

SAMSUNG ELECTRONICS

Earnings Presentation:
4Q 2023 Financial Results

SAMSUNG

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 audit on our 4Q 2023 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 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.

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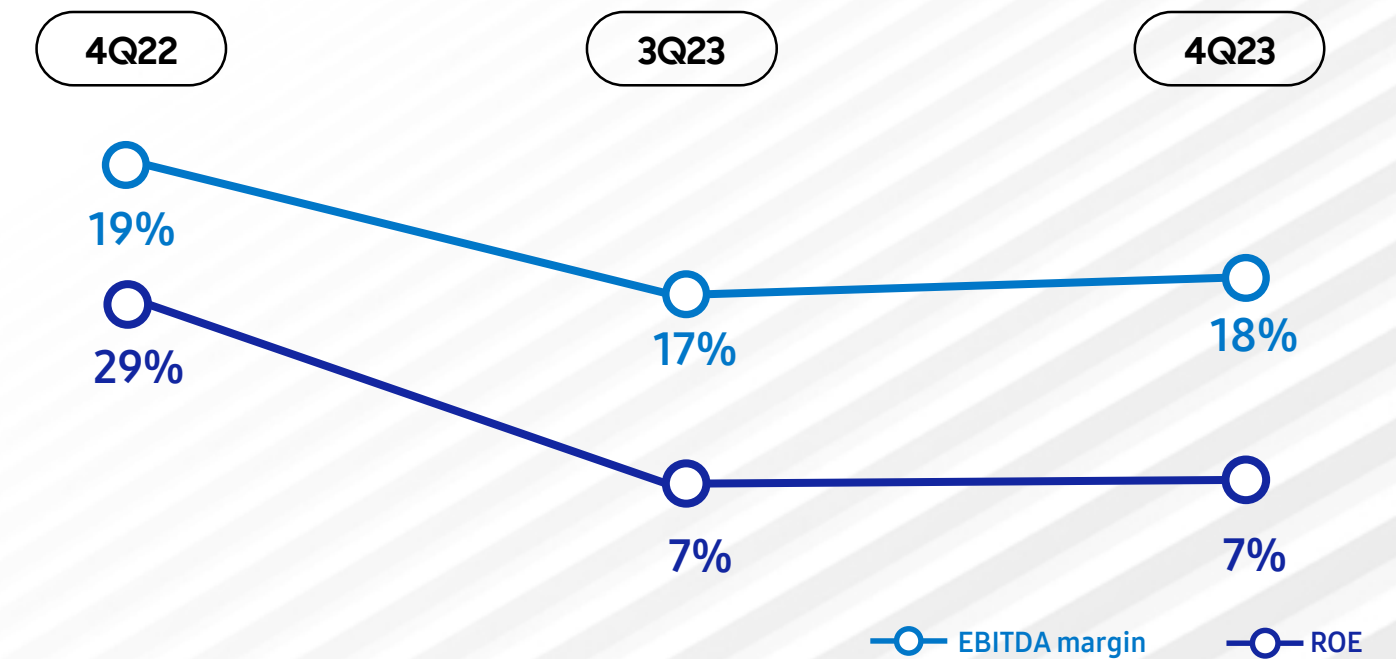
4Q 2023 Result & Financial Data

Based on the consolidated financial statement in 4Q 2023

(Unit: KRW Trillion)	4Q23	% of sales	3Q23	% of sales	4Q22	FY23	% of sales	FY22	% of sales
Sales	67.78	100.0%	67.40	100.0%	70.46	258.94	100.0%	302.23	100.0%
Cost of sales	46.12	68.0%	46.62	69.2%	48.63	180.39	69.7%	190.04	62.9%
Gross profit	21.66	32.0%	20.79	30.8%	21.84	78.55	30.3%	112.19	37.1%
SG&A expenses	18.84	27.8%	18.35	27.2%	17.53	71.98	27.8%	68.81	22.8%
- R&D expenses	7.55	11.1%	7.01	10.4%	6.47	28.34	10.9%	24.92	8.2%
Operating profit	2.82	4.2%	2.43	3.6%	4.31	6.57	2.5%	43.38	14.4%
Other non-operating income/expense	(0.27)	-	0.04	-	0.03	0.10	-	0.17	-
Equity method gain/loss	0.21	-	0.26	-	0.29	0.89	-	1.09	-
Finance income/expense	0.76	-	1.21	-	0.43	3.45	-	1.80	-
Profit before income tax	3.52	5.2%	3.94	5.8%	5.05	11.01	4.3%	46.44	15.4%
Income tax	(2.82)	-	(1.90)	-	(18.79)	(4.48)	-	(9.21)	-
Net profit	6.34	9.4%	5.84	8.7%	23.84	15.49	6.0%	55.65	18.4%
Profit attributable to owners of the parent	6.02	8.9%	5.50	8.2%	23.50	14.47	5.6%	54.73	18.1%
Earnings per share (KRW)	887		810		3,460	2,131		8,057	

Key Profitability Indicators

	4Q23	3Q23	4Q22	FY23	FY22
ROE	7%	7%	29%	4%	17%
Profitability (net profit/sales)	0.09	0.09	0.34	0.06	0.18
Asset turnover (sales/asset)	0.60	0.60	0.64	0.57	0.69
Leverage (asset/equity)	1.26	1.26	1.33	1.26	1.33
EBITDA margin	18%	17%	19%	16%	26%



Performance by Business Unit

Sales

(Unit: KRW trillion)

	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Total	67.78	67.40	70.46	1%↑	4%↓	258.94	302.23	14%↓
DX	39.55	44.02	42.71	10%↓	7%↓	169.99	182.49	7%↓
VD / DA	14.26	13.71	15.58	4%↑	9%↓	56.44	60.64	7%↓
VD	8.38	7.32	9.16	14%↑	9%↓	30.38	33.28	9%↓
MX / Networks	25.04	30.00	26.90	17%↓	7%↓	112.41	120.81	7%↓
MX	24.03	29.25	25.28	18%↓	5%↓	108.63	115.43	6%↓
DS	21.69	16.44	20.07	32%↑	8%↑	66.59	98.46	32%↓
Memory	15.71	10.53	12.14	49%↑	29%↑	44.13	68.53	36%↓
SDC	9.66	8.22	9.31	18%↑	4%↑	30.98	34.38	10%↓
Harman	3.92	3.80	3.94	3%↑	0.4%↓	14.39	13.21	9%↑

Operating Profit

(Unit: KRW trillion)

	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Total	2.82	2.43	4.31	0.39	(1.48)	6.57	43.38	(36.81)
DX	2.62	3.73	1.64	(1.11)	0.98	14.38	12.75	1.64
VD / DA	(0.05)	0.38	(0.06)	(0.43)	0.01	1.25	1.35	(0.10)
MX / Networks	2.73	3.30	1.70	(0.58)	1.03	13.01	11.38	1.63
DS	(2.18)	(3.75)	0.27	1.57	(2.45)	(14.88)	23.82	(38.70)
SDC	2.01	1.94	1.82	0.08	0.19	5.57	5.95	(0.39)
Harman	0.34	0.45	0.37	(0.11)	(0.02)	1.17	0.88	0.29

- ※ Sales and operating profit of each business stated above reflect the organizational structure as of December 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 investors.
- ※ 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.

Memory

4Q23 Results

Memory Overall demand appears to have recovered with the normalization of inventories at customers as content-per-box for PC/mobile grew and demand for AI servers remained strong. Moreover, price increases likely spurred demand for inventory buildups.

We focused on expanding sales of high value-added products—aiming to normalize business operations as early as possible—and significantly increased the sales of advanced interfaces (e.g., HBM, DDR5, and UFS 4.0). As a result, inventory normalization of both DRAM and NAND accelerated while the DRAM business returned to profit.

1Q24 Outlook

Memory Amid anticipation that PC/mobile demand will continue to recover, there are also signs of a recovery in server/storage demand, which had been relatively sluggish for quite some time. On the supply side, however, we expect market bit growth of advanced products to be somewhat constrained.

We will continue to operate a portfolio focused on profitability driven by the demand for high-value added products, such as HBM3 and Server SSD.

2024 Outlook

Memory We expect the memory business to continue to recover despite volatility linked with interest rate policies, reduced industry production, and other factors.

The spread of on-device AI is projected to increase content-per-box for PC and mobile.

We expect server demand to recover gradually under sustained demand for AI and the resumption of previously postponed server replacements.

Anticipating future demand will focus on advanced nodes, we preemptively invested in 2023 and will actively address the demand for premium products and secure profitability.

Memory will enhance its leadership in the DDR5 market with 1b nanometer-class high-density products and expand its HBM business via increased TSV capacity.

Furthermore, we will strengthen our leadership with the timely mass production of HBM3E and Gen 5 SSDs to meet the performance and capacity requirements of generative AI.

S.LSI/Foundry

4Q23 Results

S.LSI Demand for restocking increased as smartphone makers completed inventory adjustments; our Exynos 2400 contributed to earnings; and sales of image sensors increased thanks to inventory normalization at customers. The recovery of the semiconductor component industry is likely to be affected by future sales trends of smartphones.

Foundry Foundry reported a weak performance due to a decrease in market demand caused by inventory adjustments at customers and a delayed economic recovery. Our development plan for GAA for 3- and 2-nanometer processes is tracking well; and Foundry continued to solidify its foundation for growth, with orders received for 2023 reaching a highest ever annual total.

1Q24 Outlook

S.LSI We expect sales of a new SoC and high-pixel image sensors to remain strong. However, as the market enters the off-season, demand for some SoCs is likely to decline, and earnings are expected to decline for mobile DDIs after restocking is complete. Thus, we expect improvements in our overall earnings to be somewhat limited.

Foundry Demand in 1Q is likely to increase thanks to effects of the releases of AI-enabled smartphones and PCs, but the pace of improvement may be somewhat slow as customers are anticipated to maintain their low-inventory stance. Foundry recently received a 2 nanometer-class order for an AI accelerator project, which includes HBM and advanced packaging.

2024 Outlook

S.LSI We plan to maximize competitiveness of SoC products by enhancing on-device AI functions such as NPU performance and model weight reduction through quantization. We will expand sales of high-pixel image sensors to expand our business scale and achieve growth even in uncertain environments by increasing adoption of OLED for IT devices. We will also continue efforts to secure future growth engines by securing additional SoC orders from major automotive customers and new orders for new products such as UWB.

Foundry We expect the foundry market to return to 2022 levels thanks to the recoveries in smartphone and PC demand. We are committed to increasing orders from applications in high-growth areas, such as AI accelerators, while focusing on mass production of 3-nanometer products based on the 2nd generation process as well as on the development of the 2-nanometer process.

SDC (Samsung Display Corporation)

4Q23 Results

Mobile

Market demand for smartphones inched up year-on-year, aided by a low base.

We performed well by accommodating launches of major customer's new products via timely supply; and by building our product mix around high-end products.

Large

Even though demand remained weak due to sluggish economic conditions, we posted sales growth and narrowed our losses on the back of year-end seasonal TV demand.

1Q24 Outlook

Mobile

We expect earnings to decline quarter-on-quarter and year-on-year owing to heightened competition among panel makers on top of effects of muted seasonal demand.

Large

Despite difficulties stemming from tepid demand and off-season effects, we will continue to narrow losses by releasing new QD-OLED monitors expanding our customer base.

2024 Outlook

Mobile

Regarding market demand for smartphones, we anticipate headwinds due to the global economic slowdown and protracted regional crises.

Amid projected intense competition among panel makers, especially for high-end products, we will continually strive to increase sales based on our differentiated technologies and product functions.

In 2024, we aim to maintain dominant position in the smartphone market and firm up future growth engines, such as the IT and automotive segments.

Large

Despite headwinds from continued macro uncertainties and dampened consumer sentiment caused by the sluggish economy, we expect TV demand to increase somewhat with contributions from upcoming sporting events and low base effects.

We will improve our profits and losses by working to maximize efficiency via an improved product mix focused on QD-OLED monitors, enhancing production efficiency, and expanding production capacity without additional investments.

MX/Network

4Q23 Results

MX

Despite ongoing inflation and global political unrest, the smartphone market experienced modest growth in 4Q23, led by the premium segment.

Sales and profit declined Q-Q due to decreased smartphone sales, which included fading effects of new models launched in 3Q.

However, tablet shipments grew significantly, led by newly released premium products, and wearable devices maintained their sales momentum during the peak holiday season.

Thanks to our continuing optimization of resource use and hardware design, we maintained double-digit profitability.

Networks Sales increased in domestic and overseas markets, including North America and Japan.

1Q24 Outlook

MX

Although we expect smartphone demand to decrease due to seasonality, the premium segment is likely to grow compared to the same period last year.

MX will leverage its newly launched Galaxy S24 series to increase sales; and by emphasizing the series' cutting-edge AI capabilities and enhanced competitiveness, alongside our efforts to strengthen our carrier partnerships, we aim to establish Samsung as the leading brand in the AI smartphone market.

While there are potential risks of rising component costs, we will strive to secure a double-digit operating margin by continuing to realize operational efficiencies in resources.

Networks Networks will expand its business foundation in major overseas markets, including North America and Japan.

2024 Outlook

MX

We expect consumer sentiment to stabilize and demand to rebound in anticipation of a soft landing for the global economy, leading to market growth, especially in the premium segment.

MX aims to lead the AI smartphone market by offering users an unparalleled level of creativity and hyper-personalized experiences and by fortifying our leadership in the foldable segment. Through this, we will boost our annual flagship shipments by over ten percent and achieve value growth that outpaces the market. MX will focus on premium lineups, and in wearables, we will expand lineups and enhance wellness functions.

We aim to make Galaxy AI the global standard for mobile AI and will strive to secure improved sales and stable profitability while investing in future technologies such as XR, Digital Health and Generative AI.

Networks Networks will pursue revenue growth through major overseas contracts by promptly addressing customer needs and winning orders in domestic/overseas markets, all while reinforcing our technology leadership in 5G core chips and vRAN/ORAN.

VD/DA/Harman

4Q23 Results

VD TV market demand increased quarter-on-quarter, mainly due to year-end seasonality, but decreased year-on-year as consumer sentiment continued to decline, especially in advanced countries.

We improved sales mix by preparing for peak-season with a focus on high-value-added products such as Neo QLED/OLED/Big TVs above 75", however, our profitability decreased as overall TV market demand was stagnant and our costs increased amid intensified competition.

DA DA saw growth in B2B backed by a focus on system air conditioners; and improvements in its sales mix centered on premium segments, including Bespoke. However, overall results declined due to intense competition caused by declining demand.

Harman Revenue grew as sales of consumer audio products increased on seasonal effects. Harman continues to grow on a full-year basis.

1Q24 Outlook

VD Although we expect demand to decrease due to seasonality on top of continued declines in advanced markets, demand for Big TVs above 75" and premium products should remain solid.

We will amplify the buzz created at CES around newly launched premium models; take a more proactive approach to promoting our differentiated product and service experiences; and focus on enhancing sales of strategic products and securing profitability.

DA DA will continue efforts to improve profitability by enhancing its supply competitiveness via maximizing operational efficiencies and expanding B2B sales centering on system air conditioners. At the same time, we will strive to establish ourselves in new markets by advancing interconnection experiences between SmartThings-based digital appliances and devices, and through simultaneous global launches of home appliances featuring AI.

Harman Harman will continue to maintain its momentum in annual sales growth via sales centered on headsets and car audio products.

2024 Outlook

VD The trend of decreasing market demand will ease gradually thanks to replacement demand linked to global sporting events and others. However, uncertainties related to various macro factors are likely to continue.

We will target various demands by innovating premium and Lifestyle products and by diversifying our lineup. Moreover, we aim to lead the AI-screen era based on next-gen AI processors and Tizen OS.

DA DA will expand sales in premium segments by providing differentiated user experiences based on SmartThings and AI technology while fortifying its market leadership. Also, we will grow revenue by focusing on high-value added B2B businesses such as system air conditioners.

Harman For automotive, Harman will seek to increase orders in new areas by enhancing its capabilities in in-cabin experiences. For consumer audio products, Harman will seek growth by reinforcing leadership in key products, such as portable devices, and providing differentiated products via collaborations with Samsung Electronics.

Appendix 1

Financial Position

(Unit : KRW billion)	31.Dec.23	30.Sep.23	31.Dec.22
Assets	455,906.0	454,466.4	448,424.5
Cash *	92,421.4	93,102.9	115,227.3
A/R	36,648.7	43,406.0	35,721.6
Inventories	51,630.6	55,256.0	52,187.9
Investments	31,637.1	28,965.3	31,634.5
PP&E	187,374.7	180,806.0	168,045.4
Intangible assets	22,804.7	23,137.0	20,217.8
Other assets	33,388.8	29,793.2	25,390.0
Total assets	455,906.0	454,466.4	448,424.5
Liabilities	92,228.1	90,573.8	93,674.9
Debts	12,730.2	10,050.0	10,333.3
Trade accounts and N/P	11,324.2	13,157.1	10,644.7
Other accounts and N/P & accrued expenses	41,342.9	40,037.5	46,803.9
Current income tax liabilities	3,362.9	3,411.7	4,250.4
Unearned revenue & other advances	2,385.4	2,251.8	2,613.1
Other liabilities	21,082.5	21,665.7	19,029.5
Shareholders' equity	363,677.9	363,892.6	354,749.6
Capital stock	897.5	897.5	897.5
Total liabilities & shareholder's equity	455,906.0	454,466.4	448,424.5

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

	31.Dec.23	30.Sep.23	31.Dec.22
Current ratio *	257%	280%	279%
Liability/equity	25%	25%	26%
Debt/equity	4%	3%	3%
Net debt/equity	(22%)	(23%)	(30%)

* Current ratio = current assets/current liabilities

Appendix 2

Cash Flow

(Unit: KRW trillion)

	4Q23	FY23	FY22
Cash (beginning of period) *	93.10	115.23	124.15
Cash flows from operating activities	19.94	44.13	62.18
Net profit	6.34	15.49	55.65
Depreciation	9.06	35.53	35.95
Cash flows from investing activities	(18.87)	(59.49)	(53.66)
Purchases of PP&E	(15.21)	(57.61)	(49.43)
Cash flows from financing activities	0.13	(8.59)	(19.39)
Increase in debts	2.62	1.28	(9.58)
Acquisition of treasury stock	-	-	-
Payment of dividends	(2.50)	(9.86)	(9.81)
Increase in cash	(0.68)	(22.81)	(8.92)
Cash (end of period) *	92.42	92.42	115.23

* Cash = Cash and cash equivalents short-term financial instruments short-term financial assets at amortized cost etc.

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

(Unit: KRW trillion)

	31.Dec.23	30.Sep.23	31.Dec.22
Net cash	79.69	83.05	104.89

* Cash = Cash and cash equivalents short-term financial instruments short-term financial assets at amortized cost etc.

Thank you

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