

Earnings Release Q4 2022

Samsung Electronics

January 2023

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 2022 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 DX (Digital eXperience), 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

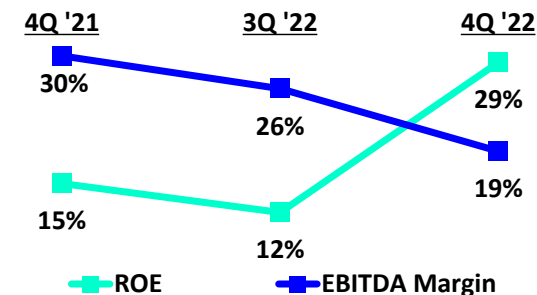
(Unit: KRW Trillion)

	Q4 '22	% of sales	Q3 '22	% of sales	Q4 '21	FY '22	% of sales	FY '21	% of sales
Sales	70.46	100.0%	76.78	100.0%	76.57	302.23	100.0%	279.60	100.0%
Cost of Sales	48.63	69.0%	48.07	62.6%	44.95	190.04	62.9%	166.41	59.5%
Gross Profit	21.84	31.0%	28.71	37.4%	31.62	112.19	37.1%	113.19	40.5%
SG&A expenses	17.53	24.9%	17.86	23.3%	17.75	68.81	22.8%	61.56	22.0%
- R&D expenses	6.47	9.2%	6.27	8.2%	6.47	24.92	8.2%	22.40	8.0%
Operating Profit	4.31	6.1%	10.85	14.1%	13.87	43.38	14.4%	51.63	18.5%
Other non-operating income/expense	0.03	-	0.03	-	0.21	0.17	-	0.15	-
Equity method gain/loss	0.29	-	0.31	-	0.13	1.09	-	0.73	-
Finance income/expense	0.43	-	0.66	-	0.16	1.80	-	0.84	-
Profit Before Income Tax	5.05	7.2%	11.86	15.4%	14.36	46.44	15.4%	53.35	19.1%
Income tax	△18.79 [※]	-	2.47	-	3.52	△9.21 [※]	-	13.44	-
Net profit	23.84	33.8%	9.39	12.2%	10.84	55.65	18.4%	39.91	14.3%
Profit attributable to owners of the parent	23.50	33.4%	9.14	11.9%	10.64	54.73	18.1%	39.24	14.0%
Earnings Per Share (KRW Won)	3,460		1,346		1,566	8,057		5,777	

※ Income tax for 4Q22 and 2022 decreased due to a decline in previously deferred Income liabilities related to subsidiary dividends.

Key Profitability Indicators

	Q4 '22	Q3 '22	Q4 '21	FY '22	FY '21
ROE	29%	12%	15%	17%	14%
Profitability (Net profit/Sales)	0.34	0.12	0.14	0.18	0.14
Asset turnover (Sales/Asset)	0.64	0.68	0.76	0.69	0.69
Leverage (Asset/Equity)	1.33	1.38	1.39	1.33	1.39
EBITDA Margin	19%	26%	30%	26%	30%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		Q4 '22	Q3 '22	Q4 '21	QoQ	YoY	FY '22	FY '21	YoY
Total		70.46	76.78	76.57	8% ↓	8% ↓	302.23	279.60	8% ↑
DX	VD / DA	42.71	47.26	44.57	10% ↓	4% ↓	182.49	166.26	10% ↑
	- VD	9.16	7.86	9.29	16% ↑	1% ↓	33.28	31.50	6% ↑
	MX / Networks	26.90	32.21	28.95	16% ↓	7% ↓	120.81	109.25	11% ↑
	- MX	25.28	30.92	27.70	18% ↓	9% ↓	115.43	104.68	10% ↑
DS		20.07	23.02	26.28	13% ↓	24% ↓	98.46	95.39	3% ↑
	- Memory	12.14	15.23	19.45	20% ↓	38% ↓	68.53	72.60	6% ↓
SDC		9.31	9.39	9.06	1% ↓	3% ↑	34.38	31.71	8% ↑
Harman		3.94	3.63	2.85	9% ↑	38% ↑	13.21	10.04	32% ↑

Operating Profit

(Unit: KRW Trillion)		Q4 '22	Q3 '22	Q4 '21	QoQ	YoY	FY '22	FY '21	YoY
Total		4.31	10.85	13.87	△6.55	△9.56	43.38	51.63	△8.26
DX	VD / DA	1.64	3.53	3.38	△1.89	△1.75	12.75	17.39	△4.64
	VD / DA	△0.06	0.25	0.70	△0.32	△0.77	1.35	3.64	△2.30
	MX / Networks	1.70	3.24	2.66	△1.54	△0.96	11.38	13.65	△2.27
DS		0.27	5.12	8.83	△4.85	△8.56	23.82	29.19	△5.38
SDC		1.82	1.98	1.32	△0.15	0.51	5.95	4.46	1.50
Harman		0.37	0.31	0.22	0.05	0.14	0.88	0.60	0.28

※ Sales and operating profit of each business stated above reflect the organizational structure as of 2021, and the sales of business units include intersegment sales.

※ The DX Division provides earnings call materials based on the business structure before the reorganization to prevent confusion and to improve understanding among investors.

※ DX: Device eXperience, MX: Mobile eXperience, DS: Device Solutions

※ 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

DS

【 4Q22 Results 】

- Memory Bit growth exceeded market on sales expansion focusing on server, aided by the base effect of coming in under market in 3Q. However, memory prices kept falling as deepening macro issues eroded consumer sentiment. Combined with effects of meaningful inventory valuation losses, performance decreased significantly q-q.
- DRAM Expanded portion of cutting-edge nodes, and actively addressed demand for high-density products, focusing on major server customers.
- NAND Actively addressed high-density demand across all applications and diversified our product and customer portfolios.
- S.LSI Earnings declined due to sluggish sales of key products due to inventory adjustments in the industry.
- Foundry Set a record for quarterly revenue thanks to increased sales for major customers. However, utilization rate started to decline as a result of inventory adjustments at customers.

【 1Q23 Outlook】

- Memory Operate product mix leveraging our cost competitiveness while pushing to address demand for high-density products.
- DRAM Actively address demand for high-density LPDDR5x in mobile applications and prepare for expected demand for DDR5 from server/PC.
- NAND Expand portion of high value-added products focusing on server SSDs and increase sales of high-density mobile/PC products.
- S.LSI Under projections that impacts of demand weakness and inventory adjustments will continue, push to expand sales of mobile SoCs for the volume zone and 200-megapixel image sensors.
- Foundry Utilization rate and earnings to decline due to continued inventory adjustments by customers; focus on stabilizing development of the 2nd generation GAA process and securing new mobile/HPC orders.

【 2023 Outlook 】

- Memory Customers are likely to maintain stance on inventory adjustments in the short term, but fundamental demand for server based on investments in core infrastructure, such as for AI and ML, should remain solid; possible recovery on mobile demand in the 2nd half with high-density trend. Need to keep checking any changes in demand impacted by economic conditions, etc. Actively address DDR5 demand with rising adoption of new CPUs, while responding to growing demand centered on high-density server and mobile products via product-mix optimization
- S.LSI Expand the line-up of our 200-megapixel sensors and expand sales of mobile SoCs in the volume zone.
- Foundry Increase orders for the 3-nano 2nd-generation GAA process and focus on the development of the next-generation 2-nano process; diversify within applications such as Automotive/IoT.

SDC

【 4Q22 Results 】

- Mobile Despite peak seasonality, market demand contracted y-y due to the continued economic downturn, but results were solid thanks to a focus on high-end OLED products for smartphones.
- Large Sales of QD-OLED panels increased, driven by the end-year peak season for TVs, and LCD inventory was exhausted, which led revenue to increase and losses to narrow.

【 1Q23 Outlook】

- Mobile Earnings to decline q-q and y-y as smartphone demand keeps contracting, triggered by the economic slowdown in major regions. Strive to minimize repercussions by actively responding to launches of flagship products by major customers.
- Large Secure additional demand and promote early ramp-up of new products by introducing new QD-OLED products for ultra-large TVs and large-size monitors.

【 2023 Outlook 】

- Mobile Amid high demand uncertainty due to inflation and tight monetary policies, competition is expected to intensify. Aim to maintain leadership in the relatively solid high-end smartphone market by capitalizing on the technological performance gap and our cost competitiveness; and actively utilize market changes that are accelerating the transition from LCD to OLED.
- Large Demand for panels is likely to decrease due to soft TV/monitor demand, but aim to improve profitability by strengthening sales base in the premium market, backed by stable yields.

Q4 Results and Outlook by Business Unit

MX/NW

【 4Q22 Results 】

- MX Demand for smartphones remained sluggish with the mass market contracting sharply due to continued inflation and geopolitical instability. Revenue and profit fell sequentially due to fading new-product effects and weak demand from the economic slowdown. In particular, the impact of the sales decline of mass market smartphones was greater than expected, but flagship sales held up well relative to market projections.
- NW Revenue grew, led by addressing domestic demand for 5G installations and business expansion overseas, including in North America.

【 1Q23 Outlook 】

- MX Demand across all smartphone segments to decrease due to the continuing economic slowdown and other factors contributing to macro instability. With smooth supply of the new S23 model, actively promote our maximized competitiveness and expand revenue centered on sales of premium products while also increasing sales of Galaxy Ecosystem devices, such as premium tablets/wearables. Meanwhile, continue efforts in effective resource management to help secure solid profitability.
- NW Focus on expanding domestic and overseas businesses, including in North America, and address new business opportunities.

【 2023 Outlook 】

- MX Smartphone market to contract, with the mass-market impacted the most, amid prolonging geopolitical issues, inflation, and a continued global economic slowdown. Premium tablet market to remain solid while growth of the wearables market is forecast to decelerate. Press ahead with high growth of foldables based on our technology leadership and sales expansion of the S series to expand our customer base of flagship products and improve product mix to grow revenue. Furthermore, expand sales of 5G smartphones to overcome a contracting market. Increase sales by strengthening competitiveness of large-screen premium tablets/wearables; and secure solid profitability via continued progress on operational efficiencies.
- NW Sustain revenue growth momentum by actively responding to major opportunities, particularly in our overseas business; and continue to reinforce technology leadership in 5G core chips and vRAN.

VD/DA

【 4Q22 Results 】

- VD TV market demand increased q-q thanks to year-end peak seasonality, but it contracted y-y, led mainly by declines in developed markets due to the global economic downturn. Improved performance q-q by proactively addressing peak-season demand and by expanding sales centering on premium, high-value-added products, including Neo QLED and Lifestyle models.
- DA Profitability declined due to increased costs as market conditions further deteriorated and competition intensified.

【 1Q23 Outlook 】

- VD Demand to decline both q-q and y-y due to weak seasonality and continued impacts of the global economic downturn. Capture premium demand centering on our 2023 Neo QLED model via our enhanced product competitiveness; execute strategic marketing promotions for each country; and focus on securing profitability by continuing to optimize operations and manage costs.
- DA Increase sales in the premium segment by launching new models, such as the BESPOKE Infinite Line, and focus on improving profitability via enhanced cost efficiency and reduced costs.

【 2023 Outlook 】

- VD Amid the economic downturn and external uncertainties, overall TV demand is likely to remain stagnant, but demand for premium products, including QLED/OLED and Super Big TVs, should keep growing. Continue innovations in premium products with the releases of our 98" Neo QLED, various sized Micro LED models, and large gaming monitors. Moreover, strengthen eco-friendly management, and promote new customer experiences that connect various products, all to further solidify our leadership.
- DA Provide hyper-connected experiences based on SmartThings; and enhance the competitive edge of our premium products, including BESPOKE. Moreover, promote revenue growth by expanding B2B and online sales.

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Assets	448,424.5	470,278.4	426,621.2
- Cash *	115,227.9	128,819.9	124,206.7
- A/R	35,721.6	47,421.8	40,713.4
- Inventories	52,187.9	57,319.8	41,384.4
- Investments	31,633.9	27,576.5	29,284.6
- PP&E	168,045.4	160,343.6	149,928.5
- Intangible Assets	20,217.8	21,484.9	20,236.2
- Other Assets	25,390.0	27,311.9	20,867.4
Total Assets	448,424.5	470,278.4	426,621.2
Liabilities	93,674.9	125,371.5	121,721.2
- Debts	10,333.3	12,462.0	18,392.1
- Trade Accounts and N/P	10,644.7	15,252.2	13,453.4
- Other Accounts and N/P & Accrued Expenses	46,803.9	46,754.0	43,512.9
- Current income tax liabilities	4,250.4	4,280.6	6,749.1
- Unearned Revenue & Other Advances	2,613.1	2,124.9	2,518.9
- Other Liabilities	19,029.5	44,497.8	37,094.8
Shareholders' Equity	354,749.6	344,906.9	304,899.9
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	448,424.5	470,278.4	426,621.2

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

	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Current ratio *	279%	294%	248%
Liability/Equity	26%	36%	40%
Debt/Equity	3%	4%	6%
Net debt/Equity	△30%	△34%	△35%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	Q4 '22	FY '22	FY '21
Cash (Beginning of period) *	128.82	124.21	124.73
Cash flows from operating activities	18.61	62.18	65.11
Net profit	23.84	55.65	39.91
Depreciation	8.84	35.95	31.29
Cash flows from investing activities	△17.58	△53.71	△46.88
Purchases of PP&E	△16.96	△49.43	△47.12
Cash flows from financing activities	△4.71	△19.39	△23.99
Increase in debts	△2.25	△9.58	△3.45
Acquisition of treasury stock	-	-	-
Payment of dividends	△2.46	△9.81	△20.51
Increase in cash	△13.59	△8.98	△0.52
Cash (End of period) *	115.23	115.23	124.21

* 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, 2022	Sep 30, 2022	Dec 31, 2021
Net Cash	104.89	116.36	105.81

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