

Earnings Release Q1 2019

Samsung Electronics

April 2019

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 Q1 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**

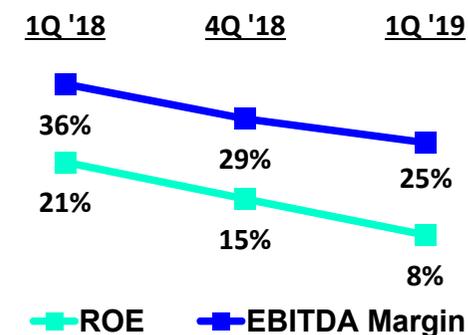
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	1Q '19	% of sales	1Q '18	% of sales	4Q '18
Sales	52.39	100.0%	60.56	100.0%	59.27
Cost of Sales	32.75	62.5%	31.91	52.7%	34.02
Gross Profit	19.64	37.5%	28.65	47.3%	25.25
SG&A expenses	13.41	25.6%	13.01	21.5%	14.45
- R&D expenses	4.90	9.4%	4.22	7.0%	5.24
Operating Profit	6.23	11.9%	15.64	25.8%	10.80
Other non-operating income/expense	0.06	0.1%	0.13	0.2%	0.05
Equity method gain/loss	0.08	0.1%	0.06	0.1%	0.25
Finance income/expense	0.54	1.0%	0.34	0.6%	0.51
Profit Before Income Tax	6.91	13.2%	16.18	26.7%	11.61
Income tax	1.87	3.6%	4.49	7.4%	3.15
Net profit	5.04	9.6%	11.69	19.3%	8.46
Profit attributable to owners of the parent	5.11	9.7%	11.61	19.2%	8.33
Basic Earnings Per Share(KRW)	752		1,709		1,226

Key Profitability Indicators

	1Q '19	1Q '18	4Q '18
ROE	8%	21%	15%
Profitability (Net profit/Sales)	0.10	0.19	0.14
Asset turnover (Sales/Asset)	0.61	0.79	0.74
Leverage (Asset/Equity)	1.37	1.40	1.39
EBITDA Margin	25%	36%	29%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	1Q '19	1Q '18	4Q '18	YoY	QoQ
Total	52.39	60.56	59.27	14% ↓	12% ↓
CE	10.04	9.74	11.79	3% ↑	15% ↓
VD	5.84	5.84	7.54	0.1% ↓	23% ↓
IM	27.20	28.45	23.32	4% ↓	17% ↑
Mobile	25.92	27.66	22.19	6% ↓	17% ↑
DS	20.62	28.35	27.76	27% ↓	26% ↓
Semiconductor	14.47	20.78	18.75	30% ↓	23% ↓
- Memory	11.47	17.33	15.50	34% ↓	26% ↓
DP	6.12	7.54	9.17	19% ↓	33% ↓
Harman	2.19	1.94	2.55	13% ↑	14% ↓

Operating Profit

(Unit: KRW Trillion)

	1Q '19	1Q '18	4Q '18	YoY	QoQ
Total	6.23	15.64	10.80	△9.41	△4.57
CE	0.54	0.28	0.68	0.27	△0.14
IM	2.27	3.77	1.51	△1.50	0.76
DS	3.54	11.76	8.50	△8.23	△4.96
Semiconductor	4.12	11.55	7.77	△7.43	△3.65
DP	△0.56	0.41	0.97	△0.97	△1.54
Harman	0.01	△0.04	0.07	0.04	△0.06

※ 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.

Q1 Results and Outlook by Business Unit

Semiconductor

[1Q Results]

- Memory: Inventory adjustments at major customers kept demand weak
 - DRAM: Addressed growing demand from mobile applications following the release of new smartphones
 - NAND: Boosted supply of high-capacity (128GB and up) mobile storage
- S.LSI: Achieved first commercialization of 5G modems and expanded supply of APs and modems for flagship smartphones
- Foundry: Demand for mobile components softened due to seasonality in the Chinese smartphone market

[2Q Outlook]

- Memory: Demand from some applications stabilized
 - DRAM: Increase sales of high-end differentiated products such as LPDDR4X for mobile
 - NAND: Address high value-added products, such as All-Flash-Array
- S.LSI: Demand for mobile image sensor/DDI and 5G modem/RF/PMIC to remain solid
- Foundry: Start EUV 7nm shipments and finish EUV 5nm development

[2H19 Outlook]

- Memory: Demand to improve on strong seasonality and a shift toward higher-capacity chips by major applications
 - DRAM: Strengthen technological competitiveness via ramp-up of 1ynm process and mass production of 1znm process
 - NAND: Lead growth of market for high-capacity SSDs and UFS chips. Strengthen cost competitiveness by expanding supply of 5th generation V-NAND
- S.LSI: Expand modem and image sensor lineup to address demand for higher-specification smartphones
- Foundry: Develop EUV 4nm process and focus on customer diversification

D P

[1Q Results]

- Mobile: Sales of flexible OLED panels from major customers decreased significantly and prices fell as competition with LTPS LCD intensified
- Large: Sales decreased under weak seasonality and prices continued to decline due to large capacity expansions by Chinese players

[2Q Outlook]

- Mobile: Sales of rigid panels are expected to rise on differentiated technologies such as FoD while demand for flexible panels is projected to remain weak
- Large: Proactively deal with demand for premium products and reduce costs amid industry oversupply

[2H19 Outlook]

- Mobile: Although sales of flexible OLED panels are projected to rise as demand recovers, ASPs are expected to remain pressured by intense competition with LTPS LCD. Focus on discovering new applications (notebooks, foldable devices, etc.) and securing stable demand
- Large: Improve earnings by actively addressing growing customer demand under strong seasonality. Deliver differentiated premium products such as ultra-large and 8K TVs

Q1 Results and Outlook by Business Unit

I M

[1Q Results]

- Mobile: : Revenue increased considerably q-q thanks to strong sales of the Galaxy S10, but sales volume gains were modest due to a reorganization of mid-range and below devices. Profitability improvements were limited by increased expenses related to higher-spec products, brand marketing, and the lineup refreshment
- N/W: Earnings grew solidly thanks to accelerating commercialization of 5G in Korea

[2Q Outlook]

- Mobile: Total smartphone sales volume to increase slightly q-q as sales of the S10 series remain strong and the new A series gains a positive market response
Strengthen lineup competitiveness through innovations such as 5G devices, and the A80, and by a reorganization of the mass-market lineup, which puts the A series at the center
- N/W: Secure solid earnings via commercialization of 5G and expansion of overseas LTE network

[2H19 Outlook]

- Mobile: Lift sales based on competitive new models for each price range (including the Note series); secure profitability by increasing operational and cost efficiency; enhance leadership in the premium market by expanding sales of innovative products such as 5G and foldable devices
- N/W: Lead the global 5G market and solidify a foundation for growth by expanding supply in the initial markets of Korea and the US
Continue efforts to expand overseas 4G LTE networks

C E

[1Q Results]

- TV: Earnings improved y-y thanks to sales-mix improvements led by growing sales of premium products (such as QLED TVs) and early releases of new models
- DA: Earnings improved y-y thanks to strong sales of new models and new lifestyle home appliances such as air purifiers and dryers

[2Q Outlook]

- TV: Sales to decrease y-y due to the base effect of major sporting events last year and a lack of them this year
Focus on expanding sales of new premium models
- DA: Grow earnings by boosting sales of new products, including air conditioners, under strong seasonality

[2H19 Outlook]

- TV: Bolster leadership in the premium market by expanding global sales of QLED 8K TVs and releasing new lifestyle products such as The Frame and Serif TVs
- DA: Focus on growing earnings by expanding sales of premium and new lifestyle products and strengthening our B2B business

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Assets	345,067.9	339,357.2	312,473.1
- Cash *	102,035.2	104,213.6	83,082.0
- A/R	36,709.3	33,867.8	35,370.7
- Inventories	31,456.0	28,984.7	26,470.9
- Investments	18,371.1	17,706.8	16,304.4
- PP&E	116,392.4	115,416.7	114,412.3
- Intangible Assets	14,868.0	14,891.6	14,805.4
- Other Assets	25,235.9	24,276.0	22,027.4
Total Assets	345,067.9	339,357.2	312,473.1
Liabilities	91,852.7	91,604.0	89,213.2
- Debts	13,204.5	14,667.1	12,861.2
- Trade Accounts and N/P	9,802.8	8,479.9	9,301.1
- Other Accounts and N/P & Accrued Expenses	29,297.3	31,051.2	30,325.3
- Income Tax Payables	9,754.8	8,720.1	10,542.6
- Unearned Revenue & Other Advances	1,596.4	1,771.5	1,956.9
- Other Liabilities	28,196.9	26,914.2	24,226.1
Shareholders' Equity	253,215.2	247,753.2	223,259.9
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	345,067.9	339,357.2	312,473.1

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

	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Current ratio *	263%	253%	227%
Liability/Equity	36%	37%	40%
Debt/Equity	5%	6%	6%
Net debt/Equity	△35%	△36%	△31%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	1Q '19	4Q '18	1Q '18
Cash (Beginning of period) *	104.21	97.78	83.60
Cash flows from operating activities	5.24	22.43	15.62
Net profit	5.04	8.46	11.69
Depreciation	6.84	6.60	5.92
Cash flows from investing activities	△4.46	△6.07	△9.84
Purchases of PP&E	△4.20	△5.84	△9.82
Cash flows from financing activities	△4.10	△9.40	△6.93
Increase in debts	△4.10	△6.96	△6.06
Acquisition of treasury stock	-	-	△0.88
Payment of dividends	△0.001	△2.45	△0.003
Increase in cash	△2.18	6.43	△0.52
Cash (End of period) *	102.04	104.21	83.08

* 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, 2019	Dec 31, 2018	Mar 31, 2018
Net Cash	88.83	89.55	70.22

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