

Earnings Release Q2 2020

Samsung Electronics

July 2020

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 2020 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.

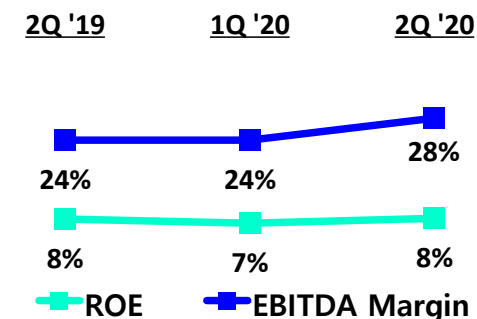
Income Statement

(Unit: KRW Trillion)

	Q2 '20	% of sales	Q1 '20	% of sales	Q2 '19
Sales	52.97	100.0%	55.33	100.0%	56.13
Cost of Sales	31.91	60.2%	34.81	62.9%	35.94
Gross Profit	21.06	39.8%	20.52	37.1%	20.18
SG&A expenses	12.91	24.4%	14.07	25.4%	13.59
- R&D expenses	5.22	9.9%	5.36	9.7%	4.95
Operating Profit	8.15	15.4%	6.45	11.7%	6.60
Other non-operating income/expense	△0.77	-	△0.05	-	0.05
Equity method gain/loss	0.09	0.2%	0.06	0.1%	0.06
Finance income/expense	0.31	0.6%	0.30	0.5%	0.47
Profit Before Income Tax	7.77	14.7%	6.76	12.2%	7.18
Income tax	2.21	4.2%	1.87	3.4%	2.00
Net profit	5.56	10.5%	4.88	8.8%	5.18
Profit attributable to owners of the parent	5.49	10.4%	4.89	8.8%	5.06
Basic Earnings Per Share(KRW)	808		720		746

Key Profitability Indicators

	Q2 '20	Q1 '20	Q2 '19
ROE	8%	7%	8%
Profitability (Net profit/Sales)	0.10	0.09	0.09
Asset turnover (Sales/Asset)	0.60	0.62	0.66
Leverage (Asset/Equity)	1.33	1.34	1.35
EBITDA Margin	28%	24%	24%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

		Q2 '20	Q1 '20	Q2 '19	QoQ	YoY
Total		52.97	55.33	56.13	4% ↓	6% ↓
CE		10.17	10.30	11.21	1% ↓	9% ↓
	VD	5.31	5.65	6.00	6% ↓	11% ↓
IM		20.75	26.00	25.86	20% ↓	20% ↓
	Mobile	19.80	24.95	24.27	21% ↓	18% ↓
DS		25.05	24.13	23.53	4% ↑	6% ↑
	Semiconductor	18.23	17.64	16.09	3% ↑	13% ↑
	- Memory	14.61	13.14	12.30	11% ↑	19% ↑
	DP	6.72	6.59	7.62	2% ↑	12% ↓
Harman		1.54	2.10	2.52	27% ↓	39% ↓

Operating Profit

(Unit: KRW Trillion)

		Q2 '20	Q1 '20	Q2 '19	QoQ	YoY
Total		8.15	6.45	6.60	1.70	1.55
CE		0.73	0.45	0.69	0.28	0.05
IM		1.95	2.65	1.56	△0.70	0.39
DS		5.74	3.72	4.15	2.02	1.59
	Semiconductor	5.43	3.99	3.40	1.43	2.03
	DP	0.30	△0.29	0.75	0.59	△0.45
Harman		△0.09	△0.19	0.09	0.09	△0.19

※ 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 2020, and the sales of business units include intersegment sales.

※ CE is restated due to the reclassification of the Health&medical equipment business, which has been included in CE from 2020.

※ 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 Results]

- Memory : Demand stayed solid from data centers and PC amid weak mobile demand as a result of the COVID-19 continuation
 - DRAM : Actively addressed server/PC demand from major companies via a flexible product mix
 - NAND : Profits improved backed by expanding migration to 5th generation V-NAND, etc. although bit growth was lower than the market level due to weak mobile demand and an inability to fulfill demand in certain areas
- S.LSI : Earnings declined due to weak mobile component demand from major customers
- Foundry : Earnings improved led by increasing inventory build-ups by customers

[2H20 Outlook]

- Memory : Mobile/graphic demand to recover backed by launches of new smartphones and game consoles
Uncertainties such as increased inventory levels of server customers to remain
Flexibly manage investment plan and product mix to account for demand outlooks of each application
Based on this, strengthen technology leadership and cost competitiveness via accelerating node migration to 1Z nano DRAM and 6th generation V-NAND, among others, and toward full-scale application of EUV
- S.LSI : Strive to increase SoC/CIS sales to embrace 5G expansion and trend toward advanced camera features
- Foundry : Diversify applications to HPC/customers as well as others and continue investing in advanced node technology

D P

[Q2 Results]

- Mobile: Revenue improved Q-Q on a one-off gain despite weaker smartphone demand mainly in developed markets (eg, the US and Europe) due to the global spread of COVID-19
- Large : TV demand declined as the market slowed due to disruptions to sporting events such as the Tokyo Olympics and Euro Cup
However, a rise in the “untact” trend boosted monitor sales, slightly narrowing losses

[2H20 Outlook]

- Mobile: Amid uncertainties over a global demand recovery, we will work to improve profitability by actively responding to smartphone launches by major customers

In particular, we will expand new markets, including ones for foldable and IT devices, to satisfy customer needs amid COVID-19 for diversified products with advanced features
- Large : Address customer demand without disruption until the end of the year while preparing for new business

Accelerate product development based on next-generation technologies

Q2 Results and Outlook by Business Unit

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[Q2 Results]

- Mobile : Smartphone shipments and revenue fell Q-Q due to store closures, etc.
However, profitability remained strong backed by efficient cost execution—eg, via reducing marketing costs, including those for offline promotions
- N/W : 5G investment at home and abroad were delayed due to COVID-19

[2H20 Outlook]

- Mobile : The market is showing a gradual demand recovery, however, uncertainties related to COVID-19 linger
Intense competition likely as firm's vie to make up for a weak 1H performance.
Actively address a demand recovery by launching flagship models and strengthening our mass-market lineup
At the same time, continue working to improve profitability via enhanced operational efficiency and cost competitiveness
Revenue to improve in 3Q on stronger smartphone sales Q-Q and an enhanced product mix via launches of flagship models, such as Note and Fold
Uncertainties related to COVID-19 unlikely to dissipate
- N/W : Despite uncertainties such as changes in 5G investment timelines by operators, continue to explore new opportunities to secure a foundation for growth

C E

[Q2 Results]

- TV: Despite weaker demand due to lockdowns in some major regions, revenue improved Q-Q and Y-Y by focusing on online sales, addressing demand using our global SCM capabilities, increasing sales of premium products including QLED, ultra-large TVs, etc., as well as enhancing operational efficiency
- DA: Despite sluggish global demand for home appliances, revenue improved thanks to strong sales of premium products, such as Grande AI washer/dryer and Bespoke appliances, and strong seasonality for air conditioners.

[2H20 Outlook]

- Target pent-up demand, mainly for premium products including QLED and ultra-large TVs, new Chef Collection and Bespoke appliances
Focus on gaining an early foothold on demand via holiday promotions and strengthened online sales
Continue to enhance profitability by maximizing operational efficiency through means such as cost and inventory management

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Assets	357,959.5	357,457.5	342,940.1
- Cash *	113,395.5	113,196.4	99,307.0
- A/R	32,989.8	36,388.6	36,061.6
- Inventories	29,645.5	28,454.9	31,247.0
- Investments	20,572.5	18,650.2	18,660.5
- PP&E	124,294.6	121,678.0	116,624.2
- Intangible Assets	19,608.3	20,912.4	15,543.0
- Other Assets	17,453.3	18,177.0	25,496.8
Total Assets	357,959.5	357,457.5	342,940.1
Liabilities	88,151.7	91,069.8	85,193.1
- Debts	16,684.8	15,665.2	15,464.3
- Trade Accounts and N/P	9,546.0	10,722.5	9,073.1
- Other Accounts and N/P & Accrued Expenses	27,880.6	31,431.4	26,534.3
- Current income tax liabilities	3,334.5	2,608.4	2,289.4
- Unearned Revenue & Other Advances	1,797.1	1,825.7	1,494.1
- Other Liabilities	28,908.7	28,816.6	30,337.9
Shareholders' Equity	269,807.8	266,387.7	257,747.0
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	357,959.5	357,457.5	342,940.1

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

	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Current ratio *	301%	288%	292%
Liability/Equity	33%	34%	33%
Debt/Equity	6%	6%	6%
Net debt/Equity	△36%	△37%	△33%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q2 '20	Q1 '20	Q2 '19
Cash (Beginning of period) *	113.20	112.15	102.04
Cash flows from operating activities	14.80	11.83	6.59
Net profit	5.56	4.88	5.18
Depreciation	6.61	6.59	6.64
Cash flows from investing activities	△10.23	△9.36	△7.58
Purchases of PP&E	△9.88	△8.56	△6.49
Cash flows from financing activities	△3.86	△2.97	△2.78
Increase in debts	0.94	△2.97	2.04
Acquisition of treasury stock	-	-	-
Payment of dividends	△4.81	△0.01	△4.81
Increase in cash	0.20	1.05	△2.73
Cash (End of period) *	113.40	113.20	99.31

※ 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, 2020	Mar 31, 2020	Jun 30, 2019
Net Cash	96.71	97.53	83.84

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