

**Earnings Release Q1 2020**

# **Samsung Electronics**

**April 2020**

# Disclaimer

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**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 Q1 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.**

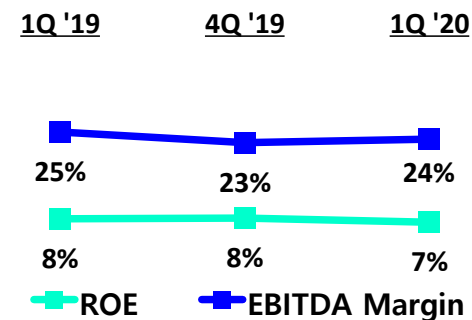
# Income Statement

(Unit: KRW Trillion)

	Q1 '20	% of sales	Q4 '19	% of sales	Q1 '19
<b>Sales</b>	<b>55.33</b>	<b>100.0%</b>	<b>59.88</b>	<b>100.0%</b>	<b>52.39</b>
Cost of Sales	34.81	62.9%	38.55	64.4%	32.75
<b>Gross Profit</b>	<b>20.52</b>	<b>37.1%</b>	<b>21.33</b>	<b>35.6%</b>	<b>19.64</b>
SG&A expenses	14.07	25.4%	14.17	23.7%	13.41
- R&D expenses	5.36	9.7%	4.92	8.2%	4.90
<b>Operating Profit</b>	<b>6.45</b>	<b>11.7%</b>	<b>7.16</b>	<b>12.0%</b>	<b>6.23</b>
Other non-operating income/expense	△0.05	-	0.06	0.1%	0.06
Equity method gain/loss	0.06	0.1%	0.16	0.3%	0.08
Finance income/expense	0.30	0.5%	0.34	0.6%	0.54
<b>Profit Before Income Tax</b>	<b>6.76</b>	<b>12.2%</b>	<b>7.72</b>	<b>12.9%</b>	<b>6.91</b>
Income tax	1.87	3.4%	2.49	4.2%	1.87
<b>Net profit</b>	<b>4.88</b>	<b>8.8%</b>	<b>5.23</b>	<b>8.7%</b>	<b>5.04</b>
Profit attributable to owners of the parent	4.89	8.8%	5.23	8.7%	5.11
<b>Basic Earnings Per Share(KRW)</b>	<b>720</b>		<b>769</b>		<b>752</b>

## Key Profitability Indicators

	Q1 '20	Q4 '19	Q1 '19
<b>ROE</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>
Profitability (Net profit/Sales)	0.09	0.09	0.10
Asset turnover (Sales/Asset)	0.62	0.69	0.61
Leverage (Asset/Equity)	1.34	1.36	1.37
<b>EBITDA Margin</b>	<b>24%</b>	<b>23%</b>	<b>25%</b>



# Segment Sales & Operating Profit

## Sales

(Unit: KRW Trillion)

		Q1 '20	Q4 '19	Q1 '19	QoQ	YoY
<b>Total</b>		<b>55.33</b>	<b>59.88</b>	<b>52.39</b>	<b>8% ↓</b>	<b>6% ↑</b>
<b>CE</b>		<b>10.30</b>	<b>12.87</b>	<b>10.17</b>	<b>20% ↓</b>	<b>1% ↑</b>
	<b>VD</b>	<b>5.65</b>	<b>8.09</b>	<b>5.84</b>	<b>30% ↓</b>	<b>3% ↓</b>
<b>IM</b>		<b>26.00</b>	<b>24.95</b>	<b>27.20</b>	<b>4% ↑</b>	<b>4% ↓</b>
	<b>Mobile</b>	<b>24.95</b>	<b>24.05</b>	<b>25.92</b>	<b>4% ↑</b>	<b>4% ↓</b>
<b>DS</b>		<b>24.13</b>	<b>24.74</b>	<b>20.62</b>	<b>2% ↓</b>	<b>17% ↑</b>
	<b>Semiconductor</b>	<b>17.64</b>	<b>16.79</b>	<b>14.47</b>	<b>5% ↑</b>	<b>22% ↑</b>
	- Memory	13.14	13.18	11.47	0.3% ↓	15% ↑
	<b>DP</b>	<b>6.59</b>	<b>8.05</b>	<b>6.12</b>	<b>18% ↓</b>	<b>8% ↑</b>
<b>Harman</b>		<b>2.10</b>	<b>2.73</b>	<b>2.19</b>	<b>23% ↓</b>	<b>4% ↓</b>

## Operating Profit

(Unit: KRW Trillion)

		Q1 '20	Q4 '19	Q1 '19	QoQ	YoY
<b>Total</b>		<b>6.45</b>	<b>7.16</b>	<b>6.23</b>	<b>△0.71</b>	<b>0.21</b>
<b>CE</b>		<b>0.45</b>	<b>0.79</b>	<b>0.51</b>	<b>△0.34</b>	<b>△0.06</b>
<b>IM</b>		<b>2.65</b>	<b>2.52</b>	<b>2.27</b>	<b>0.13</b>	<b>0.38</b>
<b>DS</b>		<b>3.72</b>	<b>3.66</b>	<b>3.54</b>	<b>0.06</b>	<b>0.18</b>
	<b>Semiconductor</b>	<b>3.99</b>	<b>3.45</b>	<b>4.12</b>	<b>0.55</b>	<b>△0.13</b>
	<b>DP</b>	<b>△0.29</b>	<b>0.22</b>	<b>△0.56</b>	<b>△0.51</b>	<b>0.27</b>
<b>Harman</b>		<b>△0.19</b>	<b>0.12</b>	<b>0.01</b>	<b>△0.31</b>	<b>△0.20</b>

※ 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.

# Q1 Results and Outlook by Business Unit

## Semiconductor

### [Q1 Results]

- Memory : Demand solid mainly for server and PC and steady for mobile
  - DRAM : Addressed server/PC demand from major customers via flexible product mix
  - NAND : Addressed demand for high-value-added products centering on SSDs and enhanced cost competitiveness via migration to 5th generation V-NAND
- S.LSI : Expanded the supply of mobile 5G SoCs, image sensors, etc. for major customers
- Foundry : Earnings decreased slightly due to lower HPC demand from China, despite higher mobile demand

### [Q2 Outlook]

- Memory : Demand for server and PC to remain solid as more people work from home, but a decline in mobile demand to remain a risk
  - DRAM : Strengthen technology competitiveness via further migration to 1y-nano and maintain product-mix flexibility
  - NAND : Focus on offering 5th generation V-NAND, high-value-added products, such as server SSD
- S.LSI : Demand to stay soft for mobile APs, image sensors, and DDIs
- Foundry : AP/GPU orders poised to increase but weak mobile demand to remain a risk

### [2H20 Outlook]

- Memory : Conditions to be favorable backed by strong server/PC demand related to a 'stay at home' trend but a prolonged COVID-19 crisis poses risks of reduction in overall demand  
Strengthen technology leadership and cost competitiveness via accelerated node migration—eg, to 1z nano DRAM and 6th generation V-NAND
- S.LSI : Maximize the supply of 5G SoCs and premium image sensors
- Foundry : Diversify applications to consumer and computing and continue investing in advanced node technology

## D P

### [Q1 Results]

- Mobile: Shipments and earnings fell due to weak seasonality and issues in China related to COVID-19
- Large : Loss decreased slightly Q-Q as a combination of factors more than offset a smaller drop in panel ASP

### [Q2 Outlook]

- Mobile: Profits to slip due to a dip in demand in developed regions (eg, the US and Europe) caused by the COVID-19 pandemic
- Large : Market deterioration likely to accelerate and earnings expected to remain soft due to postponements of sporting events such as the Tokyo Olympics

### [2H20 Outlook]

- Mobile: Continue preparing for various scenarios by enhancing ability to swiftly respond to market changes amid uncertainties surrounding a recovery of demand  
Stay focused on fortifying OLED leadership by exploring new application areas, including foldables and other IT devices, to address customer needs in various smart devices after the COVID-19 crisis ends
- Large : Fulfill all orders without fail amid LCD scaling down and expedite product development by leveraging our new technologies such as QD Displays

# Q1 Results and Outlook by Business Unit

## I M

### [Q1 Results]

- Mobile : Shipments fell Q-Q as COVID-19 impacts started taking effect globally toward the end of the quarter  
Profitability stayed sound backed by improved product mix with launches of flagship models, such as S20/Z Flip alongside efficient execution of marketing resources
- N/W : Earnings improved as 5G commercialization expanded in Korea and abroad

### [Q2 Outlook]

- Mobile : Shrinking market and store closures make a drop in earnings seem inevitable  
Bolster online, B2B channels and improve cost efficiency  
Flexibly utilize diversified manufacturing capabilities around the globe in case of additional disruptions at production sites
- N/W : 5G network investments may face reductions or delays domestically and internationally

### [2H20 Outlook]

- Mobile : Continue to offer differentiation in the premium segment with new foldable and Note model launches, Widen the customers' choices and enhance competitiveness within each price range by introducing 5G models to mass-market lineup  
Improve operational efficiency in all areas—eg, in production, supply, channel, marketing, etc
- N/W : Strengthen technological competitiveness while improving 5G capabilities globally for the mid to long term despite uncertainty around 5G investment plans

## C E

### [Q1 Results]

- TV: Earnings declined due to market slowdown in demand, but sales of premium products—eg, QLED, ultra-large, Lifestyle and 8K TVs—increased
- DA: Results improved Y-Y backed by growing sales of new premium products, including Grande AI washing machine and dryer

### [Q2 Outlook]

- Concentrate on maintaining sales through risk management—eg, strengthen online sales, execute timely country-specific marketing programs and sales strategies—amid a seemingly inevitable and sharp decline in global market demand

### [2H20 Outlook]

- Deploy efficient marketing and promotional plans considering market conditions by country; and focus on minimizing impacts on sales and managing costs by optimizing logistics, including flexibly managing inventories

## [Appendix 1] Financial Position

(Unit : KRW Billion)

	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
<b>Assets</b>	<b>357,457.5</b>	<b>352,564.5</b>	<b>345,067.9</b>
- Cash *	113,196.4	112,152.7	102,035.2
- A/R	36,388.6	35,131.3	36,709.3
- Inventories	28,454.9	26,766.5	31,456.0
- Investments	18,650.2	20,196.9	18,371.1
- PP&E	121,678.0	119,825.5	116,392.4
- Intangible Assets	20,912.4	20,703.5	14,868.0
- Other Assets	18,177.0	17,788.1	25,235.9
<b>Total Assets</b>	<b>357,457.5</b>	<b>352,564.5</b>	<b>345,067.9</b>
<b>Liabilities</b>	<b>91,069.8</b>	<b>89,684.1</b>	<b>91,852.7</b>
- Debts	15,665.2	18,412.0	13,204.5
- Trade Accounts and N/P	10,722.5	8,718.2	9,802.8
- Other Accounts and N/P & Accrued Expenses	31,431.4	31,362.1	29,297.3
- Current income tax liabilities	2,608.4	1,387.8	9,754.8
- Unearned Revenue & Other Advances	1,825.7	1,969.4	1,596.4
- Other Liabilities	28,816.6	27,834.6	28,196.9
<b>Shareholders' Equity</b>	<b>266,387.7</b>	<b>262,880.4</b>	<b>253,215.2</b>
- Capital Stock	897.5	897.5	897.5
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>357,457.5</b>	<b>352,564.5</b>	<b>345,067.9</b>

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

	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
Current ratio *	288%	284%	263%
Liability/Equity	34%	34%	36%
Debt/Equity	6%	7%	5%
Net debt/Equity	△37%	△36%	△35%

\* Current ratio = Current assets/Current liabilities

## [Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q1 '20	Q4 '19	Q1 '19
<b>Cash (Beginning of period) *</b>	<b>112.15</b>	<b>104.99</b>	<b>104.21</b>
Cash flows from operating activities	11.83	19.72	5.24
Net profit	4.88	5.23	5.04
Depreciation	6.59	6.55	6.84
Cash flows from investing activities	△9.36	△10.65	△4.46
Purchases of PP&E	△8.56	△7.88	△4.20
Cash flows from financing activities	△2.97	△0.41	△4.10
Increase in debts	△2.97	2.01	△4.10
Acquisition of treasury stock	-	-	-
Payment of dividends	△0.01	△2.41	△0.001
Increase in cash	1.05	7.16	△2.18
<b>Cash (End of period) *</b>	<b>113.20</b>	<b>112.15</b>	<b>102.04</b>

\* 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)

	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
<b>Net Cash</b>	<b>97.53</b>	<b>93.74</b>	<b>88.83</b>

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