

Samsung SDS

1Q 2023 Earnings Release

Apr 27, 2023



Samsung
Cloud Platform

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 1Q23 financial results are completed. The review outcomes may cause some parts of this document to change.

This document may contain 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
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses
- 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.

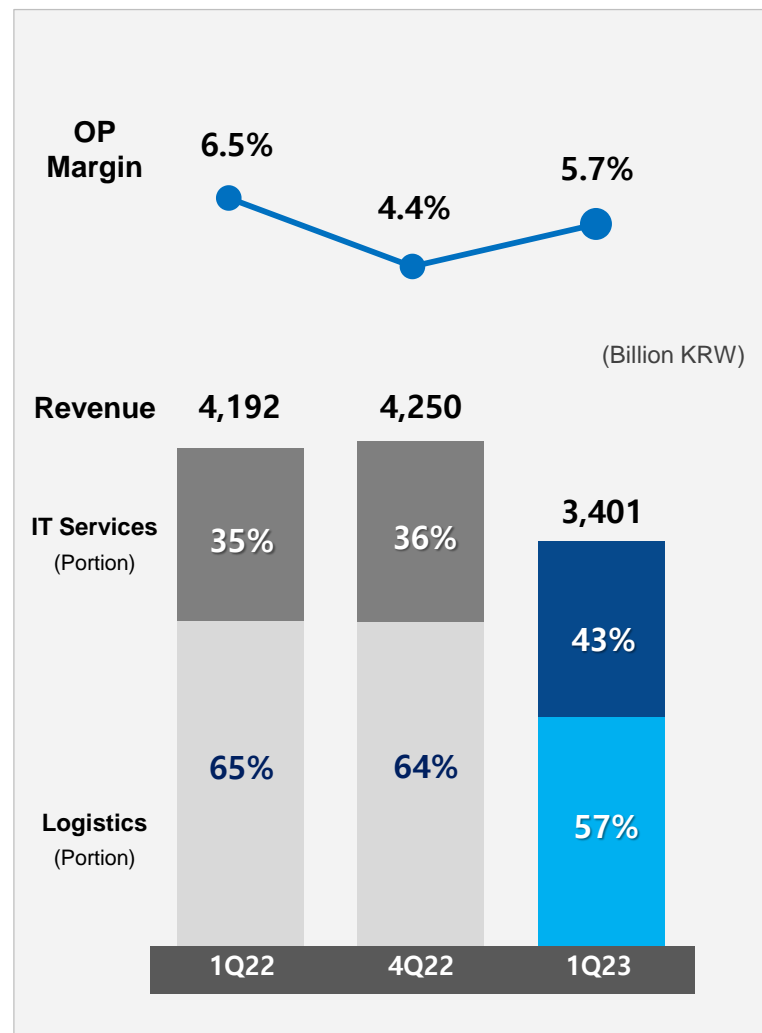
1 Earnings Overview

(Billion KRW)

| | 1Q23 | 4Q22 | QoQ | 1Q22 | YoY |
|--|--------------|--------------|------------------|--------------|---------------|
| Revenue | 3,401 | 4,250 | -20.0% | 4,192 | -18.9% |
| COGS | 2,961 | 3,806 | -22.2% | 3,701 | -20.0% |
| Gross Profit | 440 | 444 | -1.0% | 491 | -10.4% |
| Margin(%) | (12.9) | (10.5) | (+2.4p) | (11.7) | (+1.2p) |
| SG&A | 246 | 257 | -4.3% | 217 | +13.0% |
| Operating Profit | 194 | 188 | +3.6% | 274 | -29.0% |
| Margin(%) | (5.7) | (4.4) | (+1.3p) | (6.5) | (-0.8p) |
| Non-operating gain & loss | 90 | -0.4 | Turned to Profit | 20 | +350% |
| Profit before income tax | 284 | 187 | +51.8% | 294 | -3.2% |
| Income tax expense | 76 | -65 | - | 89 | -14.8% |
| Net Income | 208 | 252 | -17.5% | 204 | +1.9% |
| Margin(%) | (6.1) | (5.9) | (+0.2p) | (4.9) | (+1.2p) |
| Profit attributable to owners of the parent | 202 | 244 | -17.0% | 198 | +2.5% |

2 Earnings by Business Segment

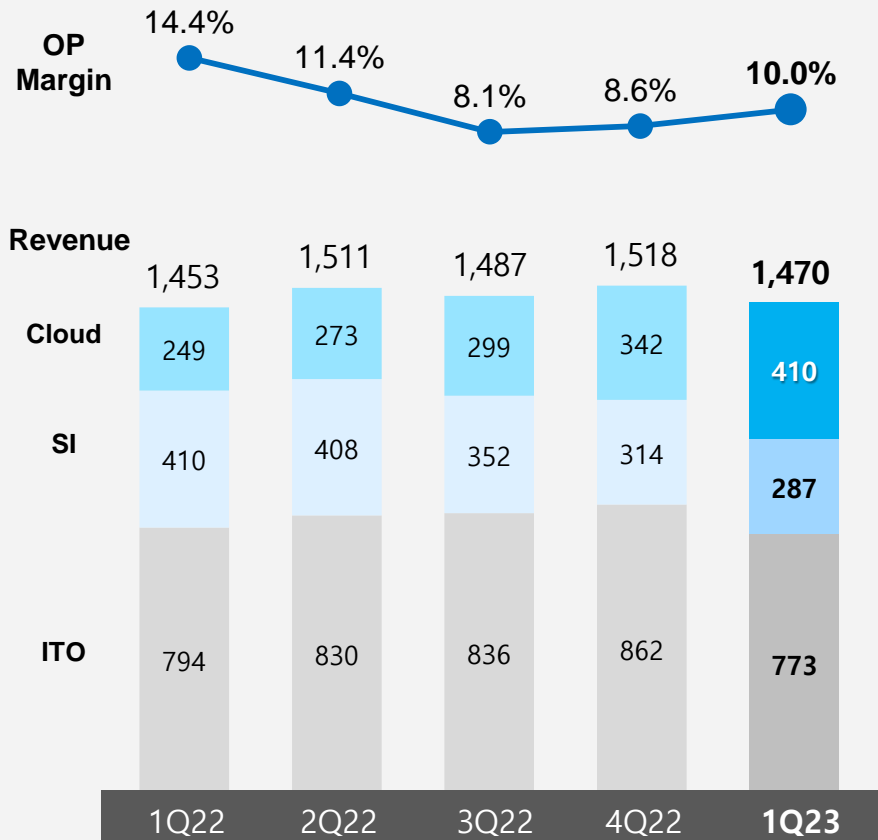
| | 1Q23 | 4Q22 | QoQ | 1Q22 | YoY |
|-------------------------|--------------|--------------|---------------|--------------|---------------|
| Revenue | 3,401 | 4,250 | -20.0% | 4,192 | -18.9% |
| IT Services | 1,470 | 1,518 | -3.2% | 1,453 | +1.2% |
| Cloud | 410 | 342 | +19.9% | 249 | +64.7% |
| SI | 287 | 314 | -8.6% | 410 | -30.0% |
| ITO | 773 | 862 | -10.3% | 794 | -2.6% |
| Logistics | 1,931 | 2,732 | -29.3% | 2,739 | -29.5% |
| Operating profit | 194 | 188 | +3.6% | 274 | -29.0% |
| (%) | (5.7) | (4.4) | (+1.3p) | (6.5) | (-0.8p) |
| IT Services | 147 | 131 | +12.4% | 209 | -29.8% |
| (%) | (10.0) | (8.6) | (+1.4p) | (14.4) | (-4.4p) |
| Logistics | 47 | 57 | -16.5% | 65 | -26.3% |
| (%) | (2.5) | (2.1) | (+0.4p) | (2.4) | (+0.1p) |



3 IT Services

Revenue and OPM

(Billion KRW)



> Cloud

- Revenue : 410 Bn KRW (QoQ +20%, YoY +65%)
- CSP : Enterprise cloud service increased
HPC operation started in Dongtan DC
- MSP : App modernization expansion
Cloud operation service increased

> SI

- SI revenue : 287 Bn KRW (QoQ -9%, YoY -30%)
- IT spending slowdown due to economic recession
- ERP/MES : Next generation ERP implementation,
MES expansion to global production lines

> ITO

- ITO revenue : 773 Bn KRW (QoQ -10%, YoY -3%)

SI : System Integration, ITO : IT Outsourcing, HPC : High Performance Computing
CSP : Cloud Service Provider, MSP : Managed Service Provider,
ERP : Enterprise Resource Planning, MES : Manufacturing Execution System

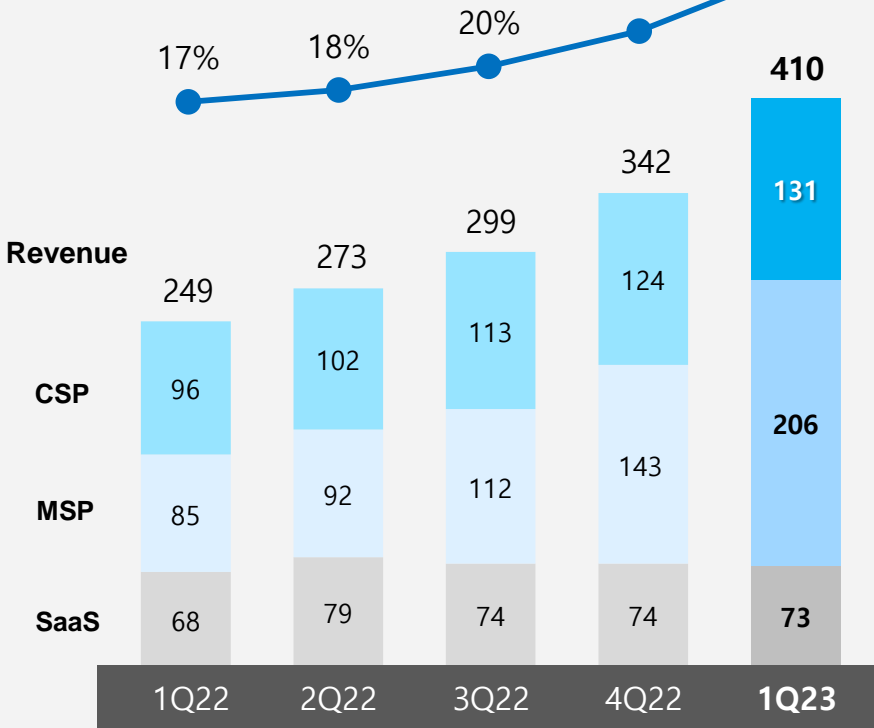
4 IT Services - Cloud

Revenue and Cloud share

(Billion KRW)

Cloud share

(Cloud / IT Services)



➤ CSP

- Revenue : 131 Bn KRW (QoQ +5%, YoY +36%)
- Enterprise cloud service increased
- HPC operation started in Dongtan DC

➤ MSP

- Revenue : 206 Bn KRW (QoQ +44%, YoY +143%)
- App Modernization in Transportation/Financial sectors
- Cloud operation service revenue increased
- Global SaaS implementation (CRM, HRM)

➤ SaaS

- Revenue : 73 Bn KRW (QoQ -2%, YoY +7%)
- Value-added products sales in Enterprise solutions

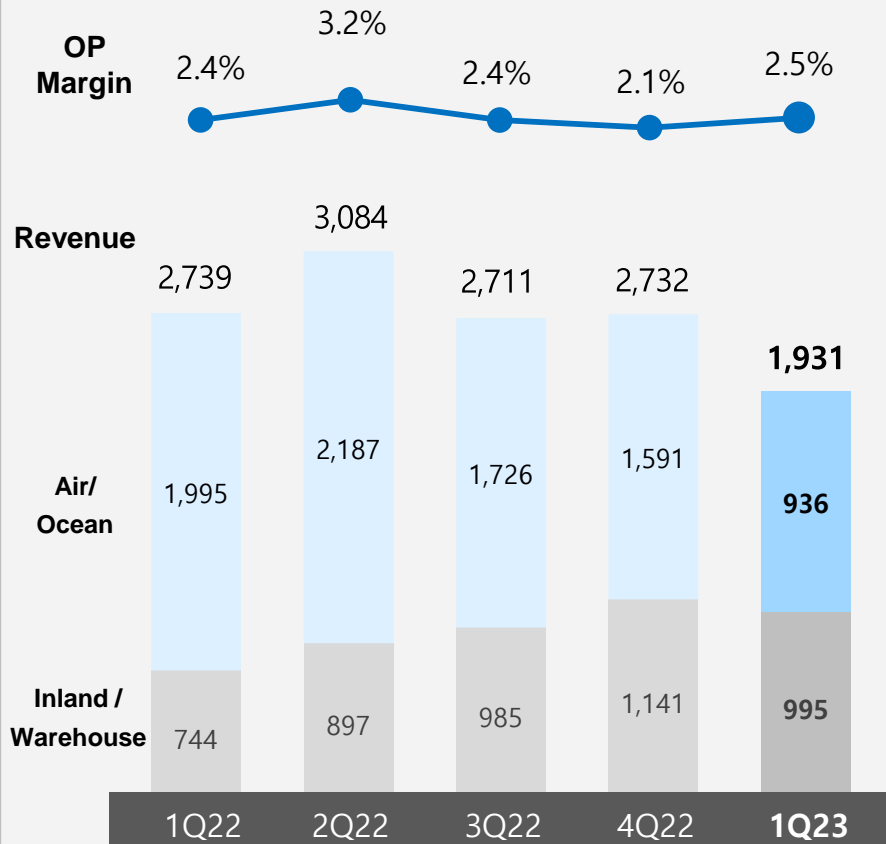
SaaS : Software as a Service

CRM : Customer Relationship Management, HRM : Human Resource Management

5 Logistics

Revenue and OPM

(Billion KRW)



➤ Logistics Revenue

- Revenue : 1,931 Bn (QoQ -29%, YoY -29%)
- Both global trade volume and freight charge decreased

➤ Air / Ocean transport

- Revenue : 936 Bn (QoQ -41%, YoY -53%)
- Trade volume of major routes decreased due to economic slowdown
- Freight charge decreased due to transportation capacity oversupply

➤ Inland / Warehouse

- Revenue : 995 Bn (QoQ -13%, YoY +34%)

➤ Cello Square

- Membership : '22.4Q 4,200 → '23.1Q 5,300

[Appendix 1] Income Statement

SAMSUNG SDS

(Billion KRW)

| | 2021 | 2022 | | | | 2023 | |
|--|---------------|--------------|--------------|-------------------|-------------------|---------------|--------------|
| | | 1Q | 2Q | 3Q | 4Q | | |
| Revenue | 13,630 | 4,192 | 4,595 | 4,198 | 4,250 | 17,235 | 3,401 |
| COGS | 11,947 | 3,700 | 4,077 | 3,751 | 3,806 | 15,334 | 2,961 |
| Gross Profit | 1,683 | 491 | 518 | 447 | 444 | 1,901 | 440 |
| Margin (%) | 12.3% | 11.7% | 11.3% | 10.7% | 10.5% | 11.0% | 12.9% |
| SG&A | 875 | 217 | 248 | 262 | 257 | 984 | 246 |
| Operating Profit | 808 | 274 | 270 | 185 | 188 | 916 | 194 |
| Margin (%) | 5.9% | 6.5% | 5.9% | 4.4% | 4.4% | 5.3% | 5.7% |
| Non-operating gain & loss | 49 | 20 | 43 | 153 | -0.4 | 216 | 90 |
| Profit before income tax | 858 | 294 | 313 | 338 | 187 | 1,132 | 284 |
| Income tax expense | 224 | 90 | 40 | -63 ¹⁾ | -65 ²⁾ | 2 | 76 |
| Net Income | 633 | 204 | 273 | 401 | 252 | 1,130 | 208 |
| Margin (%) | 4.6% | 4.9% | 5.9% | 9.5% | 5.9% | 6.6% | 6.1% |
| Profit attributable to owners of the parent | 611 | 198 | 267 | 391 | 244 | 1,100 | 202 |

¹⁾ Corporate tax expense deduction (KRW 164 Bn) due to the winning of the case with NTS

²⁾ Corporate tax expense deduction due to reduction of deferred tax liabilities appropriation related to subsidiaries

[Appendix 2] Revenue & Operating Profit by Business Segment

SAMSUNG SDS

(Billion KRW)

| | 2021 | 2022 | | | | | 2023 |
|-------------------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | |
| Revenue | 13,630 | 4,192 | 4,595 | 4,198 | 4,250 | 17,235 | 3,401 |
| IT Services | 5,637 | 1,453 | 1,511 | 1,487 | 1,518 | 5,968 | 1,470 |
| Cloud | 871 | 249 | 273 | 299 | 342 | 1,163 | 410 |
| SI | 1,641 | 410 | 408 | 352 | 314 | 1,484 | 287 |
| ITO | 3,125 | 794 | 830 | 836 | 862 | 3,322 | 773 |
| Logistics | 7,993 | 2,739 | 3,084 | 2,711 | 2,732 | 11,267 | 1,931 |
| Operating Profit | 808 | 274 | 270 | 185 | 188 | 916 | 194 |
| IT Services | 664 | 209 | 172 | 120 | 131 | 632 | 147 |
| Logistics | 144 | 65 | 98 | 65 | 57 | 284 | 47 |
| OP Margin | 5.9% | 6.5% | 5.9% | 4.4% | 4.4% | 5.3% | 5.7% |
| IT Services | 11.8% | 14.4% | 11.4% | 8.1% | 8.6% | 10.6% | 10.0% |
| Logistics | 1.8% | 2.4% | 3.2% | 2.4% | 2.1% | 2.5% | 2.5% |

[Appendix 3] Statement of Financial Position

SAMSUNG SDS

(Billion KRW)

| | 2019 | 2020 | 2021 | 2022 | 1Q23 |
|-------------------------|--------------|--------------|---------------|---------------|---------------|
| Asset | 9,021 | 9,155 | 10,517 | 11,952 | 12,033 |
| Current assets | 6,383 | 6,581 | 7,576 | 8,006 | 8,077 |
| Cash ¹⁾ | 3,831 | 4,194 | 4,591 | 5,030 | 5,101 |
| A/R | 1,440 | 1,510 | 1,919 | 1,652 | 1,620 |
| Non-current assets | 2,637 | 2,574 | 2,941 | 3,947 | 3,956 |
| Tangible assets | 1,108 | 1,116 | 1,179 | 1,520 | 1,542 |
| Intangible assets | 790 | 737 | 715 | 713 | 705 |
| Liabilities | 2,296 | 2,296 | 3,074 | 3,485 | 3,512 |
| Current liabilities | 1,698 | 1,721 | 2,370 | 2,493 | 2,522 |
| A/P | 545 | 574 | 822 | 676 | 573 |
| Accrued expenses | 572 | 541 | 815 | 1,029 | 908 |
| Depts & Borrowings | 1 | 1 | 1 | - | - |
| Non-current liabilities | 598 | 575 | 703 | 992 | 990 |
| Equity | 6,725 | 6,859 | 7,444 | 8,467 | 8,521 |
| Capital stock | 39 | 39 | 39 | 39 | 39 |

¹⁾ Cash and Cash equivalents, Short-term financial instruments, etc.

[Appendix 4] Investments & Dividends

SAMSUNG SDS

(Billion KRW)

| | 2021 | 2022 | | | | | 2023 |
|-------------------------------------|-------|-------|-------|-------|-------|--------|-------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | |
| Cash ¹⁾ | 4,591 | 4,855 | 5,004 | 5,289 | 5,030 | 5,030 | 5,101 |
| CAPEX | 324 | 86 | 169 | 208 | 207 | 671 | 109 |
| D & A ²⁾ | 292 | 76 | 77 | 80 | 91 | 324 | 95 |
| EBITDA | 1,167 | 374 | 397 | 417 | 297 | 1,484 | 384 |
| EBITDA Margin (%) | 8.6% | 8.9% | 8.6% | 9.9% | 7.0% | 8.6% | 11.3% |
| EPS(KRW) | 7,901 | 2,554 | 3,455 | 5,056 | 3,153 | 14,218 | 2,618 |
| Excl. one-off factors ³⁾ | 7,901 | 2,554 | 3,455 | 2,938 | 1,618 | 10,565 | 2,618 |
| ROE (%) | 8.9% | 10.9% | 14.2% | 19.7% | 12.0% | 14.2% | 9.8% |
| DPS(KRW) | 2,400 | - | - | - | - | 3,200 | - |
| Payout ratio (%) | 30.4% | - | - | - | - | 22.5% | - |
| Excl. one-off factors ³⁾ | 30.4% | - | - | - | - | 30.3% | - |

¹⁾ Cash and Cash equivalents, Short-term financial instruments, etc.

²⁾ Depreciation expense of Lease assets is excluded.

³⁾ In 2022, Corporate tax expense deduction (KRW 164 Bn) due to the winning of second trial with NTS,

Corporate tax expense deduction due to reduction of deferred tax liabilities appropriation related to subsidiaries

SAMSUNG SDS

www.samsungsds.com