

Earnings Release Q2 2021

Samsung Electronics

July 2021

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 2021 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 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**

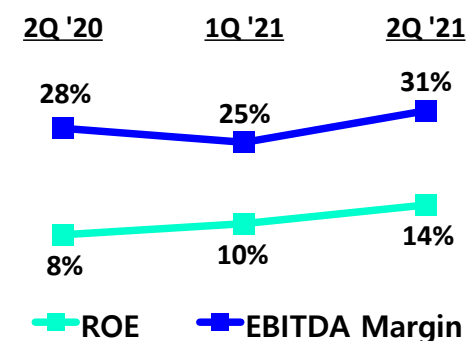
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	Q2 '21	% of sales	Q1 '21	% of sales	Q2 '20
Sales	63.67	100.0%	65.39	100.0%	52.97
Cost of Sales	37.07	58.2%	41.50	63.5%	31.91
Gross Profit	26.61	41.8%	23.89	36.5%	21.06
SG&A expenses	14.04	22.0%	14.51	22.2%	12.91
- R&D expenses	5.38	8.5%	5.44	8.3%	5.22
Operating Profit	12.57	19.7%	9.38	14.3%	8.15
Other non-operating income/expense	△0.14	-	△0.02	-	△0.77
Equity method gain/loss	0.19	-	0.15	-	0.09
Finance income/expense	0.26	-	0.24	-	0.31
Profit Before Income Tax	12.88	20.2%	9.75	14.9%	7.77
Income tax	3.25	-	2.61	-	2.21
Net profit	9.63	15.1%	7.14	10.9%	5.56
Profit attributable to owners of the parent	9.45	14.8%	7.09	10.8%	5.49
Basic Earnings Per Share(KRW)	1,391		1,044		808

Key Profitability Indicators

	Q2 '21	Q1 '21	Q2 '20
ROE	14%	10%	8%
Profitability (Net profit/Sales)	0.15	0.11	0.10
Asset turnover (Sales/Asset)	0.67	0.68	0.60
Leverage (Asset/Equity)	1.37	1.40	1.33
EBITDA Margin	31%	25%	28%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

		Q2 '21	Q1 '21	Q2 '20	QoQ	YoY
Total		63.67	65.39	52.97	3% ↓	20% ↑
CE		13.40	12.99	10.17	3% ↑	32% ↑
	VD	7.17	7.22	5.31	1% ↓	35% ↑
IM		22.67	29.21	20.75	22% ↓	9% ↑
	Mobile	21.43	28.20	19.80	24% ↓	8% ↑
DS		29.46	25.82	25.05	14% ↑	18% ↑
	Semiconductor	22.74	19.01	18.23	20% ↑	25% ↑
	- Memory	17.88	14.43	14.61	24% ↑	22% ↑
	DP	6.87	6.92	6.72	1% ↓	2% ↑
Harman		2.42	2.37	1.54	2% ↑	57% ↑

Operating Profit

(Unit: KRW Trillion)

		Q2 '21	Q1 '21	Q2 '20	QoQ	YoY
Total		12.57	9.38	8.15	3.18	4.42
CE		1.06	1.12	0.73	△0.05	0.33
IM		3.24	4.39	1.95	△1.16	1.29
DS		8.23	3.75	5.74	4.48	2.49
	Semiconductor	6.93	3.37	5.43	3.56	1.50
	DP	1.28	0.36	0.30	0.92	0.98
Harman		0.11	0.11	△0.09	△0.01	0.20

※ CE : Consumer Electronics, 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 2021, 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.

Q2 Results and Outlook by Business Unit

Semiconductor

[Q2 '21 Results]

- Memory Shipments exceeded bit growth guidance by actively addressing strong demand mainly for server and PC, and earnings improved significantly on ASP hikes as well as cost reductions from a rising portion of production using cutting-edge processes
 - DRAM Actively addressed server/PC demand via preemptive product mix transitions
 - NAND Expanded sales of server SSD and mobile storage amid a growing sales portion of 128 layer 6th generation V-NAND
- S.LSI Demand was solid for DDIs and 100Mp image sensors, but seasonally weak SOC demand limited earnings improvements
- Foundry Set a new high for 2Q sales by maximizing our chip supply capabilities and minimizing negatives via earlier-than-scheduled normalization at the Austin fab

[2H '21 Outlook]

- Memory Demand to stay solid for server/mobile on the back of expanding adoption of a new CPU and the release of new models
Improve bit growth and cost competitiveness via continued migration to 15-nano DRAM and 128-layer V-NAND
Maintain technological leadership by fully applying EUV in 14-nano DDR5 and mass producing the industry's smallest stack height 176-layer V-NAND
- S.LSI Demand for SoCs and OLED DDIs to increase on entering peak seasonality for smartphones leading earnings to improve as we expand supply and flexibly manage product mix
- Foundry Accelerate growth by maximizing capabilities to supply chips via full-fledged operations at Pyeongtaek S5 Line, especially for mass production of 5-nano and 4-nano advanced processes

D P

[Q2 '21 Results]

- Mobile Sales declined due to weak seasonality, but results improved sequentially as OLED supply was more stable compared to LCD supply amid a continued customer preference for OLED
- Large Sales declined Q-Q due to line conversions to QD Display, but losses narrowed thanks to an increase in ASP for LCD panels

[2H '21 Outlook]

- Mobile Results to improve Q-Q spurred by new product launches at major customers and a sales increase in high value-added products such as foldables, but concerns to linger over a potential drop in supply of some products due to supply issues with some components such as DDIs
OLED sales to grow with full-fledged expansion to non-smartphone IT and portable gaming products
Leadership in technological innovations to strengthen further with the active introduction of advanced technologies, including UPC
- Large Start manufacturing QD display in the second half of this year
Prepare QD Display development and mass production to ensure successful debut

Q2 Results and Outlook by Business Unit

I M

[Q2 '21 Result]

- ☐ Mobile Demand decreased Q-Q due to weak seasonality and a resurgence of COVID-19
Revenue decreased sequentially weighed on by the component supply shortage and production disruptions at the factory in Vietnam
Maintained a solid, double-digit margin by minimizing impacts of supply shortages by rebalancing supply using our global SCM capabilities and through solid contributions from products in our Galaxy Ecosystem-including tablets and wearables-our improved cost structure, and efficient allocation of resources.
- ☐ N/W Performance improved backed by growth in North America and 5G network expansion domestically

[2H '21 Outlook]

- ☐ Mobile Market to recover to a 2019 level as 5G expansion and a contactless trend continue to thrive, but uncertainties over component supply and COVID-19 are likely to linger
Solidify leadership in premium segment by mainstreaming the foldable category based on innovative new products that bolster competitiveness and user experiences while also maintaining sales momentum of Galaxy S series
Actively address demand by expanding mass-market 5G lineups
Expand sales of enhanced Galaxy Ecosystem products (including tablets, PCs, and wearables) to achieve solid revenue and profits while also strengthening the foundation for future growth
- ☐ N/W Increase sales in North America and Japan and seek new business opportunities in Europe and other regions

C E

[Q2 '21 Result]

- ☐ TV Market contracted Q-Q due to seasonality, but demand increased from last year
Maintained solid profits by expanding sales of new models-such as Neo QLED-and improving the mix mainly for premium products, such as Super Big and Lifestyle TVs
- ☐ DA Market demand remained high for home appliances with people spending more time at home due to prolonged effects of COVID-19
Sales grew as we fulfilled the diversifying needs of our consumers by releasing new lifestyle products, such as Shoe Dresser, and through the global launch of Bespoke

[2H '21 Outlook]

- ☐ TV Market demand to increase H-H on entering strong seasonality, but various uncertainties, including the spread of the Delta variant, are likely to persist
Respond swiftly to changes in demand using our SCM competitiveness
Focus on expanding sales and secure profitability by increasing peak-season promotions tailored to each region while also expanding contactless sales
- ☐ DA External risks likely to persist, including demand uncertainties related to Covid-19 and rising raw material and logistics costs
Push for sales growth by expanding the sales regions and product lineup of Bespoke
Respond to external risks by strengthening cost competitiveness through increased product modularization and enhanced overall operational efficiency of supply

[Appendix 1] Financial Position

(Unit : KRW Billion)

	June 30, 2021	Mar 31, 2021	June 30, 2020
Assets	384,777.7	392,826.3	357,959.5
- Cash ※	111,102.2	131,865.0	113,395.5
- A/R	35,624.9	33,962.1	32,989.8
- Inventories	33,592.4	30,620.0	29,645.5
- Investments	25,273.5	25,175.7	20,572.5
- PP&E	139,389.9	132,747.7	124,294.6
- Intangible Assets	20,747.0	18,386.7	19,608.3
- Other Assets	19,047.8	20,069.1	17,453.3
Total Assets	384,777.7	392,826.3	357,959.5
Liabilities	102,453.4	118,557.7	88,151.7
- Debts	16,734.9	19,972.8	16,684.8
- Trade Accounts and N/P	11,052.6	11,133.6	9,546.0
- Other Accounts and N/P & Accrued Expenses	35,293.0	49,025.4	27,880.6
- Current income tax liabilities	4,231.0	4,457.6	3,334.5
- Unearned Revenue & Other Advances	1,952.9	2,791.0	1,797.1
- Other Liabilities	33,189.0	31,177.3	28,908.7
Shareholders' Equity	282,324.3	274,268.6	269,807.8
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	384,777.7	392,826.3	357,959.5

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

	June 30, 2021	Mar 31, 2021	June 30, 2020
Current ratio ※	264%	232%	301%
Liability/Equity	36%	43%	33%
Debt/Equity	6%	7%	6%
Net debt/Equity	△33%	△41%	△36%

※ Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q2 '21	Q1 '21	Q2 '20
Cash (Beginning of period) *	131.87	124.73	113.20
Cash flows from operating activities	12.09	13.80	14.80
Net profit	9.63	7.14	5.56
Depreciation	7.21	7.15	6.61
Cash flows from investing activities	△14.36	△8.05	△10.23
Purchases of PP&E	△13.53	△10.00	△9.88
Cash flows from financing activities	△19.05	△0.59	△3.86
Increase in debts	△3.47	△0.59	0.94
Acquisition of treasury stock	-	-	-
Payment of dividends	△15.58	△0.00	△4.81
Increase in cash	△20.77	7.14	0.20
Cash (End of period) *	111.10	131.87	113.40

※ 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, 2021	Mar 31, 2021	June 30, 2020
Net Cash	94.37	111.89	96.71

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