

Earnings Release Q4 2020

Samsung Electronics

January 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 audit on our Q4 2020 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.

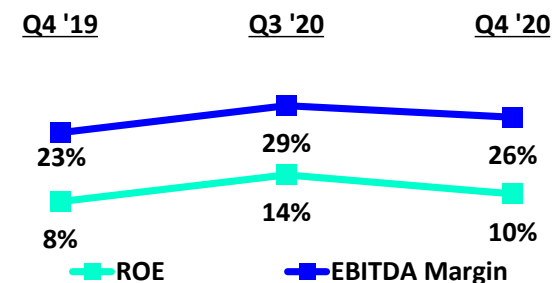
Income Statement

(Unit: KRW Trillion)

	Q4 '20	% of sales	Q3 '20	% of sales	Q4 '19	FY '20	% of sales	FY '19	% of sales
Sales	61.55	100.0%	66.96	100.0%	59.88	236.81	100.0%	230.40	100.0%
Cost of Sales	37.80	61.4%	39.97	59.7%	38.55	144.49	61.0%	147.24	63.9%
Gross Profit	23.75	38.6%	26.99	40.3%	21.33	92.32	39.0%	83.16	36.1%
SG&A expenses	14.70	23.9%	14.64	21.9%	14.17	56.32	23.8%	55.39	24.0%
- R&D expenses	5.22	8.5%	5.31	7.9%	4.92	21.11	8.9%	19.91	8.6%
Operating Profit	9.05	14.7%	12.35	18.4%	7.16	35.99	15.2%	27.77	12.1%
Other non-operating income/expense	△0.34	-	0.06	0.1%	0.06	△1.10	-	0.36	0.2%
Equity method gain/loss	0.13	0.2%	0.23	0.3%	0.16	0.51	0.2%	0.41	0.2%
Finance income/expense	0.14	0.2%	0.21	0.3%	0.34	0.95	0.4%	1.89	0.8%
Profit Before Income Tax	8.97	14.6%	12.84	19.2%	7.72	36.35	15.3%	30.43	13.2%
Income tax	2.37	3.8%	3.48	5.2%	2.49	9.94	4.2%	8.69	3.8%
Net profit	6.61	10.7%	9.36	14.0%	5.23	26.41	11.2%	21.74	9.4%
Profit attributable to owners of the parent	6.45	10.5%	9.27	13.8%	5.23	26.09	11.0%	21.51	9.3%
Earnings Per Share (KRW Won)	949		1,364		769	3,841		3,166	

Key Profitability Indicators

	Q4 '20	Q3 '20	Q4 '19	FY '20	FY '19
ROE	10%	14%	8%	10%	9%
Profitability (Net profit/Sales)	0.11	0.14	0.09	0.11	0.09
Asset turnover (Sales/Asset)	0.67	0.74	0.69	0.65	0.67
Leverage (Asset/Equity)	1.36	1.35	1.36	1.36	1.36
EBITDA Margin	26%	29%	23%	27%	24%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	Q4 '20	Q3 '20	Q4 '19	QoQ	YoY	FY '20	FY '19	YoY
Total	61.55	66.96	59.88	8% ↓	3% ↑	236.81	230.40	3% ↑
CE	13.61	14.09	12.87	3% ↓	6% ↑	48.17	45.32	6% ↑
VD	8.51	8.24	8.09	3% ↑	5% ↑	27.71	26.18	6% ↑
IM	22.34	30.49	24.95	27% ↓	10% ↓	99.59	107.27	7% ↓
Mobile	21.46	29.81	24.05	28% ↓	11% ↓	96.02	102.33	6% ↓
DS	27.92	25.93	24.74	8% ↑	13% ↑	103.04	95.52	8% ↑
Semiconductor	18.18	18.80	16.79	3% ↓	8% ↑	72.86	64.94	12% ↑
- Memory	13.51	14.28	13.18	5% ↓	2% ↑	55.54	50.22	11% ↑
DP	9.96	7.32	8.05	36% ↑	24% ↑	30.59	31.05	2% ↓
Harman	2.92	2.62	2.73	12% ↑	7% ↑	9.18	10.08	9% ↓

Operating Profit

(Unit: KRW Trillion)

	Q4 '20	Q3 '20	Q4 '19	QoQ	YoY	FY '20	FY '19	YoY
Total	9.05	12.35	7.16	△3.31	1.89	35.99	27.77	8.23
CE	0.82	1.56	0.79	△0.74	0.03	3.56	2.51	1.05
IM	2.42	4.45	2.52	△2.03	△0.10	11.47	9.27	2.20
DS	5.63	6.04	3.66	△0.41	1.97	21.12	15.58	5.54
Semiconductor	3.85	5.54	3.45	△1.69	0.40	18.81	14.02	4.79
DP	1.75	0.47	0.22	1.28	1.53	2.24	1.58	0.66
Harman	0.18	0.15	0.12	0.03	0.06	0.06	0.32	△0.27

※ 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.

Q4 Results and Outlook by Business Unit

Semiconductor

[Q4 '20 Results]

- Memory : Earnings weakened due to an ASP decline, currency effects, and initial cost associated with new fabs despite strong demand from mobile led by launches of new models and solid demand from consumer products
 - DRAM : Proactively addressed mobile/consumer demand, using our flexible product mix strategy
 - NAND : Sales grew for mobile and laptop with full-fledged conversion to 6th-generation V-NAND
- S.LSI/ Foundry : Earnings declined due to currency effects from a weak US dollar, among other factors, despite continued growth in orders from major global customers

[Q1 '21 Outlook]

- Memory : Earnings to weaken due to a weak dollar and continued initial costs from new fabs despite solid mobile demand led by 5G expansion and server demand recovery led by data centers
 - DRAM : Enhance cost competitiveness by increasing portion of 1z-nano
 - NAND : Strengthen market leadership by expanding portion of advanced process, high-performance, value-added products
- S.LSI : Increase SoC/CIS/DDI supply for flagship smartphones
- Foundry : Expand mass production of EUV 5-nano SoCs and 8-nano HPC chips

[2021 Outlook]

- Memory : DRAM market highly likely to recover in 1H21 due to solid demand from mobile/server
Uncertainties from currency effects and geopolitical risks remain
Strengthen cost competitiveness and market leadership by expanding application of EUV while accelerating conversion to 1z-nano DRAM and 6th-generation V-NAND
- S.LSI : Increase supply mainly for products with solid demand (eg, 5G SoCs, high-resolution sensors, and DDIs)
- Foundry : Secure foundation for future growth by actively addressing demand for advanced processes and diversifying areas of application within areas such as HPC/network/automotive

D P

[Q4 '20 Results]

- Mobile : Earnings improved significantly Q-Q thanks to a higher utilization rate due to strong demand from a major customer amid a gradual recovery of smartphone demand
- Large : Loss narrowed Q-Q due to increased ASP

[Q1 '21 Outlook]

- Mobile : Earnings to weaken sequentially due to a decline in sales, but utilization to improve Y-Y as major customers adopt OLED for more models with the expansion of 5G
- Large : Address LCD demand without disruption while preparing timely launches of QD-display products

[2021 Outlook]

- Mobile : Further differentiate technologies & enhance cost competitiveness and continue to expand application areas to embrace the rapidly expanding 5G smartphone market and recovering smartphone demand
- Large : Establish strong foundation within the premium TV segment via timely development of QD display

Q4 Results and Outlook by Business Unit

I M

[Q4 '20 Results]

- Mobile : Revenue decreased Q-Q due to intensified competition in the year-end season, and profit decreased due to increase in marketing costs during peak seasonality
Kept margin in the double digits thanks to improvements in our cost structure
- N/W : Performance improved as a result of 5G expansion in Korea and 4G/5G business expansion overseas, including in North America

[Q1 '21 Outlook]

- Mobile : Revenue and profit to improve Q-Q as the early launch of the S21 drives sales growth of flagship models and increases ASP and with the release of new mass market models
 - S21 features unique design, enhanced camera experience, S-Pen, and more
- N/W : Continue with network rollouts focusing on overseas markets, including North America and Japan

[2021 Outlook]

- Mobile : Strengthen leadership in flagship lineup by expanding S21 sales and popularizing the foldable category
Increase smartphone sales by fully addressing replacement demand for 5G with mass-market 5G models
Continue to add to our foundation for growth with tablets and wearable devices
Further extend the Galaxy ecosystem based on strategic partnerships
Enhance cost structure and operational efficiency to secure solid profitability
- N/W : Remain active in 5G commercialization globally while continuing to seek new business opportunities

C E

[Q4 '20 Results]

- TV : Earnings weakened Q-Q due to higher costs, but sales increased for premium products, including QLED/ultra-large/lifestyle TVs as we actively addressed the release of pent-up demand in advanced markets and strengthened competitiveness in contactless sales
- DA : Revenue improved Y-Y led by increasing sales of premium products, such as Bespoke and Grande AI appliances

[Q1 '21 Outlook]

- TV : Create sales opportunities by conducting promotional activities tailored by region via close cooperation with channel partners; improve profitability via timely launches of new products, including Neo QLED; and increase sales of premium products
- DA : Grow earnings by introducing innovative new products and driving premium product sales

[2021 Outlook]

- TV : Amid persistent uncertainties on the socioeconomic front, including COVID-19, work to continue growing by capitalizing on our global SCM capabilities; introduce new premium products, including Neo QLED/Micro LED; establish sales strategy enabling flexible responses to market volatility using experience gained in 2020
- DA : Continue to grow by applying cutting-edge technology to our premium products such as Bespoke models, strengthening online/B2B businesses, and building a stable supply chain based on global SCM capabilities

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019
Assets	378,235.7	375,788.7	352,564.5
- Cash *	124,727.0	117,910.8	112,152.7
- A/R	30,965.1	40,379.9	35,131.3
- Inventories	32,043.1	32,442.8	26,766.5
- Investments	25,265.2	22,053.3	20,196.9
- PP&E	128,952.9	124,777.4	119,825.5
- Intangible Assets	18,468.5	18,980.8	20,703.5
- Other Assets	17,813.9	19,243.7	17,788.1
Total Assets	378,235.7	375,788.7	352,564.5
Liabilities	102,287.7	99,652.6	89,684.1
- Debts	20,217.4	19,626.5	18,412.0
- Trade Accounts and N/P	9,739.2	11,688.2	8,718.2
- Other Accounts and N/P & Accrued Expenses	36,229.3	31,891.3	31,362.1
- Current income tax liabilities	4,430.3	4,660.1	1,387.8
- Unearned Revenue & Other Advances	2,119.9	2,100.2	1,969.4
- Other Liabilities	29,551.6	29,686.3	27,834.6
Shareholders' Equity	275,948.0	276,136.1	262,880.4
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	378,235.7	375,788.7	352,564.5

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

	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019
Current ratio *	262%	279%	284%
Liability/Equity	37%	36%	34%
Debt/Equity	7%	7%	7%
Net debt/Equity	△38%	△36%	△36%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q4 '20	FY '20	FY '19
Cash (Beginning of period) *	117.91	112.15	104.21
Cash flows from operating activities	24.51	65.29	45.38
Net profit	6.61	26.41	21.74
Depreciation	7.08	27.12	26.57
Cash flows from investing activities	△11.60	△40.32	△29.57
Purchases of PP&E	△10.61	△37.59	△25.37
Cash flows from financing activities	△1.99	△8.33	△9.48
Increase in debts	0.46	1.34	0.16
Acquisition of treasury stock	-	-	-
Payment of dividends	△2.46	△9.68	△9.64
Increase in cash	6.82	12.57	7.94
Cash (End of period) *	124.73	124.73	112.15

* 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, 2020	Sep 30, 2020	Dec 31, 2019
Net Cash	104.51	98.28	93.74

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