

Earnings Release Q4 2021

Samsung Electronics

January 2022

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 Q4 2021 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.

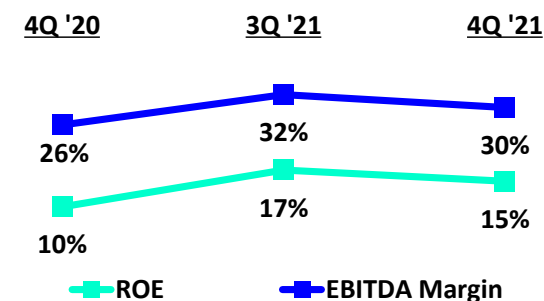
Income Statement

(Unit: KRW Trillion)

	Q4 '21	% of sales	Q3 '21	% of sales	Q4 '20	FY '21	% of sales	FY '20	% of sales
Sales	76.57	100.0%	73.98	100.0%	61.55	279.60	100.0%	236.81	100.0%
Cost of Sales	44.95	58.7%	42.90	58.0%	37.80	166.41	59.5%	144.49	61.0%
Gross Profit	31.62	41.3%	31.08	42.0%	23.75	113.19	40.5%	92.32	39.0%
SG&A expenses	17.75	23.2%	15.26	20.6%	14.70	61.56	22.0%	56.32	23.8%
- R&D expenses	6.47	8.4%	5.11	6.9%	5.22	22.40	8.0%	21.11	8.9%
Operating Profit	13.87	18.1%	15.82	21.4%	9.05	51.63	18.5%	35.99	15.2%
Other non-operating income/expense	0.21	-	0.10	-	△0.34	0.15	-	△1.10	-
Equity method gain/loss	0.13	-	0.27	-	0.13	0.73	-	0.51	-
Finance income/expense	0.16	-	0.17	-	0.14	0.84	-	0.95	-
Profit Before Income Tax	14.36	18.8%	16.36	22.1%	8.97	53.35	19.1%	36.35	15.3%
Income tax	3.52	-	4.06	-	2.37	13.44	-	9.94	-
Net profit	10.84	14.2%	12.29	16.6%	6.61	39.91	14.3%	26.41	11.2%
Profit attributable to owners of the parent	10.64	13.9%	12.06	16.3%	6.45	39.24	14.0%	26.09	11.0%
Earnings Per Share (KRW Won)	1,566		1,776		949	5,777		3,841	

Key Profitability Indicators

	Q4 '21	Q3 '21	Q4 '20	FY '21	FY '20
ROE	15%	17%	10%	14%	10%
Profitability (Net profit/Sales)	0.14	0.17	0.11	0.14	0.11
Asset turnover (Sales/Asset)	0.76	0.75	0.67	0.69	0.65
Leverage (Asset/Equity)	1.39	1.38	1.36	1.39	1.36
EBITDA Margin	30%	32%	26%	30%	27%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	Q4 '21	Q3 '21	Q4 '20	QoQ	YoY	FY '21	FY '20	YoY
Total	76.57	73.98	61.55	3% ↑	24% ↑	279.60	236.81	18% ↑
CE	15.35	14.10	13.61	9% ↑	13% ↑	55.83	48.17	16% ↑
VD	9.29	7.82	8.51	19% ↑	9% ↑	31.50	27.71	14% ↑
IM	28.95	28.42	22.34	2% ↑	30% ↑	109.25	99.59	10% ↑
MX	27.70	27.34	21.46	1% ↑	29% ↑	104.68	96.02	9% ↑
DS	34.72	35.09	27.92	1% ↓	24% ↑	125.09	103.04	21% ↑
Semiconductor	26.01	26.41	18.18	2% ↓	43% ↑	94.16	72.86	29% ↑
- Memory	19.45	20.83	13.51	7% ↓	44% ↑	72.60	55.54	31% ↑
DP	9.06	8.86	9.96	2% ↑	9% ↓	31.71	30.59	4% ↑
Harman	2.85	2.40	2.92	19% ↑	2% ↓	10.04	9.18	9% ↑

Operating Profit

(Unit: KRW Trillion)

	Q4 '21	Q3 '21	Q4 '20	QoQ	YoY	FY '21	FY '20	YoY
Total	13.87	15.82	9.05	△1.95	4.82	51.63	35.99	15.64
CE	0.70	0.76	0.82	△0.06	△0.12	3.65	3.56	0.08
IM	2.66	3.36	2.42	△0.69	0.25	13.65	11.47	2.17
DS	10.17	11.58	5.63	△1.41	4.54	33.73	21.12	12.61
Semiconductor	8.84	10.06	3.85	△1.22	5.00	29.20	18.81	10.39
DP	1.32	1.49	1.75	△0.17	△0.43	4.46	2.24	2.22
Harman	0.22	0.15	0.18	0.07	0.04	0.60	0.06	0.54

※ Sales and operating profit of each business stated above reflect the organizational structure before the restructuring in Dec 2021, and the sales of business units include intersegment transactions.

※ CE : Consumer Electronics, IM : IT & Mobile communications, DS : Device Solutions, DP : Display Panel

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

Q4 Results and Outlook by Business Unit

Semiconductor

【 Q4 '21 Results 】

- Memory Demand remained solid, centered on server, but results declined Q-Q due to a one-off special incentive, global supply chain issues, and slight drop in ASP. Refrained from excessive bit shipment considering our inventory level and the market outlook, causing bit growth to come in under guidance
- DRAM Enhanced competitiveness by actively addressing server and graphic demand and by increasing portion of 15-nano
- NAND Focused on optimizing sales, given our inventory and the lockdown in Xi'an as we increased portion of cutting-edge processes
- S.LSI Reached record-high revenue, driven by increased demand for SoCs and DDIs, but profit fell slightly due to special bonuses
- Foundry Set new high for revenue on increase in supply of key products to main applications, but profitability fell slightly due to a rise in costs associated with advanced processes

【 Q1 '22 Outlook 】

- Memory Uncertainties likely to persist, but potential improvements in set build demand, mainly for server and PC, and releases of new mobile products to limit effects of slow seasonality
- DRAM Optimize portfolio by increasing portion of cutting-edge nodes while actively addressing customer demand
- NAND Minimize risks of supply disruptions while adjusting production flexibly considering factors such as the lockdown in Xi'an
- S.LSI Focus on SoC and CIS supply for flagship products of key customers
- Foundry Expand supply by improving stability of advanced node production and yield

【 '22 Outlook 】

- Memory Despite risks such as persistent supply issues, server demand to benefit from adoption of new CPUs and increased IT investments and mobile demand to increase thanks to a strengthened 5G line-up. Strengthen cost competitiveness and market leadership via centering portfolio on high-value solutions and through industry leading EUV capabilities while proactively addressing market demand by expanding cutting-edge interfaces such as DDR5 and LPDDR5
- S.LSI Seek growth by bolstering SoC lineup, such as with volume-zone 5G model
- Foundry Expand technology leadership via mass production 1st gen GAA process and exceed market growth by focusing on expanding supply to global customers

D P

【 Q4 '21 Results 】

- Mobile Improved results Q-Q on continuation of solid demand from key customers for new smartphones and expanded sales to new applications, including gaming and notebook PCs
- Large Losses increased due to a decline in LCD ASP and initial costs related to mass production of QD display for TVs and monitors

【 Q1 '22 Outlook 】

- Mobile Results to improve Y-Y thanks to increased demand from key customers on launches of new products and increased customer base for foldable displays, despite weak seasonality for smartphones
- Large Losses to narrow gradually thanks to increased demand with the release of TVs and monitors featuring QD display

【 '22 Outlook 】

- Mobile OLED demand to increase with increased penetration of 5G and a growing foldable market amid recovery of smartphone demand. Fortify foundation for balanced growth by diversifying applications, such as IT/gaming/automotives
- Large Focus on securing technological leadership for premium products through QD display and close the LCD lines as planned

Q4 Results and Outlook by Business Unit

I M

【 Q4 '21 Results 】

- MX Market grew Q-Q due to year-end seasonality
Revenue increased slightly Q-Q on expanded sales in premium segment, including foldables and S-series, and solid sales of PCs/tablets/wearables, despite component supply shortage
Profitability affected by investments to mainstream foldables and by increased year-end marketing costs
- NW Results improved Q-Q driven by the growth of domestic and overseas business

【 Q1 '22 Outlook】

- MX Market demand for smartphones and tablets to decline Q-Q due to seasonality
Revenue to expand on new release of flagship products including S21FE, with overall ASP to increase; and by driving sales of competitive mass-market 5G smartphone lineup
Margin to be solid with continuous efforts to focused on Device Ecosystem products, such as tablets and wearables amid an unstable component supply situation
- NW Aim to secure additional new contracts globally, including from Europe

【 '22 Outlook 】

- MX Amid persistent risks related to Covid-19, smartphone market to grow and wearables market to keep showing strong growth
Strive to increase market share by pursuing innovations in user experience and strengthening tailored experiences for flagship products, while also strengthening the 5G mass-market lineup
Bolster profitability with improved product mix and operational efficiency
Expand sales by enhancing customer value in Device Ecosystem products and enhance connected experiences in MX products and beyond to VD and home appliance products
- NW Actively pursue expansion overseas business while also responding to extension of the 5G network in the domestic market
Prepare for future by strengthening technological competitiveness, including with our own core 5G chips

C E

【 Q4 '21 Results 】

- TV Market grew Q-Q on peak seasonality, but decreased Y-Y on the base effect of strong pent-up demand in the previous year
Preemptively targeted seasonal demand and grew sales, mainly of premium products, but profits dipped slightly Q-Q and Y-Y due to cost pressures
- DA Improved profits Q-Q by enhancing mix via boosting sales with a focus on Bespoke and new-category products as well as by reducing costs

【 Q1 '22 Outlook】

- TV Market demand to decline, mainly in advanced markets, due to seasonality
Expand sales by capturing demand for premium products by actively leveraging numerous, tailored promotional opportunities, such as those associated with major sporting events, and by strengthening lineups in the Lifestyle product category, including with release of The Freestyle
- DA Target premium market by expanding Bespoke lineups, mainly in North America and Europe, reinforce online sales; and secure profitability by pursuing cost efficiencies

【 '22 Outlook 】

- TV Under uncertainties triggered by COVID-19 and supply and logistics issues, demand for premium and super big TVs to keep rising
Pursue sustained growth by solidifying leadership with premium innovative products, including next-gen Micro LED and Neo QLED models, and by targeting consumer needs by expanding sales of Lifestyle products as well as those for accessory/service ecosystem
- DA Continue growth by increasing global sales with expanded lineups of Bespoke products and additional releases of new-category products
Preemptively address external risks by enhancing operational efficiency and securing supply continuity

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Assets	426,621.2	410,420.7	378,235.7
- Cash *	124,206.7	120,470.1	124,727.0
- A/R	40,713.4	42,369.7	30,965.1
- Inventories	41,384.4	37,801.7	32,043.1
- Investments	29,284.6	25,707.6	25,265.2
- PP&E	149,928.5	143,029.4	128,952.9
- Intangible Assets	20,236.2	20,753.6	18,468.5
- Other Assets	20,867.4	20,288.6	17,813.9
Total Assets	426,621.2	410,420.7	378,235.7
Liabilities	121,721.2	113,654.6	102,287.7
- Debts	18,392.1	19,069.6	20,217.4
- Trade Accounts and N/P	13,453.4	13,865.7	9,739.2
- Other Accounts and N/P & Accrued Expenses	43,512.9	38,174.8	36,229.3
- Current income tax liabilities	6,749.1	4,380.1	4,430.3
- Unearned Revenue & Other Advances	2,518.9	2,163.6	2,119.9
- Other Liabilities	37,094.8	36,000.8	29,551.6
Shareholders' Equity	304,899.9	296,766.1	275,948.0
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	426,621.2	410,420.7	378,235.7

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

	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Current ratio *	248%	260%	262%
Liability/Equity	40%	38%	37%
Debt/Equity	6%	6%	7%
Net debt/Equity	△35%	△34%	△38%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q4 '21	FY '21	FY '20
Cash (Beginning of period) *	120.47	124.73	112.15
Cash flows from operating activities	20.63	65.11	65.29
Net profit	10.84	39.91	26.41
Depreciation	8.86	31.29	27.12
Cash flows from investing activities	△12.95	△46.88	△40.32
Purchases of PP&E	△12.37	△47.12	△37.59
Cash flows from financing activities	△3.80	△23.99	△8.33
Increase in debts	△1.33	△3.45	1.34
Acquisition of treasury stock	-	-	-
Payment of dividends	△2.46	△20.51	△9.68
Increase in cash	3.74	△0.52	12.57
Cash (End of period) *	124.21	124.21	124.73

* 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)

	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Net Cash	105.81	101.40	104.51

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