

Earnings Release Q3 2020

Samsung Electronics

October 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 Q3 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**

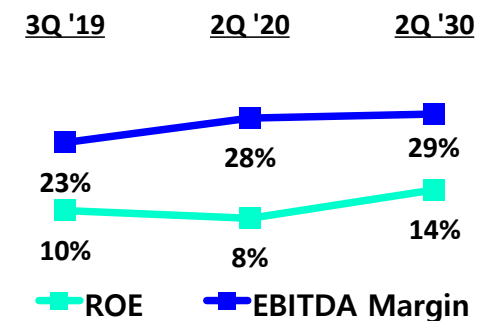
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	Q3 '20	% of sales	Q2 '20	% of sales	Q3 '19
Sales	66.96	100.0%	52.97	100.0%	62.00
Cost of Sales	39.97	59.7%	31.91	60.2%	39.99
Gross Profit	26.99	40.3%	21.06	39.8%	22.01
SG&A expenses	14.64	21.9%	12.91	24.4%	14.23
- R&D expenses	5.31	7.9%	5.22	9.9%	5.13
Operating Profit	12.35	18.4%	8.15	15.4%	7.78
Other non-operating income/expense	0.06	0.1%	△0.77	-	0.19
Equity method gain/loss	0.23	0.3%	0.09	0.2%	0.11
Finance income/expense	0.21	0.3%	0.31	0.6%	0.54
Profit Before Income Tax	12.84	19.2%	7.77	14.7%	8.62
Income tax	3.48	5.2%	2.21	4.2%	2.33
Net profit	9.36	14.0%	5.56	10.5%	6.29
Profit attributable to owners of the parent	9.27	13.8%	5.49	10.4%	6.11
Basic Earnings Per Share(KRW)	1,364		808		899

Key Profitability Indicators

	Q3 '20	Q2 '20	Q3 '19
ROE	14%	8%	10%
Profitability (Net profit/Sales)	0.14	0.10	0.10
Asset turnover (Sales/Asset)	0.74	0.60	0.72
Leverage (Asset/Equity)	1.35	1.33	1.36
EBITDA Margin	29%	28%	23%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

		Q3 '20	Q2 '20	Q3 '19	QoQ	YoY
Total		66.96	52.97	62.00	26% ↑	8% ↑
CE		14.09	10.17	11.07	39% ↑	27% ↑
	VD	8.24	5.31	6.26	55% ↑	32% ↑
IM		30.49	20.75	29.25	47% ↑	4% ↑
	Mobile	29.81	19.80	28.10	51% ↑	6% ↑
DS		25.93	25.05	26.64	4% ↑	3% ↓
	Semiconductor	18.80	18.23	17.59	3% ↑	7% ↑
	- Memory	14.28	14.61	13.26	2% ↓	8% ↑
	DP	7.32	6.72	9.26	9% ↑	21% ↓
Harman		2.62	1.54	2.63	70% ↑	1% ↓

Operating Profit

(Unit: KRW Trillion)

		Q3 '20	Q2 '20	Q3 '19	QoQ	YoY
Total		12.35	8.15	7.78	4.21	4.58
CE		1.56	0.73	0.52	0.83	1.03
IM		4.45	1.95	2.92	2.50	1.54
DS		6.04	5.74	4.24	0.30	1.79
	Semiconductor	5.54	5.43	3.05	0.11	2.49
	DP	0.47	0.30	1.17	0.17	△0.70
Harman		0.15	△0.09	0.10	0.25	0.05

※ 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.

Q3 Results and Outlook by Business Unit

Semiconductor

[Q3 Results]

- Memory : Solid Mobile and PC demand led by increase in mass-market smartphone models, and the 'stay-at-home economy'
 - DRAM : Topped bit growth guidance by actively addressing mobile and PC demand using our strategy of maintaining a flexible product mix
 - NAND : Mobile demand and SSD sales for new game consoles increased
- S.LSI : Earnings improved as demand recovered for mobile components, such as DDIs and CISs
- Foundry : Achieved highest-ever quarterly sales backed by a recovery in mobile demand and growing demand for HPC chips

[Q420 Outlook]

- Memory : Server demand to stay soft due to inventory adjustments at customers despite solid mobile demand related to launches of new smartphone models
 - DRAM : Actively address mobile demand, mainly from key customers, while continuing to strengthen cost competitiveness via increased migration to the 1Z nano process
 - NAND : Enhance technology leadership and price competitiveness by increasing migration to 6th generation V-NAND, based on our strategy of expanding sales with a focus on PC and mobile
- S.LSI : Supply of 5-nano flagship and semi-premium 5G one-chip SoCs to begin in earnest
- Foundry : Set new quarterly high for sales by increasing supply of mobile SoCs and HPC chips

[2021 Outlook]

- Memory : Business environment highly likely to recover in 1H21 with the introduction of new server CPUs amid strong mobile set demand and continued growth of 5G
 - Focus on anticipating and responding flexibly to demand changes while also expanding process node migration
- S.LSI : Increase supply mainly for products with solid demand (eg, 5G SoCs, high-resolution sensors, and DDIs)
- Foundry : Grow substantially by diversifying areas of application and attracting large customers

D P

[Q3 Results]

- Mobile: Earnings improved due to higher utilization rate as customers launched new products amid a gradual recovery of smartphone demand
- Large : Loss narrowed due to increased panel ASP

[Q420 Outlook]

- Mobile: Sales and profitability to improve as major customers accelerate sales of new products and we improve our product mix
- Large : Address customer demand without disruption while implementing changes to business structure based on new technologies as planned

[2021 Outlook]

- Mobile: Smartphone market to recover gradually despite uncertainties such as COVID-19 and the US-China trade dispute
 - Differentiate technologies and strengthen price competitiveness to embrace 5G smartphone market expansion
- Large : Establish strong foundation within premium TV segment via timely development of QD display

Q3 Results and Outlook by Business Unit

I M

[Q3 Results]

- Mobile : Smartphone sales grew significantly Q-Q due to flagship launches, including Note20 and Z Fold2, and a recovery in demand for mass-market models
Along with stronger sales, profitability improved via cost structure improvements via expansion of component standardization and efficient management of marketing expenses
Strengthened sales of tablets and wearables also contributed to the increased profit.
- N/W : Projects delayed in Korea and overseas due to prolonged effect of COVID-19
Signed a 5G agreement—our largest thus far—with US carrier Verizon—bolstering our foundation for 5G growth

[Q420 Outlook]

- Mobile : Profitability to decline due to weaker sales Q-Q due to waning new model effects for flagships, intensifying competition related to new model launches, and growing marketing expenses in peak season
- N/W : Continue to expand 5G coverage in Korea and global markets including in North America and Japan

[2021 Outlook]

- Mobile : Expand sales by further differentiating flagship line-up by reinforcing competitiveness of foldable phones to increase their popularity; and by strengthening 5G lineup for the mass market
Continue efforts to bolster profitability by improving product mix and efficiently managing operations
- N/W : Actively attract new orders for global 5G business and continue timely response to 5G commercialization in both the domestic and overseas markets

C E

[Q3 Results]

- TV : Earnings improved significantly amid a release of pent-up demand mainly in advanced markets via timely responses utilizing our global SCM capability, a significant rise in sales of new value-added models, and stronger sales of premium products, such as QLED, ultra-large TVs, and Lifestyle TVs
- DA : Earnings improved led by increasing sales of new premium products, such as Bespoke and Grande AI appliances

[Q420 Outlook]

- TV/DA : Demand to be solid amid strong seasonality, while uncertainties such as additional waves of COVID-19 to linger
Establish sales strategy focusing on no-contact methods, gain an early foothold on seasonal demand by strengthening cooperation with channel partners, and continue to secure profitability by expanding premium sales and optimizing operations

[2021 Outlook]

- TV : Strengthen leadership in the premium TV market via innovative products such as QLED TVs, Micro LEDs for homes, and Lifestyle TVs
- DA : Continue to grow by expanding sales of premium products, including Bespoke models, marketing efficiently, and strengthening online and B2B businesses

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
Assets	375,788.7	357,959.5	353,386.0
- Cash *	117,910.8	113,395.5	104,989.2
- A/R	40,379.9	32,989.8	40,367.2
- Inventories	32,442.8	29,645.5	30,908.8
- Investments	22,053.3	20,572.5	19,041.5
- PP&E	124,777.4	124,294.6	116,855.6
- Intangible Assets	18,980.8	19,608.3	15,705.7
- Other Assets	19,243.7	17,453.3	25,518.0
Total Assets	375,788.7	357,959.5	353,386.0
Liabilities	99,652.6	88,151.7	89,943.7
- Debts	19,626.5	16,684.8	16,133.3
- Trade Accounts and N/P	11,688.2	9,546.0	11,422.3
- Other Accounts and N/P & Accrued Expenses	31,891.3	27,880.6	27,196.6
- Current income tax liabilities	4,660.1	3,334.5	2,318.2
- Unearned Revenue & Other Advances	2,100.2	1,797.1	1,781.7
- Other Liabilities	29,686.3	28,908.7	31,091.6
Shareholders' Equity	276,136.1	269,807.8	263,442.3
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	375,788.7	357,959.5	353,386.0

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

	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
Current ratio *	279%	301%	294%
Liability/Equity	36%	33%	34%
Debt/Equity	7%	6%	6%
Net debt/Equity	△36%	△36%	△34%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q3 '20	Q2 '20	Q3 '19
Cash (Beginning of period) *	113.40	113.20	99.31
Cash flows from operating activities	14.14	14.80	13.83
Net profit	9.36	5.56	6.29
Depreciation	6.84	6.61	6.55
Cash flows from investing activities	△9.13	△10.23	△6.88
Purchases of PP&E	△8.54	△9.88	△6.80
Cash flows from financing activities	0.50	△3.86	△2.20
Increase in debts	2.90	0.94	0.21
Acquisition of treasury stock	-	-	-
Payment of dividends	△2.40	△4.81	△2.41
Increase in cash	4.52	0.20	5.68
Cash (End of period) *	117.91	113.40	104.99

* 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, 2020	Jun 30, 2020	Sep 30, 2019
Net Cash	98.28	96.71	88.86

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