

# SAMSUNG ELECTRONICS

Earnings Presentation:  
2Q 2023 Financial Results

SAMSUNG

# 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 review on our 2Q 2023 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 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.

# INDEX

PRESENTER

2Q 2023 RESULTS  
& FINANCIAL DATA

PERFORMANCE  
BY BUSINESS UNIT

RESULTS &  
OUTLOOK

APPENDICES

# Earnings Presentation

Presenter by Business Unit



**Ben Suh, EVP**  
Investor Relations

**Jaejune Kim, EVP**  
Memory

**Hyeokman Kwon, VP**  
System LSI

**Gibong Jeong, EVP**  
Foundry

**Casey Choi, EVP**  
Samsung Display Corp.

**Daniel Araujo, VP**  
Mobile eXperience

**KL Roh, VP**  
Visual Display

Device Solutions

Device eXperience

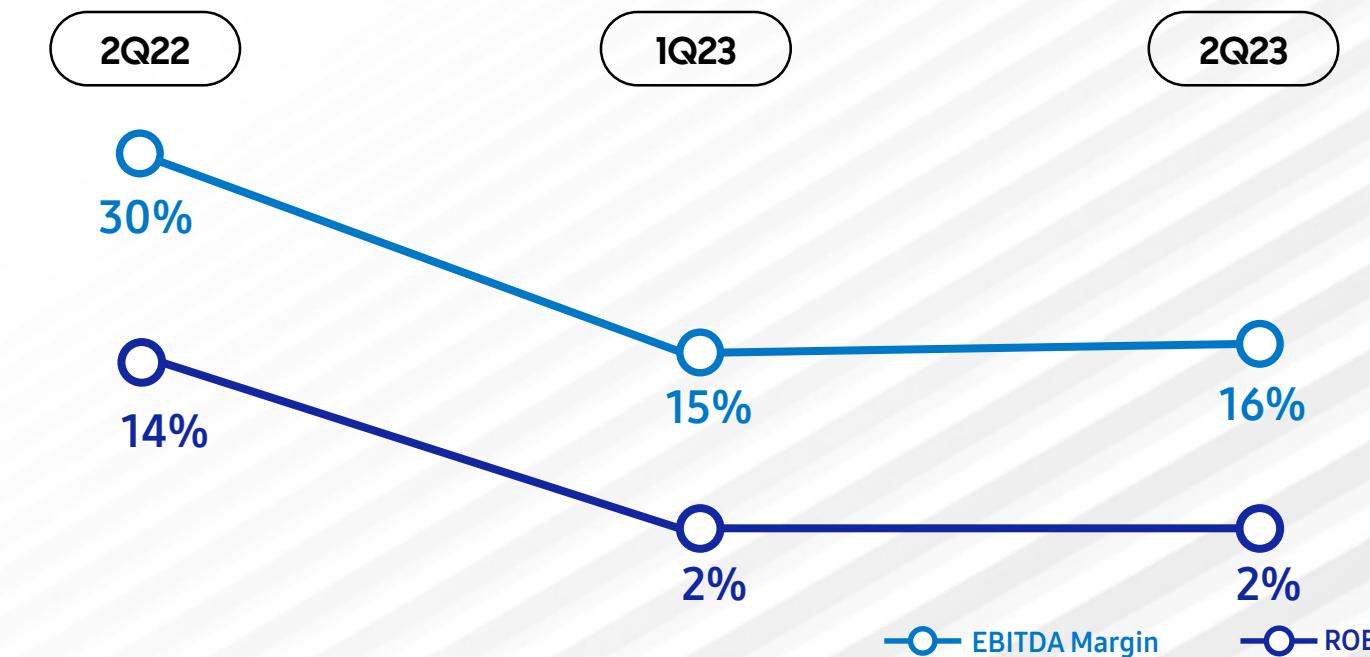
# 2Q 2023 Result & Financial Data

Based on the consolidated financial statement in 1Q 2023

(Unit: KRW Trillion)	2Q23	% of sales	1Q23	% of sales	2Q22
<b>Sales</b>	60.01	100.0%	63.75	100.0%	77.20
Cost of sales	41.65	69.4%	46.01	72.2%	46.27
<b>Gross Profit</b>	<b>18.36</b>	<b>30.6%</b>	<b>17.74</b>	<b>27.8%</b>	<b>30.93</b>
SG&A expenses	17.69	29.5%	17.10	26.8%	16.84
- R&D expenses	7.20	12.0%	6.58	10.3%	6.25
<b>Operating Profit</b>	<b>0.67</b>	<b>1.1%</b>	<b>0.64</b>	<b>1.0%</b>	<b>14.10</b>
Other non-operating income/expense	0.03	-	0.30	-	(0.14)
Equity method gain/loss	0.20	-	0.21	-	0.26
Finance income/expense	0.81	-	0.67	-	0.24
<b>Profit Before Income Tax</b>	<b>1.71</b>	<b>2.9%</b>	<b>1.83</b>	<b>2.9%</b>	<b>14.46</b>
Income tax	(0.01)	-	0.25	-	3.36
<b>Net profit</b>	<b>1.72</b>	<b>2.9%</b>	<b>1.57</b>	<b>2.5%</b>	<b>11.10</b>
Profit attributable to owners of the parent	1.55	2.6%	1.40	2.2%	10.95
<b>Earnings Per Share (KRW Won)</b>	<b>228</b>		<b>206</b>		<b>1613</b>

## Key Profitability Indicators

	2Q23	1Q23	2Q22
<b>ROE</b>	<b>2%</b>	<b>2%</b>	<b>14%</b>
Profitability (Net profit/sales)	0.03	0.02	0.14
Asset turnover (Sales/asset)	0.54	0.57	0.71
Leverage (Asset/equity)	1.26	1.26	1.38
<b>EBITDA Margin</b>	<b>16%</b>	<b>15%</b>	<b>30%</b>



# Performance by Business Unit

## Sales

(Unit: KRW Trillion)

	2Q23	1Q23	2Q22	QoQ	YoY
Total	60.01	63.75	77.20	6%↓	22%↓
DX	40.21	46.22	44.46	13%↓	10%↓
VD / DA	14.39	14.08	14.83	2%↑	3%↓
VD	7.25	7.43	7.54	3%↓	4%↓
MX / Networks	25.55	31.82	29.34	20%↓	13%↓
MX	24.61	30.74	28.00	20%↓	12%↓
DS	14.73	13.73	28.50	7%↑	48%↓
Memory	8.97	8.92	21.08	1%↑	57%↓
SDC	6.48	6.61	7.71	2%↓	16%↓
Harman	3.50	3.17	2.98	10%↑	17%↑

## Operating Profit

(Unit: KRW Trillion)

	2Q23	1Q23	2Q22	QoQ	YoY
Total	0.67	0.64	14.10	0.03	(13.43)
DX	3.83	4.21	3.02	(0.38)	0.81
VD / DA	0.74	0.19	0.36	0.54	0.38
MX / Networks	3.04	3.94	2.62	(0.90)	0.42
DS	(4.36)	(4.58)	9.98	0.22	(14.34)
SDC	0.84	0.78	1.06	0.07	(0.21)
Harman	0.25	0.13	0.10	0.12	0.15

※ 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.

# RESULTS & OUTLOOK | Memory

## 2Q23 Results

<b>Memory</b>	Server demand remained weak as customers continued to adjust inventories, but demand for high-density/high-performance products stayed strong, driven by increased investments focusing on AI by major hyperscalers.  Earnings increased sequentially despite continuing price declines and additional inventory valuation losses, particularly in NAND.
<b>DRAM</b>	Bit growth exceeded guidance as we expanded sales of server products while actively responding to rising demand for DDR5 and AI-use HBM.
<b>NAND</b>	The ASP drop eased significantly Q-Q amid our efforts to keep strengthening cost competitiveness via expanding our advanced node portion.  We actively addressed demand for flagship smartphones via our competitiveness in UFS 4.0.

## 2H23 Outlook

<b>Memory</b>	Demand to recover gradually in 2H, considering widened production cuts in the industry, while inventory adjustments by customers are likely to wind down.  In mobile and PC applications, set build demand to improve Q-Q driven by launches of new smartphones and PC promotions.  In server applications, inventories to become increasingly depleted in 2H; and demand to improve gradually for not only DDR5—a new interface—but also DDR4 products.  We will optimize our portfolio by focusing on high-value-added/high-density products via our supply flexibility to respond to market conditions.  To strengthen leadership in high-performance servers and mobile flagship products, we will accelerate the expansion of the portion of products from advanced nodes, such as DDR5, LPDDR5x, and HBM3
---------------	---

# RESULTS & OUTLOOK | S.LSI/Foundry

## 2Q23 Results

<b>S.LSI</b>	<p>Weak smartphone demand caused by the economic slowdown and inflation delayed the recovery of semiconductor demand, and customers continued with their inventory adjustments. As a result, the business delivered lower-than-expected results.</p> <p>Despite the difficult environment, the business won a design award for automotive SoCs with a domestic OEM for their premium 2025 model, and it continued to work to expand SoC applications and strengthen business competitiveness via active discussions with European customers regarding mid- to long-term cooperation.</p>
<b>Foundry</b>	<p>Under weak demand for major applications—such as mobile—operating profit declined significantly as utilization decreased due to reduced wafer input amid anticipated uncertainties in 2H.</p> <p>Mass production of our third GAA product is going smoothly thanks to the stabilization of the 3-nano process, and we are developing an improved process for 3-nano as planned based on mass production experience with GAA.</p> <p>We launched the Multi-Die Integration Alliance with partners to spread advanced package technology and provide one-stop solutions.</p>

## 2H23 Outlook

<b>S.LSI</b>	<p>Earnings to improve thanks to recovering demand—driven by peak IT seasonality—for parts such as SoCs and DDIs, and as customers wind down inventory adjustments.</p> <p>Mobile SoC seeks to resume supplying major customers by securing product performance for the flagship model, and automotive SoCs will continue to diversify applications by winning orders for projects in 2026 from OEMs in Europe.</p>
<b>Foundry</b>	<p>Demand to recover gradually under considerable uncertainty over the intensity of a market recovery in 2H, with consumer sentiment to rebound amid easing inflation and as customers wind down inventory adjustments.</p> <p>We will lay the foundation for growth by advancing the development completeness of the GAA 3-nano process featuring improved PPA and by expanding orders from large customers.</p>

# RESULTS & OUTLOOK | SDC

## 2Q23 Results

<b>Mobile</b>	Strategic customers achieved stable results in the premium segment despite a decline in market demand for smartphones due to effects of high inflation and an economic downturn; and we maintained our market share and generated similar quarter-on-quarter results by supplying differentiated OLED panels.
<b>Large</b>	We improved our business fundamentals by continuing to enhance yield and productivity while solidifying the premium status of our QD-OLED lineup with a focus on high-value-added products, centering on those for ultra-large, 77-inch TVs.

## 2H23 Outlook

<b>Mobile</b>	Earnings to improve H-H, with new product releases from several mobile customers lined up. We will use our accumulated technology in not only foldables but also other new areas, such as HIAA and HOP, and leverage their technical completeness to stay ahead of our competitors and seamlessly accommodate the mass production of customers' new products.
<b>Large</b>	Amid uncertainty over market demand for premium products, we will collaborate with our customers to boost sales of panels for ultra-large TVs, which are performing relatively well.

# RESULTS & OUTLOOK | MX/Network

## 2Q23 Results

### MX

Market demand for smartphones weakened sequentially due to continued effects of macro factors, such as interest rates hikes and inflation. Our sales decreased q-q due to waning effects of the S23 launch and a delayed recovery of the mass market.

However, we maintained solid sales of the S23 series throughout 1H and improved model mix via upselling within the A Series focusing on sales of newly released models.

Profitability stayed in the double-digits via efforts to optimize and enhance operational efficiencies throughout R&D, manufacturing, and logistics, underpinned by stabilized prices of major raw materials.

### Network

Revenue declined in major overseas markets, including North America and Japan.

## 2H23 Outlook

### MX

The smartphone market to return to y-y growth in 2H, led by rising demand, especially in the premium market. However, growth forecasts may be revised down if risks of a further prolonged global economic downturn are reflected.

We expect the tablet market to stay mostly flat, but in wearables, the market for smartwatches is likely to contract while the TWS market should grow slightly, mainly in emerging markets.

Achieve revenue growth by promoting successful launches of new foldables—which offer further refined features—extending sales of the S23 via sustaining our marketing campaigns, upselling within the A series, and increasing sales of new premium tablet/wearable products.

Secure double-digit profitability on a full-year basis by enhancing operational efficiencies in response to market changes.

### Network

Grow revenue via steadfast efforts to win new projects while reinforcing technology leadership in 5G core chips and software-based Virtualized Radio Access Networks.

# RESULTS & OUTLOOK | VD/DA

## 2Q23 Results

VD

Market demand contracted q-q due to seasonality, but the trend of declining demand y-y was eased due to the base effect of several issues last year, including the outbreak of the Russia-Ukraine conflict. Delivered solid results by focusing on mix improvements via sales of high-value-added products, such as Neo QLED/OLED/super-big TVs, to enhance leadership in the premium market; and by improving overall cost management

DA

Revenue grew on the back of peak seasonality for air conditioners and via focusing on premium products, including those in our Bespoke lineup, which led to an improved mix. Profitability also improved sequentially, driven by a reduced cost burden, including in logistics.

## 2H23 Outlook

VD

Seasonal strength to lessen the decrease in overall TV demand as the premium/super-big market should remain robust. However, uncertainties caused by external factors remain a factor and competition is likely to intensify.

Capture peak-season demand by strengthening sales programs focused on Neo QLED/OLED/Lifestyle products, and continue to lead the market by leveraging innovative products such as 98" Super Big TVs, Micro LED, and the world's first large-sized gaming monitor featuring OLED. Moreover, we will provide differentiated values in areas that are important to our customers, such as the environment, security, and content.

DA

Promote Bespoke's global expansion to further solidify premium leadership; and focus on profitability improvements by increasing operational efficiencies. At the same time, grow sales of eco-friendly, high-efficiency products featuring the AI Energy Mode of SmartThings Energy.

# Appendix 1

## Financial Position

(Unit : KRW Billion)	30.Jun.23	31.Mar.23	30.Jun.22
<b>Assets</b>	<b>448,000.5</b>	<b>454,091.8</b>	<b>448,040.7</b>
Cash *	97,125.2	108,182.9	125,352.3
A/R	36,104.1	36,632.2	44,026.2
Inventories	55,504.8	54,419.6	52,092.2
Investments	30,460.8	33,231.7	27,592.1
PP&E	177,869.9	171,857.5	154,254.6
Intangible assets	23,430.2	23,617.7	20,096.9
Other assets	27,505.5	26,150.2	24,626.4
<b>Total Assets</b>	<b>448,000.5</b>	<b>454,091.8</b>	<b>448,040.7</b>
<b>Liabilities</b>	<b>89,024.9</b>	<b>94,292.4</b>	<b>120,134.0</b>
Debts	9,139.1	9,942.0	17,439.0
Trade accounts and N/P	11,744.0	12,343.5	12,560.7
Other accounts and N/P & accrued Expenses	40,422.4	43,709.7	40,902.9
Current income tax liabilities	2,601.6	3,357.9	6,067.7
Unearned revenue & other advances	1,922.5	2,098.6	2,033.8
Other liabilities	23,195.3	22,840.7	41,129.9
<b>Shareholders' Equity</b>	<b>358,975.6</b>	<b>359,799.4</b>	<b>327,906.7</b>
Capital stock	897.5	897.5	897.5
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>448,000.5</b>	<b>454,091.8</b>	<b>448,040.7</b>

	30.Jun.23	31.Mar.23	30.Jun.22
<b>Current ratio *</b>	288%	282%	283%
<b>Liability/equity</b>	25%	26%	37%
<b>Debt/equity</b>	3%	3%	5%
<b>Net debt/equity</b>	(25%)	(27%)	(33%)

\* Current ratio = Current assets/Current liabilities

# Appendix 2

## Cash Flow

(Unit: KRW Trillion)

	2Q23	1Q23	2Q22
<b>Cash (Beginning of period) *</b>	<b>108.18</b>	<b>115.23</b>	<b>125.89</b>
<b>Cash flows from operating activities</b>	<b>8.17</b>	<b>6.29</b>	<b>14.14</b>
Net profit	1.72	1.57	11.10
Depreciation	8.77	8.80	9.07
<b>Cash flows from investing activities</b>	<b>(13.14)</b>	<b>(14.73)</b>	<b>(12.53)</b>
Purchases of PP&E	(16.13)	(13.24)	(11.45)
<b>Cash flows from financing activities</b>	<b>(5.78)</b>	<b>(0.98)</b>	<b>(5.96)</b>
Increase in debts	(0.88)	(0.98)	(1.06)
Acquisition of treasury stock	-	-	-
Payment of dividends	(4.91)	(0.00)	(4.91)
<b>Increase in cash</b>	<b>(11.06)</b>	<b>(7.05)</b>	<b>(0.54)</b>
<b>Cash (End of period) *</b>	<b>97.13</b>	<b>108.18</b>	<b>125.35</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)

	30.Jun.23	31.Mar.23	30.Jun.22
<b>Net Cash</b>	<b>87.99</b>	<b>98.24</b>	<b>107.91</b>

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



Thank you

SAMSUNG