

**Earnings Release Q2 2019**

# **Samsung Electronics**

**July 2019**

# Disclaimer

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**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 audit on our Q2 2019 financial results is completed. The audit 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 CE (Consumer Electronics), IM (IT & Mobile communications), DS (Device Solutions)**
- **Numerous other matters at the national and international levels which could affect our future results**

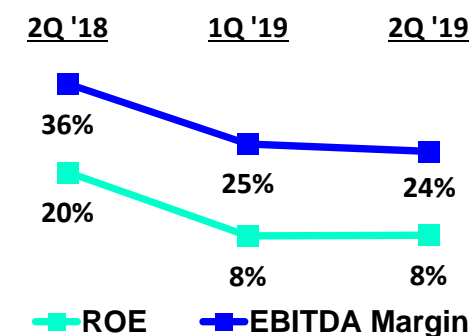
**These uncertainties may cause our actual results to be materially different from those expressed in this document.**

# Income Statement

(Unit: KRW Trillion)	2Q '19	% of sales	2Q '18	% of sales	1Q '19
<b>Sales</b>	<b>56.13</b>	<b>100.0%</b>	<b>58.48</b>	<b>100.0%</b>	<b>52.39</b>
Cost of Sales	35.94	64.0%	31.27	53.5%	32.75
<b>Gross Profit</b>	<b>20.18</b>	<b>36.0%</b>	<b>27.21</b>	<b>46.5%</b>	<b>19.64</b>
SG&A expenses	13.59	24.2%	12.34	21.1%	13.41
- R&D expenses	4.95	8.8%	4.37	7.5%	4.90
<b>Operating Profit</b>	<b>6.60</b>	<b>11.8%</b>	<b>14.87</b>	<b>25.4%</b>	<b>6.23</b>
Other non-operating income/expense	0.05	0.1%	0.15	0.2%	0.06
Equity method gain/loss	0.06	0.1%	0.11	0.2%	0.08
Finance income/expense	0.47	0.8%	0.29	0.5%	0.54
<b>Profit Before Income Tax</b>	<b>7.18</b>	<b>12.8%</b>	<b>15.41</b>	<b>26.3%</b>	<b>6.91</b>
Income tax	2.00	3.6%	4.36	7.5%	1.87
<b>Net profit</b>	<b>5.18</b>	<b>9.2%</b>	<b>11.04</b>	<b>18.9%</b>	<b>5.04</b>
Profit attributable to owners of the parent	5.06	9.0%	10.98	18.8%	5.11
<b>Basic Earnings Per Share(KRW)</b>	<b>746</b>		<b>1,617</b>		<b>752</b>

## Key Profitability Indicators

	2Q '19	2Q '18	1Q '19
<b>ROE</b>	<b>8%</b>	<b>20%</b>	<b>8%</b>
Profitability (Net profit/Sales)	0.09	0.19	0.10
Asset turnover (Sales/Asset)	0.66	0.75	0.61
Leverage (Asset/Equity)	1.35	1.39	1.37
<b>EBITDA Margin</b>	<b>24%</b>	<b>36%</b>	<b>25%</b>



# Segment Sales & Operating Profit

## Sales

(Unit: KRW Trillion)

	2Q '19	2Q '18	1Q '19	YoY	QoQ
<b>Total</b>	<b>56.13</b>	<b>58.48</b>	<b>52.39</b>	<b>4% ↓</b>	<b>7% ↑</b>
<b>CE</b>	<b>11.07</b>	<b>10.40</b>	<b>10.04</b>	<b>6% ↑</b>	<b>10% ↑</b>
<b>VD</b>	<b>6.00</b>	<b>5.94</b>	<b>5.84</b>	<b>1% ↑</b>	<b>3% ↑</b>
<b>IM</b>	<b>25.86</b>	<b>24.00</b>	<b>27.20</b>	<b>8% ↑</b>	<b>5% ↓</b>
<b>Mobile</b>	<b>24.27</b>	<b>22.67</b>	<b>25.92</b>	<b>7% ↑</b>	<b>6% ↓</b>
<b>DS</b>	<b>23.53</b>	<b>27.70</b>	<b>20.62</b>	<b>15% ↓</b>	<b>14% ↑</b>
<b>Semiconductor</b>	<b>16.09</b>	<b>21.99</b>	<b>14.47</b>	<b>27% ↓</b>	<b>11% ↑</b>
- Memory	12.30	18.50	11.47	34% ↓	7% ↑
<b>DP</b>	<b>7.62</b>	<b>5.67</b>	<b>6.12</b>	<b>35% ↑</b>	<b>24% ↑</b>
<b>Harman</b>	<b>2.52</b>	<b>2.13</b>	<b>2.19</b>	<b>18% ↑</b>	<b>15% ↑</b>

## Operating Profit

(Unit: KRW Trillion)

	2Q '19	2Q '18	1Q '19	YoY	QoQ
<b>Total</b>	<b>6.60</b>	<b>14.87</b>	<b>6.23</b>	<b>△8.27</b>	<b>0.36</b>
<b>CE</b>	<b>0.71</b>	<b>0.51</b>	<b>0.54</b>	<b>0.20</b>	<b>0.17</b>
<b>IM</b>	<b>1.56</b>	<b>2.67</b>	<b>2.27</b>	<b>△1.11</b>	<b>△0.71</b>
<b>DS</b>	<b>4.15</b>	<b>11.69</b>	<b>3.54</b>	<b>△7.54</b>	<b>0.61</b>
<b>Semiconductor</b>	<b>3.40</b>	<b>11.61</b>	<b>4.12</b>	<b>△8.21</b>	<b>△0.72</b>
<b>DP</b>	<b>0.75</b>	<b>0.14</b>	<b>△0.56</b>	<b>0.61</b>	<b>1.31</b>
<b>Harman</b>	<b>0.09</b>	<b>0.04</b>	<b>0.01</b>	<b>0.05</b>	<b>0.08</b>

※ CE : Consumer Electronics (excluding health&medical equipment business), IM : IT & Mobile communications, DS : Device Solutions, DP : Display Panel

※ Sales and operating profit of each business stated above reflect the organizational structure as of 2019, and the sales of business units include intersegment sales.

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

# 2Q Results and Outlook by Business Unit

## Semiconductor

### [2Q Results]

- Memory: Demand increased despite weak business conditions as datacenter customers resumed purchasing and mobile applications adopted higher-capacity products
  - DRAM: Addressed demand from datacenters and for high-capacity mobile products
  - NAND: Price elasticity increased demand across all applications including discrete products
- S.LSI : Demand was solid for 5G modems and high-resolution/big-pixel image sensors
- Foundry: Demand grew for 8/10 nm mobile APs and image sensors

### [2H19 Outlook]

- Memory: Demand to increase as major applications adopt larger-capacity products under strong seasonality; industry uncertainties to persist
  - DRAM: Focus on flexible management of product mix to respond to demand from different applications; enhance technological competitiveness via stable 1ynm ramp up
  - NAND: Strengthen profitability by mass producing 6th generation V-NAND and expanding supply of premium products (such as Enterprise SSDs) based on 5th generation V-NAND
- S.LSI : Demand for APs, image sensors, DDIs, etc. to increase on seasonality; expand supply of premium products such as 64Mp sensors and EUV 7nm APs
- Foundry: Strengthen competitiveness of EUV advanced processes by mass producing 6nm EUV chips while completing the development of and infrastructure for 4nm chips

## D P

### [2Q Results]

- Results improved Q-Q led by a gradual demand recovery and a one-off gain
- Mobile: Utilization rate improved on growing sales of OLED panels based on differentiated technologies (FoD, HIAA, etc.)
- Large: Focused on strengthening cost competitiveness and expanding portion of premium products, such as ultra-large-sized/UHD TVs, curved monitors, etc., amid declining ASPs

### [2H19 Outlook]

- Mobile: Although launches of new products by major customers are expected to boost sales and utilization, a sluggish smartphone market will continue to be a risk factor  
  
Focus on improving profitability by increasing operational efficiency while solidifying foundation for sustained growth by strengthening competitiveness in products other than smartphones
- Large: Amid concerns over a supply glut led by capacity expansions by competitors, we will focus on panels for premium TVs (eg, for 8K and ultra-large-sized models) and profitability by strengthening our non-TV business, which includes monitors

# 2Q Results and Outlook by Business Unit

## I M

### [2Q Results]

- Mobile : Overall smartphone shipments increased thanks to strong sales in the mid-range-and-below segment, but flagship sales were slow amid waning launch effects of a new model and sluggish demand in the premium market  
Profitability declined due to intensifying competition in the low-end to mid-range market and an increase in expenses aimed at clearing the inventory of older models
- N/W : Earnings grew thanks to accelerating commercialization of 5G in Korea and expansion of LTE networks overseas

### [2H19 Outlook]

- Mobile : Focus on bolstering our lineup for strategic products and expanding sales for new models in the low-end to mid-range market; actively respond to changes in the external environment and competitive landscape  
In 3Q, focus on successful launches of the Galaxy Note 10 and Galaxy Fold and also strive to improve profitability by increasing operational efficiency
- N/W : Solidify foundation in the global 5G market based on our leadership in 5G commercialization in the US and Korea

## C E

### [2Q Results]

- TV: Revenue increased thanks to strong sales of new models and product mix improvements with larger sales portion of premium models; but profitability slightly decreased due to intense price competition
- DA: Earnings improved significantly thanks to solid sales of Wind-Free air conditioners under strong seasonality and growing sales of premium products and new models

### [2H19 Outlook]

- TV: Focus on addressing strong seasonal demand in 4Q; expand sales portion of premium products such as QLED and ultra-large TVs  
Strengthen sales of innovative products such as 8K/Lifestyle TVs and enhance leadership in the premium market
- DA: Secure sustained growth by expanding sales of new products (eg, Bespoke refrigerators and new lifestyle products such as air purifiers and clothes refreshers) and strengthening our B2B business

## [Appendix 1] Financial Position

(Unit : KRW Billion)

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
<b>Assets</b>	<b>342,940.1</b>	<b>345,067.9</b>	<b>318,688.4</b>
- Cash *	99,307.0	102,035.2	85,697.0
- A/R	36,061.6	36,709.3	35,013.1
- Inventories	31,247.0	31,456.0	27,358.8
- Investments	18,660.5	18,371.1	16,692.9
- PP&E	116,624.2	116,392.4	116,576.1
- Intangible Assets	15,543.0	14,868.0	14,999.5
- Other Assets	25,496.8	25,235.9	22,351.0
<b>Total Assets</b>	<b>342,940.1</b>	<b>345,067.9</b>	<b>318,688.4</b>
<b>Liabilities</b>	<b>85,193.1</b>	<b>91,852.7</b>	<b>85,563.5</b>
- Debts	15,464.3	13,204.5	16,107.0
- Trade Accounts and N/P	9,073.1	9,802.8	8,410.3
- Other Accounts and N/P & Accrued Expenses	26,534.3	29,297.3	26,479.0
- Income Tax Payables	2,289.4	9,754.8	7,063.1
- Unearned Revenue & Other Advances	1,494.1	1,596.4	1,748.0
- Other Liabilities	30,337.9	28,196.9	25,756.1
<b>Shareholders' Equity</b>	<b>257,747.0</b>	<b>253,215.2</b>	<b>233,124.9</b>
- Capital Stock	897.5	897.5	897.5
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>342,940.1</b>	<b>345,067.9</b>	<b>318,688.4</b>

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

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
Current ratio *	292%	263%	239%
Liability/Equity	33%	36%	37%
Debt/Equity	6%	5%	7%
Net debt/Equity	△33%	△35%	△30%

\* Current ratio = Current assets/Current liabilities

## [Appendix 2] Cash Flow

(Unit : KRW Trillion)

	2Q '19	1Q '19	2Q '18
<b>Cash (Beginning of period) *</b>	<b>102.04</b>	<b>104.21</b>	<b>83.08</b>
Cash flows from operating activities	6.59	5.24	13.44
Net profit	5.18	5.04	11.04
Depreciation	6.64	6.84	6.17
Cash flows from investing activities	△7.58	△4.46	△9.01
Purchases of PP&E	△6.49	△4.20	△8.28
Cash flows from financing activities	△2.78	△4.10	△2.39
Increase in debts	2.04	△4.10	2.95
Acquisition of treasury stock	-	-	-
Payment of dividends	△4.81	△0.001	△5.34
Increase in cash	△2.73	△2.18	2.62
<b>Cash (End of period) *</b>	<b>99.31</b>	<b>102.04</b>	<b>85.70</b>

\* 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)

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
<b>Net Cash</b>	<b>83.84</b>	<b>88.83</b>	<b>69.59</b>

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