4	23,662.6	19,047.8
Total Assets	448,040.7	439,327.0	384,777.7
Liabilities	120,134.0	124,036.0	102,453.4
- Debts	17,439.0	18,050.4	16,734.9
- Trade Accounts and N/P	12,560.7	15,133.9	11,052.6
- Other Accounts and N/P & Accrued Expenses	40,902.9	43,401.9	35,293.0
- Current income tax liabilities	6,067.7	7,193.8	4,231.0
- Unearned Revenue & Other Advances	2,033.8	2,393.1	1,952.9
- Other Liabilities	41,129.9	37,862.9	33,189.0
Shareholders' Equity	327,906.7	315,290.9	282,324.3
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	448,040.7	439,327.0	384,777.7

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

	June 30, 2022	Mar 31, 2022	June 30, 2021
Current ratio *	283%	257%	264%
Liability/Equity	37%	39%	36%
Debt/Equity	5%	6%	6%
Net debt/Equity	△33%	△34%	△33%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q2 '22	Q1 '22	Q2 '21
Cash (Beginning of period) *	125.89	124.21	131.87
Cash flows from operating activities	14.14	10.45	12.09
Net profit	11.10	11.32	9.63
Depreciation	9.07	9.01	7.21
Cash flows from investing activities	△12.53	△9.65	△14.36
Purchases of PP&E	△11.45	△8.71	△13.53
Cash flows from financing activities	△5.96	△0.50	△19.05
Increase in debts	△1.06	△0.49	△3.47
Acquisition of treasury stock	-	-	-
Payment of dividends	△4.91	△0.00	△15.58
Increase in cash	△0.54	1.68	△20.76
Cash (End of period) *	125.35	125.89	111.10

* 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)

	June 30, 2022	Mar 31, 2022	June 30, 2021
Net Cash	107.91	107.84	94.37

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