

Earnings Release Q3 2022

Samsung Electronics

October 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 Q3 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**

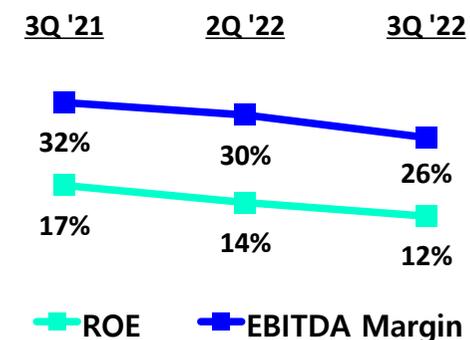
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	Q3 '22	% of sales	Q2 '22	% of sales	Q3 '21
Sales	76.78	100.0%	77.20	100.0%	73.98
Cost of Sales	48.07	62.6%	46.27	59.9%	42.90
Gross Profit	28.71	37.4%	30.93	40.1%	31.08
SG&A expenses	17.86	23.3%	16.84	21.8%	15.26
- R&D expenses	6.27	8.2%	6.25	8.1%	5.11
Operating Profit	10.85	14.1%	14.10	18.3%	15.82
Other non-operating income/expense	0.03	-	△0.14	-	0.10
Equity method gain/loss	0.31	-	0.26	-	0.27
Finance income/expense	0.66	-	0.24	-	0.17
Profit Before Income Tax	11.86	15.4%	14.46	18.7%	16.36
Income tax	2.47	-	3.36	-	4.06
Net profit	9.39	12.2%	11.10	14.4%	12.29
Profit attributable to owners of the parent	9.14	11.9%	10.95	14.2%	12.06
Basic Earnings Per Share(KRW)	1,346		1,613		1,776

Key Profitability Indicators

	Q3 '22	Q2 '22	Q3 '21
ROE	12%	14%	17%
Profitability (Net profit/Sales)	0.12	0.14	0.17
Asset turnover (Sales/Asset)	0.68	0.71	0.75
Leverage (Asset/Equity)	1.38	1.38	1.38
EBITDA Margin	26%	30%	32%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	Q3 '22	Q2 '22	Q3 '21	QoQ	YoY
Total	76.78	77.20	73.98	1% ↓	4% ↑
DX	47.26	44.46	42.81	6% ↑	10% ↑
VD / DA	14.75	14.83	14.10	1% ↓	5% ↑
- VD	7.86	7.54	7.82	4% ↑	1% ↑
MX / Networks	32.21	29.34	28.42	10% ↑	13% ↑
- MX	30.92	28.00	27.34	10% ↑	13% ↑
DS	23.02	28.50	26.74	19% ↓	14% ↓
- Memory	15.23	21.08	20.83	28% ↓	27% ↓
SDC	9.39	7.71	8.86	22% ↑	6% ↑
Harman	3.63	2.98	2.40	22% ↑	51% ↑

Operating Profit

(Unit: KRW Trillion)

	Q3 '22	Q2 '22	Q3 '21	QoQ	YoY
Total	10.85	14.10	15.82	△3.25	△4.97
DX	3.53	3.02	4.15	0.51	△0.62
VD / DA	0.25	0.36	0.76	△0.11	△0.51
MX / Networks	3.24	2.62	3.36	0.62	△0.12
DS	5.12	9.98	10.07	△4.87	△4.95
SDC	1.98	1.06	1.49	0.92	0.49
Harman	0.31	0.10	0.15	0.21	0.16

※ 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.

Q3 Results and Outlook by Business Unit

DS

[3Q '22 Results]

- Memory Under continued macro uncertainties, scale of customers' inventory adjustments exceeded market expectations, and demand for consumer products continued to weaken. As a result, bit growth missed guidance and our sales result declined.
 - DRAM Maintained a disciplined sales strategy focused on profitability in the face of a worsening slowdown in demand across the industry. However, this resulted in an increase in our inventory levels.
 - NAND Increased the high density portion in mobile/server OEM applications, but our overall bit growth was below guidance due to inventory adjustments at major customers and weak demand for consumer goods, mainly in mobile
- S.LSI Earnings declined amid weak demand for mobile and TV
- Foundry Delivered record quarterly results thanks to ongoing yield improvements in advanced nodes and on an increased contributions from established nodes via evolving derivative processes

[4Q '22 Outlook]

- Memory Exceed market in quarterly shipments for both DRAM and NAND by actively addressing demand, focusing on high-density products, amid expectations that impacts of customer inventory adjustments will continue. Secure profitability in DRAM by transitioning our product mix toward a more cost-competitive lineup
 - DRAM Actively address demand for high-density products of 64GB and higher as well as LPDDR5x for mobile
 - NAND Proactively address demand for high-performance/high-density products, while also capitalizing on NAND's high price elasticity to unlock new demand
- S.LSI Achieve SoC revenue growth following launches of new products from our mobile customers; and work to expand sales of 200-megapixel sensor products
- Foundry Keep earnings momentum intact via an increased advanced-node portion as well as production of an optimized product mix amid solid demand across all applications

['23 Outlook]

- Memory Demand to improve in 2H centering on server/mobile as we expect the adoption of DDR5 for new CPUs to expand and high-density trends to widen. However, impacts of the macro economy on demand require monitoring. Respond to rising demand for new interfaces such as DDR5 as well as for high-density products as we link our supply operations to our mid-term plans, with growing lead times expected to constrain production across the industry
- S.LSI Reorganize SoC business to bolster competitiveness and solidify the position of our flagship products
- Foundry Establish a foundation to narrow the gap with our peer by reinforcing technology leadership in advanced nodes and by increasing new orders in automotives/IoT

SDC

[3Q '22 Results]

- Mobile Results improved materially both Q-Q and Y-Y with our differentiated technology driving increased adoption in major customers' new products amid stronger demand following the release of new flagship smartphones, including foldables.
- Large Sales increased, driven by expanding launches of QD-OLED monitors by global IT brands and ongoing improvements in our yield, but losses continued amid influences of weak TV and monitor markets.

[4Q '22 Outlook]

- Mobile Despite strong seasonal effects, market growth to be weaker-than-normal in the smartphone/IT markets due to sluggish consumer spending amid high interest rates/high prices; sustain growth by addressing the high-end market via utilizing competitiveness of our unrivaled premium OLED.
- Large Concentrate on expanding the presence of QD-OLED by capitalizing on end-year seasonality and by increasing our customer base.

['23 Outlook]

- Mobile Expand sales for premium smartphones amid anticipation of rising demand centering on high-end models, as well as increasing sales in new application areas, such as IT/gaming/automotives based on our differentiated capabilities, including technologies/quality/yield.
- Large Increase sales of QD-OLED by expanding our lineup and enhancing performance while also improving profitability.

Q3 Results and Outlook by Business Unit

MX / NW

【 3Q '22 Results 】

- MX Market grew slightly Q-Q amid continued inflationary pressure and geopolitical instability
Revenue increased Q-Q driven by foldables, S-series, and new models of wearables
Secured solid profitability by enhancing efficiency of resource management despite currency headwinds
- NW Delivered improved results led by overseas businesses; and secured a deal with Comcast in the US, a testament to our continued pursuit of new opportunities

【 4Q '22 Outlook 】

- MX Macroeconomic instability and geopolitical issues to continue, but we expect smartphone and wearables markets to grow Q-Q due to year-end seasonality
Sustain strong sales of flagship products while also seeking to expand sales of tablets/wearables through various sales initiatives during year-end peak seasonality; secure sales volume via launches of new mass market smartphone models; and secure profitability through efficient resource management
- NW Continue to expand overseas businesses, including in North America and Japan

【 '23 Outlook 】

- MX Smartphone market to expand led by growth in flagships, despite prospects of continued instability in the global economic environment; wearables to continue to see high growth in the double digits
Grow revenue by improving product mix and expanding flagship user base via high growth of foldables and increased sales of S-series
For tablets, reinforce lineup of large-screen premium products and enhance the S-Pen experience; and for wearables, maintain high growth that outperforms market by increasing sales of new models
Advance multi-device experiences based on SmartThings to expand sales of Galaxy Ecosystem devices
Secure more solid profitability via operational efficiency
- NW Maintain revenue growth through timely responses to expansion of major overseas businesses while also continuing to reinforce technology leadership in 5G core chips and virtualized radio access networks

VD / DA

【 3Q '22 Results 】

- VD Market demand increased Q-Q on seasonality but contracted Y-Y due to a decrease in consumer confidence caused by high inflation and an economic slowdown
Profits declined due to cost increase caused by decreased demand, intensifying competition, and currency movement effects in some regions, but still reinforced leadership by expanding sales of premium products
- DA Improved sales mix via a focus on premium products, but materials/logistics issues persisted

【 4Q '22 Outlook 】

- VD Market demand to increase Q-Q due to year-end peak seasonality and global sporting events, but macro risks are likely to continue to cast uncertainties on the market
Use strategic partnerships with major channel partners to proactively utilize sales opportunities such as Black Friday/sporting events to capture peak-season demand while also securing profitability through efficient cost management
- DA Expand revenue by increasing sales in the premium segment and online channel during end-year seasonality, focusing on our BESPOKE lineup

【 '23 Outlook 】

- VD Overall demand to remain stagnant amid various external uncertainties, but demand for premium products, including ultra-large-screen models, to keep growing
Continue to innovate premium products and lead the ultra-large-screen market while also enhancing industry leadership by strengthening eco-friendly management and providing new customer experiences that connect various products and screens
- DA Continue to innovate highly efficient/eco-friendly products and increase revenue centering on the premium segment through a global expansion of our BESPOKE lineup

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Sep 30, 2022	June 30, 2022	Sep 30, 2021
Assets	470,278.4	448,040.7	410,420.7
- Cash *	128,819.9	125,352.3	120,470.1
- A/R	47,421.8	44,026.2	42,369.7
- Inventories	57,319.8	52,092.2	37,801.7
- Investments	27,576.5	27,592.1	25,707.6
- PP&E	160,343.6	154,254.6	143,029.4
- Intangible Assets	21,484.9	20,096.9	20,753.6
- Other Assets	27,311.9	24,626.4	20,288.6
Total Assets	470,278.4	448,040.7	410,420.7
Liabilities	125,371.5	120,134.0	113,654.6
- Debts	12,462.0	17,439.0	19,069.6
- Trade Accounts and N/P	15,252.2	12,560.7	13,865.7
- Other Accounts and N/P & Accrued Expenses	46,754.0	40,902.9	38,174.8
- Current income tax liabilities	4,280.6	6,067.7	4,380.1
- Unearned Revenue & Other Advances	2,124.9	2,033.8	2,163.6
- Other Liabilities	44,497.8	41,129.9	36,000.8
Shareholders' Equity	344,906.9	327,906.7	296,766.1
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	470,278.4	448,040.7	410,420.7

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

	Sep 30, 2022	June 30, 2022	Sep 30, 2021
Current ratio *	294%	283%	260%
Liability/Equity	36%	37%	38%
Debt/Equity	4%	5%	6%
Net debt/Equity	△34%	△33%	△34%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q3 '22	Q2 '22	Q3 '21
Cash (Beginning of period) *	125.35	125.89	111.10
Cash flows from operating activities	18.98	14.14	18.58
Net profit	9.39	11.10	12.29
Depreciation	9.03	9.07	8.06
Cash flows from investing activities	△13.95	△12.53	△11.51
Purchases of PP&E	△12.31	△11.45	△11.22
Cash flows from financing activities	△8.23	△5.96	△0.55
Increase in debts	△5.77	△1.06	1.94
Acquisition of treasury stock	-	-	-
Payment of dividends	△2.45	△4.91	△2.48
Increase in cash	3.47	△0.54	9.37
Cash (End of period) *	128.82	125.35	120.47

* 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)

	Sep 30, 2022	June 30, 2022	Sep 30, 2021
Net Cash	116.36	107.91	101.40

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