

Earnings Release Q4 2019

Samsung Electronics

January 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 audit on our Q4 2019 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.

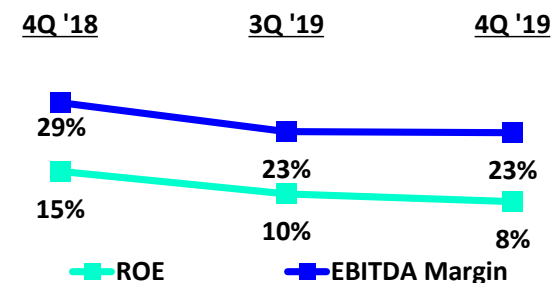
Income Statement

(Unit: KRW Trillion)

	4Q '19	% of sales	4Q '18	% of sales	3Q '19	FY '19	% of sales	FY '18	% of sales
Sales	59.88	100.0%	59.27	100.0%	62.00	230.40	100.0%	243.77	100.0%
Cost of Sales	38.55	64.4%	34.02	57.4%	39.99	147.24	63.9%	132.39	54.3%
Gross Profit	21.33	35.6%	25.25	42.6%	22.01	83.16	36.1%	111.38	45.7%
SG&A expenses	14.17	23.7%	14.45	24.4%	14.23	55.39	24.0%	52.49	21.5%
- R&D expenses	4.92	8.2%	5.24	8.8%	5.13	19.91	8.6%	18.35	7.5%
Operating Profit	7.16	12.0%	10.80	18.2%	7.78	27.77	12.1%	58.89	24.2%
Other non-operating income/expense	0.06	0.1%	0.05	0.1%	0.19	0.36	0.2%	0.34	0.1%
Equity method gain/loss	0.16	0.3%	0.25	0.4%	0.11	0.41	0.2%	0.54	0.2%
Finance income/expense	0.34	0.6%	0.51	0.9%	0.54	1.89	0.8%	1.39	0.6%
Profit Before Income Tax	7.72	12.9%	11.61	19.6%	8.62	30.43	13.2%	61.16	25.1%
Income tax	2.49	4.2%	3.15	5.3%	2.33	8.69	3.8%	16.82	6.9%
Net profit	5.23	8.7%	8.46	14.3%	6.29	21.74	9.4%	44.34	18.2%
Profit attributable to owners of the parent	5.23	8.7%	8.33	14.1%	6.11	21.51	9.3%	43.89	18.0%
Earnings Per Share (KRW Won)	769		1,226		899	3,166		6,461	

Key Profitability Indicators

	4Q '19	4Q '18	3Q '19	FY '19	FY '18
ROE	8%	15%	10%	9%	19%
Profitability (Net profit/Sales)	0.09	0.14	0.10	0.09	0.18
Asset turnover (Sales/Asset)	0.69	0.74	0.72	0.67	0.76
Leverage (Asset/Equity)	1.36	1.39	1.36	1.36	1.39
EBITDA Margin	23%	29%	23%	24%	34%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	4Q '19	4Q '18	3Q '19	YoY	QoQ	FY '19	FY '18	YoY
Total	59.88	59.27	62.00	1% ↑	3% ↓	230.40	243.77	5% ↓
CE	12.71	11.79	10.93	8% ↑	16% ↑	44.76	42.11	6% ↑
VD	8.09	7.54	6.26	7% ↑	29% ↑	26.18	25.29	3% ↑
IM	24.95	23.32	29.25	7% ↑	15% ↓	107.27	100.68	7% ↑
Mobile	24.05	22.19	28.10	8% ↑	14% ↓	102.33	96.52	6% ↑
DS	24.74	27.76	26.64	11% ↓	7% ↓	95.52	118.57	19% ↓
Semiconductor	16.79	18.75	17.59	10% ↓	5% ↓	64.94	86.29	25% ↓
- Memory	13.18	15.50	13.26	15% ↓	1% ↓	50.22	72.38	31% ↓
DP	8.05	9.17	9.26	12% ↓	13% ↓	31.05	32.47	4% ↓
Harman	2.73	2.55	2.63	7% ↑	4% ↑	10.08	8.84	14% ↑

Operating Profit

(Unit: KRW Trillion)

	4Q '19	4Q '18	3Q '19	YoY	QoQ	FY '19	FY '18	YoY
Total	7.16	10.80	7.78	△3.64	△0.62	27.77	58.89	△31.12
CE	0.81	0.68	0.55	0.13	0.26	2.61	2.02	0.58
IM	2.52	1.51	2.92	1.01	△0.40	9.27	10.17	△0.90
DS	3.66	8.50	4.24	△4.84	△0.59	15.58	46.52	△30.93
Semiconductor	3.45	7.77	3.05	△4.32	0.40	14.02	44.57	△30.56
DP	0.22	0.97	1.17	△0.76	△0.95	1.58	2.62	△1.04
Harman	0.12	0.07	0.10	0.05	0.02	0.32	0.16	0.16

※ CE : Consumer Electronics (excluding health&medical equipment business), 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 2019, and the sales of business units include intersegment sales.

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

4Q Results and Outlook by Business Unit

Semiconductor

[4Q '19 Results]

- Memory : Solid demand in major applications due to 5G network expansion
 - DRAM : Bolstered cost competitiveness via 10nm-class DRAM process migration while addressing growing demand driven mainly by server/mobile
 - NAND : Increased cost competitiveness via expanding migration to 5th generation V-NAND
- S.LSI : Earnings fell due to exiting strong seasonality
- Foundry : Demand increased for 5G chips, high-resolution image sensors, and HPC chips for Chinese customers

[1Q '20 Outlook]

- Memory : Overall demand to decline due to low seasonality
 - DRAM : Focus on supplying high-capacity products via flexible product mix
 - NAND : Expand supply of value-added products based on 5th generation V-NAND, including ones for server SSD
- S.LSI/ Foundry : Demand to grow for major parts (eg, APs, image sensors and DDIs) on smartphone launches by major customers

[2020 Outlook]

- Memory : Demand to remain solid on the back of demand for datacenters
 - Expand sales of differentiated products, such as Mobile LPDDR5 and high-density storage
 - Enhance technology leadership via process migration to 12nm DRAM and 6th-Generation V-NAND
- S.LSI : Actively respond to 5G SoC and high-resolution sensor market with differentiated products
- Foundry: Expand mass production of and client base for EUV 5/7nm; strengthen competitiveness by developing 3nm GAA process

D P

[4Q '19 Results]

- Mobile: Earnings declined led by soft demand for some premium product groups amid rising costs caused by lower utilization
- Large : Loss widened due to lower sales and ASP alongside supply glut

[1Q '20 Outlook]

- Mobile: Earnings to decline under a decrease in utilization due to weak demand from some customers
- Large : Weak performance to continue due to stunted sales amid low seasonality

[2020 Outlook]

- Mobile: OLED panel adoption to accelerate as smartphone replacement demand centers on 5G devices
 - Expand market and widen gap with competitors by boosting sales and utilization rate based on our differentiated technology, designs, and cost competitiveness; and by actively addressing new application areas, including foldables
- Large : Profits to stay weak amid ongoing supply glut and due to rising costs related to restructuring our business to focus on QD-Display
 - LCD will continue to expand its value-added portion of products, such as ones used in ultra-large and 8k models, and focus on expanding sales of premium panels for curved and gaming monitors, and more.

4Q Results and Outlook by Business Unit

I M

[4Q '19 Results]

- Mobile : Sales fell Q-Q due to dwindling new-product effects of a flagship model, however, operating profit only slid slightly as we effectively executed marketing expenses for the holiday season and maintained profitability of our major smartphone lineups, including the A Series
- N/W : Domestic sales slowed as 5G network sales concentrated in 1H. Meanwhile, overseas 5G sales increased, including in the US and Japan

[1Q '20 Outlook]

- Mobile : Sales forecast looks brighter on a better product mix from launches of new flagship models and foldable devices, but operating profit may stay flat Q-Q due to higher marketing expenses to boost flagship sales

[2020 Outlook]

- Mobile : Demand for 5G phones to climb, while spec competition is expected to intensify
Strive to improve earnings Y-Y by expanding sales of premium products by strengthening our 5G lineup, applying a new foldable design, etc., and also upselling based on enhanced the competitiveness of our low-end to mid-range lineup
- N/W : 5G business to shrink Y-Y at home but expand overseas as we expand our core competencies and invest in the infrastructure required for additional growth

C E

[4Q '19 Results]

- TV: Earnings improved Y-Y & Q-Q on an improved product mix as successful holiday promotions helped expand sales of premium products such as ultra-large and QLED TVs
- DA: Earnings grew Y-Y & Q-Q backed by growing sales of premium products, including Bespoke refrigerators and large dryers

[1Q '20 Outlook]

- TV: Secure profitability via expanding sales premium products including of new QLED 8K models featuring upgraded design, picture, and sound
※ Remain committed to developing differentiated technologies, including zero bezel, object tracking sound, etc.
- DA: Strive to keep growing by expanding sales of newly released as well as premium models, and by accelerating growth of our B2B business

[2020 Outlook]

- TV: Solidify leadership in the premium market by continuing to expand sales of QLED and ultra-large TVs, adding to our 8K TV lineup, and launching Micro LED for homes, and more.
- DA: Strengthen our premium lineup, which includes Bespoke products, expand sales of new lifestyle appliances, and continue to accelerate growth in our B2B business

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018
Assets	352,564.5	353,386.0	339,357.2
- Cash *	112,152.7	104,989.2	104,213.6
- A/R	35,131.3	40,367.2	33,867.8
- Inventories	26,766.5	30,908.8	28,984.7
- Investments	20,196.9	19,041.5	17,706.8
- PP&E	119,825.5	116,855.6	115,416.7
- Intangible Assets	20,703.5	15,705.7	14,891.6
- Other Assets	17,788.1	25,518.0	24,276.0
Total Assets	352,564.5	353,386.0	339,357.2
Liabilities	89,684.1	89,943.7	91,604.0
- Debts	18,412.0	16,133.3	14,667.1
- Trade Accounts and N/P	8,718.2	11,422.3	8,479.9
- Other Accounts and N/P & Accrued Expenses	31,362.1	27,196.6	31,051.2
- Income Tax Payables	1,387.8	2,318.2	8,720.1
- Unearned Revenue & Other Advances	1,969.4	1,781.7	1,771.5
- Other Liabilities	27,834.6	31,091.6	26,914.2
Shareholders' Equity	262,880.4	263,442.3	247,753.2
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	352,564.5	353,386.0	339,357.2

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

	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018
Current ratio *	284%	294%	253%
Liability/Equity	34%	34%	37%
Debt/Equity	7%	6%	6%
Net debt/Equity	△36%	△34%	△36%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	4Q '19	FY '19	FY '18
Cash (Beginning of period) *	104.99	104.21	83.60
Cash flows from operating activities	19.72	45.38	67.03
Net profit	5.23	21.74	44.34
Depreciation	6.55	26.57	25.17
Cash flows from investing activities	△10.65	△29.57	△31.03
Purchases of PP&E	△7.88	△25.37	△29.56
Cash flows from financing activities	△0.41	△9.48	△15.09
Increase in debts	2.01	0.16	△4.03
Acquisition of treasury stock	-	-	△0.88
Payment of dividends	△2.41	△9.64	△10.19
Increase in cash	7.16	7.94	20.61
Cash (End of period) *	112.15	112.15	104.21

* 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, 2019	Sep 30, 2019	Dec 31, 2018
Net Cash	93.74	88.86	89.55

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