

Earnings Release Q2 2011

# Samsung Electronics

July 2011

# 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 our external audit on Q2 2011 financial results of our headquarters 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 Semiconductor, DP (Display Panel), Telecommunication, DM & A (Digital Media & Appliances)
- Numerous other matters at the national and international levels which could affect our future results

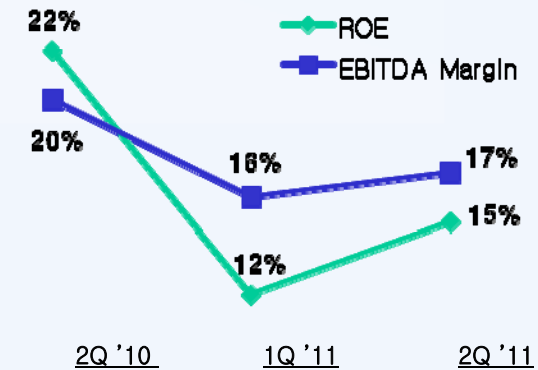
These uncertainties may cause our actual results to be materially different from those expressed in this document.

# Income Statement

(Unit: Trillion Won)	<b>2Q '11</b>	<b>(% of sales)</b>	<b>Y-on-Y</b>	<b>2Q '10</b>	<b>(% of sales)</b>	<b>1Q '11</b>	<b>(% of sales)</b>
<b>Sales</b>	<b>39.44</b>	<b>100%</b>	<b>4%↑</b>	<b>37.89</b>	<b>100%</b>	<b>36.99</b>	<b>100%</b>
Cost of Sales	26.83	68.0%	9%↑	24.53	64.7%	26.05	70.4%
<b>Gross Profit</b>	<b>12.61</b>	<b>32.0%</b>	<b>6%↓</b>	<b>13.37</b>	<b>35.3%</b>	<b>10.93</b>	<b>29.6%</b>
R&D expenses	2.46	6.2%	7%↑	2.31	6.1%	2.34	6.3%
SG&A expenses	6.37	16.2%	0.3%↑	6.36	16.8%	5.79	15.7%
Other operating profits / losses	△0.02	△0.1%	-	0.31	0.8%	0.15	0.4%
<b>Operating Profit</b>	<b>3.75</b>	<b>9.5%</b>	<b>25%↓</b>	<b>5.01</b>	<b>13.2%</b>	<b>2.95</b>	<b>8.0%</b>
Equity method gains / losses	0.41	1.0%	26%↓	0.55	1.5%	0.38	1.0%
Finance incomes / expenses	0.002	0.01%	-	△0.25	△0.7%	0.06	0.2%
<b>Profit Before Income Tax</b>	<b>4.16</b>	<b>10.6%</b>	<b>22%↓</b>	<b>5.31</b>	<b>14.0%</b>	<b>3.39</b>	<b>9.2%</b>
Income tax	0.66	1.7%	37%↓	1.04	2.7%	0.60	1.6%
<b>Net profit</b>	<b>3.51</b>	<b>8.9%</b>	<b>18%↓</b>	<b>4.28</b>	<b>11.3%</b>	<b>2.78</b>	<b>7.5%</b>

## Key Profitability Indicators

	<b>2Q '11</b>	<b>2Q '10</b>	<b>1Q '11</b>
<b>ROE</b>	<b>15%</b>	<b>22%</b>	<b>12%</b>
Profitability (Net income/Sales)	0.09	0.11	0.08
Asset turnover (Sales/Asset)	1.16	1.27	1.09
Leverage (Asset/Equity)	1.48	1.54	1.50
<b>EBITDA Margin</b>	<b>17%</b>	<b>20%</b>	<b>16%</b>



# Segment Information

## Sales by Segment

(Unit: Trillion Won)	<b>2Q '11</b>	<b>Y-on-Y</b>	<b>2Q '10</b>	<b>1Q '11</b>
<b>Semiconductor</b>	9.16	4%↓	9.53	9.18
– Memory	5.89	12%↓	6.71	5.87
<b>DP</b>	7.09	9%↓	7.76	6.51
– LCD	5.76	15%↓	6.80	5.27
<b>Telecom</b>	12.18	43%↑	8.52	10.64
– Mobile	11.69	45%↑	8.05	10.14
<b>DM &amp; A</b>	14.07	5%↓	14.80	13.52
– VD	7.86	11%↓	8.85	7.68
Others	△3.06	–	△2.72	△2.86
<b>Total</b>	<b>39.44</b>	<b>4%↑</b>	<b>37.89</b>	<b>36.99</b>

※ Sales of each segment include intersegment sales

## Operating Profit by Segment

(Unit: Trillion Won)	<b>2Q '11</b>	<b>(Margin)</b>	<b>Y-on-Y</b>	<b>2Q '10</b>	<b>(Margin)</b>	<b>1Q '11</b>
<b>Semiconductor</b>	1.79	19.6%	11.3%p↓	2.94	30.9%	1.64
DP	△0.21	△3.0%	14.3%p↓	0.88	11.3%	△0.23
<b>Telecom</b>	1.67	13.7%	6.3%p↑	0.63	7.4%	1.43
<b>DM &amp; A</b>	0.51	3.6%	1.2%p↑	0.36	2.4%	0.10
Others*	△0.01			0.20		0.01
<b>Total</b>	<b>3.75</b>	<b>9.5%</b>	<b>3.7%p↓</b>	<b>5.01</b>	<b>13.2%</b>	<b>2.95</b>

※ Other businesses & Other operating profits/losses

※ Since SetTop Box business belonging has been changed (from Telecom to DM & A), related 2010 earnings have been re-stated

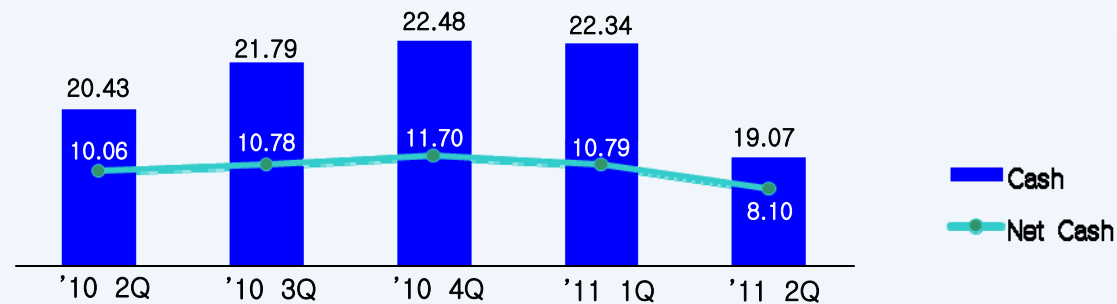
# Cash Flow Statement

(Unit: Trillion Won)

	2Q '11	1Q '11
Cash (Beginning of period)*	22.34	22.48
Cash flow from Operation	4.57	4.34
Net profit	3.51	2.78
Depreciation	3.15	2.98
Others	△2.09	△1.42
Cash flow from Investment	△6.06	△5.95
Increase in tangible assets	△5.65	△5.53
Cash flow from Finance	△1.68	1.43
Increase in debts	△0.60	1.04
<i>Net increase in cash</i>	<i>△3.27</i>	<i>△0.14</i>
Cash (End of period)*	19.07	22.34

\* Cash = Cash + Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

## Cash & Net Cash Position



# Statement of Financial Position

(Unit: Trillion Won)	<b>2Q '11</b>	<b>1Q '11</b>	<b>2Q '10</b>
<b>Current assets</b>	<b>59.44</b>	<b>60.96</b>	<b>60.69</b>
Cash*	19.07	22.34	20.43
Trade accounts & notes receivable	19.90	17.74	19.67
Inventories	14.06	14.18	13.82
<b>Non-current assets</b>	<b>78.53</b>	<b>75.58</b>	<b>64.99</b>
Investments	12.35	12.18	10.49
PP&E	57.38	55.18	47.07
<b>Total assets</b>	<b>137.97</b>	<b>136.53</b>	<b>125.68</b>
Debts	10.97	11.55	10.37
<b>Total liabilities</b>	<b>43.36</b>	<b>45.03</b>	<b>43.98</b>
<b>Total shareholders' equity</b>	<b>94.61</b>	<b>91.50</b>	<b>81.70</b>

\* Cash = Cash + Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

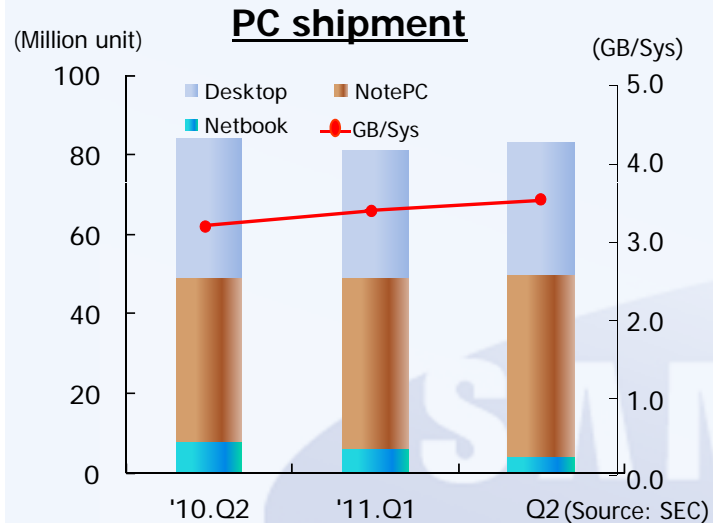
## Key Financial Indicators

	<b>2Q '11</b>	<b>1Q '11</b>	<b>2Q '10</b>
Current ratio*	163%	160%	160%
Liability/Equity	46%	49%	54%
Debt/Equity	12%	13%	13%
Net debt/Equity	△9%	△12%	△12%

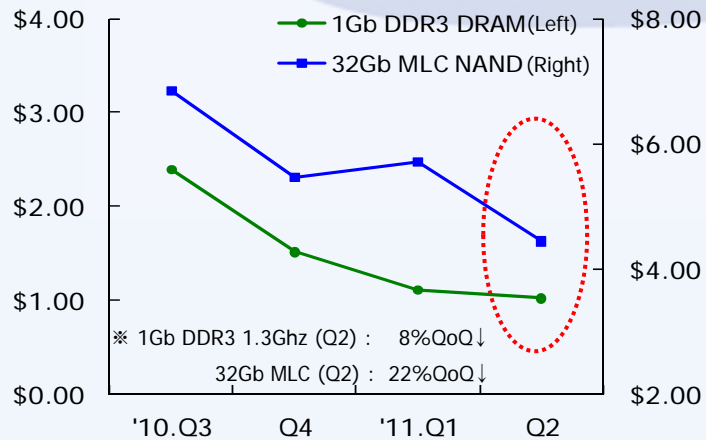
\* Current ratio= Current Assets / Current Liabilities

# Semiconductor

2Q results



### Memory spot price trend



(Source: DRAM Exchange, SEC)

## Memory

### • DRAM : Weak consumer PC demand but solid demand continued for mobile & server applications amid a low season

- PC shipment : low-single-digit ↑ (QoQ, YoY),
- GB/Sys : high-single-digit ↑ (QoQ) , mid-10% ↑ (YoY)

☞ Samsung : Strengthened cost competitiveness via 3Xnm migration, secured profitability by reinforcing and differentiating high value-added product lineup (mobile and server DRAM, etc.)

### • NAND : Strong Set/ Embedded market demand while channel demand was weak due to low seasonality

- Solid demand for mobile applications such as smartphones and tablets, etc.
- Spot prices declined due to weak channel demand (e.g. memory card) and low-priced products of some makers

☞ Samsung : Enhanced cost competitiveness by accelerating 2Xnm migration, and secured profitability via expanded sales to Set/ Embedded markets

## System LSI

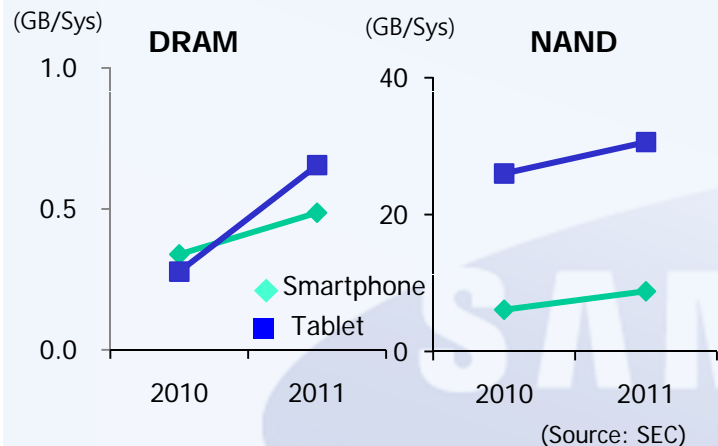
### • Strong demand for high-end mobile devices sustained solid demand increase for AP and high-pixel image sensors for mobile devices, etc

☞ Samsung : Sales and profitability improved due to sales expansion of dual core AP and high-pixel BSI image sensor, etc

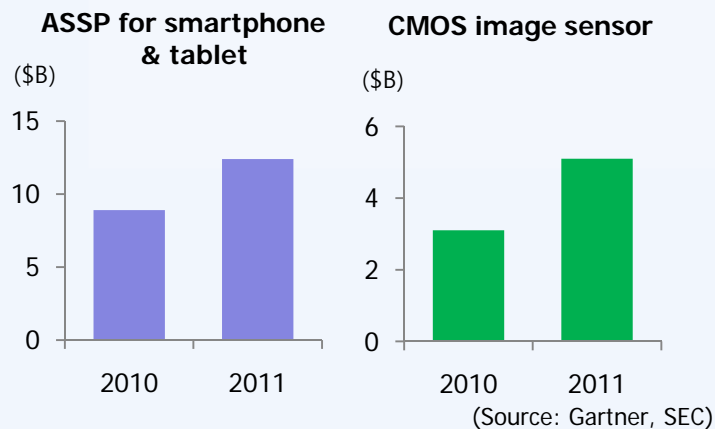
# Semiconductor

## Market outlook

### Memory in smartphone and tablet



### S.LSI market outlook



### Memory

- **DRAM : Expect PC demand to increase due to seasonality despite remaining concerns (inventory issues, etc.)**

- Expect mild 3Q seasonality : PC shipment high-single-digit ↑ (QoQ)  
GB/Sys: high-single-digit ↑ (QoQ)
- 2011 Annual PC shipment : low-single-digit ↑, GB/Sys: low-20% ↑
- Demand from server and mobile applications to remain solid, but competition to intensify due to supply growth

- **NAND : Expect positive effects from new product launches amid peak season**

- Expect tight demand-supply due to new model launches of smartphones and tablets
- Expect strong SSD demand backed by increase in data centers and ultra-thin note PC shipment
- Channel demand expected to remain weak by mid-3Q

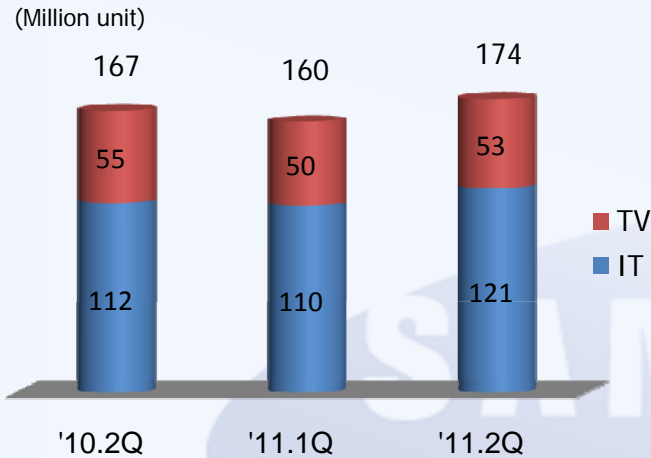
### System LSI

- **Expect demand increase amid peak seasonality**

- Demand for dual core AP, BSI image sensors, etc. to pick up, supported by strong demand for high-end mobile devices



**Large panel shipment (market)**



(Source : Display Search, '11.2Q)

**Panel ASP (market)**

(USD, %)

		'11.1Q	'11.2Q	Chg.
Note PC	15.6"LED	44	45	2%
Monitor	20"LED	66	69	5%
TV	46"LED	476	451	-5%

(Source : Display Search, '11.2Q)

**Market**

- **Panel demand increased limitedly due to weaker SET demand led by low seasonality and slow recovery in advanced markets**

- Shipments : '11.1Q 160M units → '11.2Q 174M units (8%↑ QoQ, 4%↑ YoY)

- TV : Demand increased slightly due to pull-in demand in preparation for peak season and Chinese National Day. But panel inventory levels rose up due to sluggish SET sales

- ※ Blended ASP increased with higher portion of LED panels and new model launches while price for 40-inch+ panels continued to fall

- IT : Demand grew ahead of peak season amid strong tablet demand

- ※ Blended ASP of monitor panels increased due to limited supply and SET makers' pull-in demand to prepare for peak season

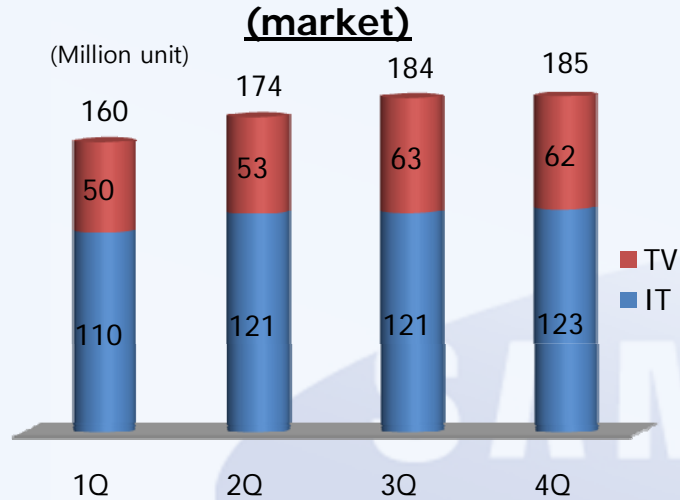
**Samsung**

- **Total panel shipment increased by the mid-10% (QoQ, YoY)**

- TV : LED TV panel shipment continued to increase

- IT : High value-added tablet panel shipment kept growing

**2011 panel demand outlook**



(Source : Display Search, '11.2Q)

**LED TV panel penetration rate**



(Source : Display Search, '11.2Q)

- **Expect demand to increase slightly in 3Q despite peak season due to global economic uncertainties like financial crisis in Europe**

- Shipment : '11.2Q 174M units → '11.3Q 184M units (6%↑ QoQ, 16%↑ YoY)

- TV : Expect panel demand to increase ahead of peak season and LED TV portion to increase

→ Demand growth could be lower than expected in case of conservative inventory management by Set makers

- IT : Demand expected to remain flat QoQ due to increasing inventory levels and sluggish sales in Europe amid financial crisis

- Note PC : Despite peak seasonality, expect demand to increase slightly due to high level of inventories in Europe

→ Expect tablet panel demand to keep increasing

- **Expect delayed ramp-up of new production lines industry-wide amid weak demand and inventory issues**

### Flagship Model



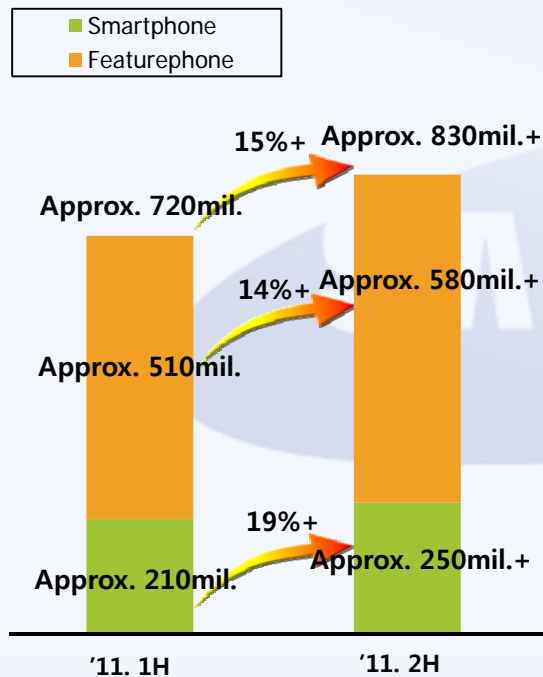
### Handset

- **Shipment : High 10% ↑ YoY (high single-digit ↑ QoQ)**
  - Our shipment increased across all regions while market demand increased slightly QoQ
  - Smartphones : Strong growth in developed markets through strengthened line-ups in mid / high-end segments
  - Sales for high-end products increased with successful launch of Galaxy S2
  - Sales for mass-market models launched in Q1 (Galaxy Ace, mini, Gio, etc.) continued to grow
  - Featurephones : Shipment decreased slightly QoQ amid market demand slowdown
- **ASP : Low 10% increase QoQ**
  - Improved product mix due to strong smartphone sales

### Network

- **Sales and profitability improved YoY due to demand increase led by expansion of domestic / overseas LTE network and upgrade of domestic 3G network**

### Handset Demand



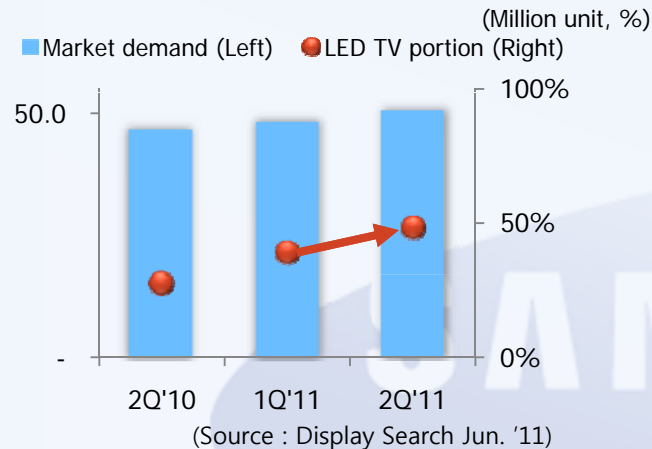
(Source: SA, Securities)

- 2H : Expect demand to increase over 15% HoH due to strong seasonality

### 3Q : Expect market demand to increase by high single-digit QoQ

- Smartphones : While global demand is expected to grow continuously(19%+ ↑ HoH), competition within the industry is also likely to be intensified
  - Developed markets : Expect strong demand for smartphone to continue with new LTE models , etc.
    - LTE service expansion in US, smartphone line-up enhancement among EU carriers
  - Emerging markets : Expect mass-market smartphone models to lead demand growth along with 3G service expansion
    - China, Latin America, MEA, etc.
- Feature phones : While demand to grow (14%+ ↑ HoH) due to seasonality, price pressure to intensify due to increased mass market smartphones
- Tablets : Expect market demand to increase with new model launches, etc.

### FPTV demand & SEC LED TV portion



### TV

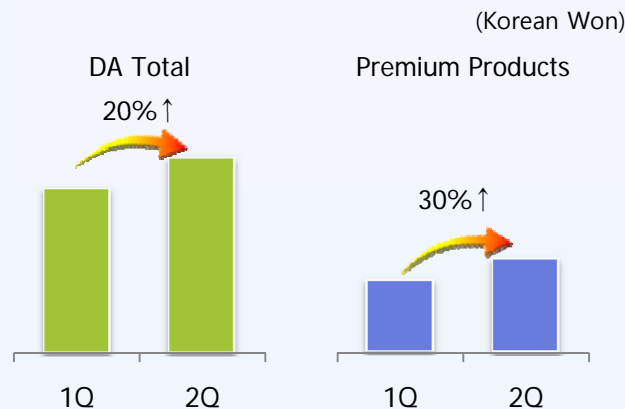
- **Market : FPTV demand increased by mid-single-digit ↑ QoQ (high single-digit ↑ YoY) due to slow recovery of developed markets and weak seasonality**

- Emerging market demand (Latin America, Asia, etc.) increased by about 20%
- LCD TV demand grew by mid-single digit, supported by solid emerging market demand. However, sales decreased in Europe and in China.

- **Samsung : Shipment increased in line with market growth, and profitability improved QoQ**

- Enhanced strategic new model line-ups & increased portion of premium products
- Continuous increase of large-size / LED TV portion both in developed and emerging markets
- LED TV portion out of LCD TV sales : Approximately 50% in 2Q

### DA Revenue

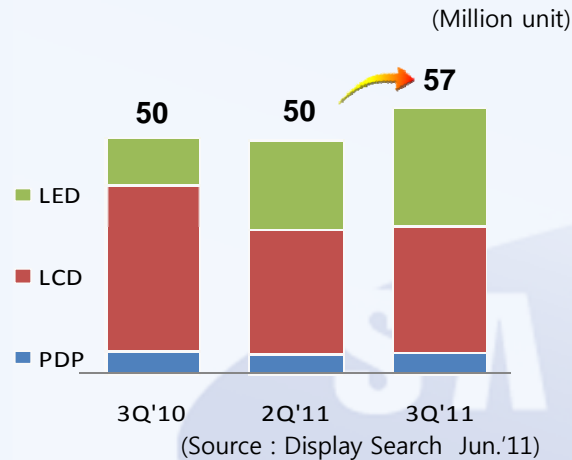


### Digital Appliances

- **Amid sales increase in the emerging markets and strong sales in domestic/developed markets, our profitability improved QoQ due to increased portion of premium products**

- Revenue grew in major emerging markets (Latin America, MEA, etc.)
- Strong sales growth of A/C and REF, with increased portion of premium products

### FPTV market outlook



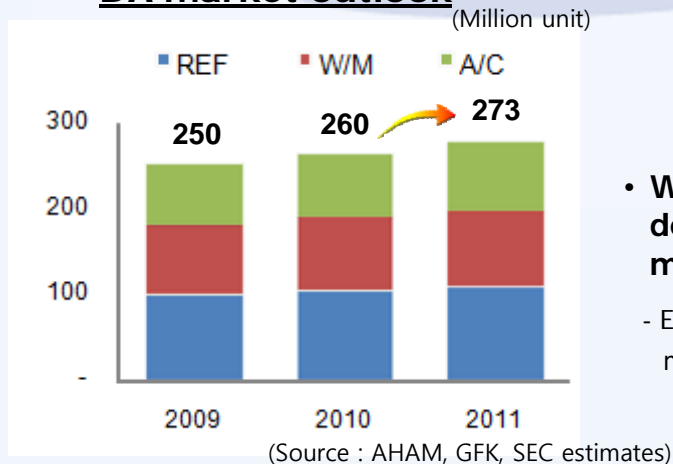
### TV

- **FPTV : Expect mid-10% growth in 3Q (QoQ) backed by peak seasonality**

- Price competition to intensify amid increasing demand for LED and 3D TVs
- Expect expanded portion of LED TVs within the LCD TV segment : low 40% in Q2 → high 40% in Q3
- Strong emerging market demand to lead global market growth, while demand in developed markets expected to be stagnant
- Demand in emerging market expected to grow by high 20% QoQ (China : about 40% growth)

※ Uncertainties to persist in developed markets such as slow economic recovery in US and fiscal crises in Europe

### DA market outlook



### Digital Appliances

- **While uncertainties remain in developed markets, overall demand for appliances expected to increase slightly in 3Q mainly driven by emerging market demand**

- Emerging markets (Latin America, China, etc.) expected to lead global appliances market growth

## [Appendix 1] Statement of Financial Position (K-IFRS)

(Unit : KRW 100 Million)

	2Q '11 (A)	1Q '11 (B)	2Q '10 (B)	Q-on-Q (A - B)	Y-on-Y (A - C)
<b>Current Assets</b>	<b>594,445</b>	<b>609,571</b>	<b>606,912</b>	<b>-15,126</b>	<b>-12,467</b>
- Cash *	190,714	223,408	204,285	-32,694	-13,571
- A/R	199,020	177,433	196,702	21,587	2,318
- Inventories	140,604	141,763	138,249	-1,159	2,355
- Other Current Assets	62,443	66,967	67,676	-4,524	-5,233
<b>Non Current Assets</b>	<b>785,253</b>	<b>755,751</b>	<b>649,855</b>	<b>29,502</b>	<b>135,398</b>
- Investment	123,534	121,801	104,875	1,733	18,659
- PP&E	573,806	551,821	470,665	21,985	103,141
- Intangible Assets	33,279	28,719	27,364	4,560	5,915
- Other Non Current Assets	54,634	53,410	46,951	1,224	7,683
<b>Total Assets</b>	<b>1,379,697</b>	<b>1,365,322</b>	<b>1,256,767</b>	<b>14,375</b>	<b>122,930</b>
<b>Liabilities</b>	<b>433,615</b>	<b>450,334</b>	<b>439,801</b>	<b>-16,719</b>	<b>-6,186</b>
- Debts	109,696	115,478	103,669	-5,782	6,027
- Trade Accounts and N/P	89,556	97,026	97,506	-7,470	-7,950
- Other Accounts and N/P & Accrued Expenses	145,331	142,226	148,657	3,105	-3,326
- Income Tax Payable	10,906	16,839	15,133	-5,933	-4,227
- Unearned Revenue & Other Advances	16,066	15,378	12,130	688	3,936
- Other Liabilities	62,060	63,387	62,706	-1,327	-646
<b>Shareholders' Equity</b>	<b>946,082</b>	<b>914,988</b>	<b>816,966</b>	<b>31,094</b>	<b>129,116</b>
- Capital Stock	8,975	8,975	8,975	0	0
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>1,379,697</b>	<b>1,365,322</b>	<b>1,256,767</b>	<b>14,375</b>	<b>122,930</b>

\* Cash = Cash + Cash equivalent + Short-term financial instruments + Marketable securities

## [Appendix 2] Income Statement (K-IFRS)

(Unit : KRW 100 Million)

	2Q '11		1Q '11		2Q '10		Q-on-Q	Y-on-Y
	(A)	%	(B)	%	(C)	%	(A - B)	(A - C)
<b>Sales</b>	<b>394,389</b>	<b>100%</b>	<b>369,850</b>	<b>100%</b>	<b>378,919</b>	<b>100%</b>	<b>24,539</b>	<b>15,470</b>
<b>Cost of Sales</b>	<b>268,272</b>	<b>68.0%</b>	<b>260,544</b>	<b>70.4%</b>	<b>245,257</b>	<b>64.7%</b>	<b>7,728</b>	<b>23,015</b>
<b>Gross Profit</b>	<b>126,117</b>	<b>32.0%</b>	<b>109,306</b>	<b>29.6%</b>	<b>133,662</b>	<b>35.3%</b>	<b>16,811</b>	<b>-7,545</b>
<b>R&amp;D</b>	<b>24,641</b>	<b>6.2%</b>	<b>23,441</b>	<b>6.3%</b>	<b>23,056</b>	<b>6.1%</b>	<b>1,200</b>	<b>1,585</b>
<b>SG&amp;A</b>	<b>63,740</b>	<b>16.2%</b>	<b>57,911</b>	<b>15.7%</b>	<b>63,557</b>	<b>16.8%</b>	<b>5,829</b>	<b>183</b>
- Wages & Fee	15,977	4.1%	15,458	4.2%	14,605	3.9%	519	1,372
- Marketing Expenses	21,877	5.5%	17,197	4.6%	22,551	6.0%	4,680	-674
<b>Other Operating Profits</b>	<b>-217</b>	<b>-0.1%</b>	<b>1,531</b>	<b>0.4%</b>	<b>3,093</b>	<b>0.8%</b>	<b>-1,748</b>	<b>-3,310</b>
<b>Operating Profits</b>	<b>37,519</b>	<b>9.5%</b>	<b>29,485</b>	<b>8.0%</b>	<b>50,142</b>	<b>13.2%</b>	<b>8,034</b>	<b>-12,623</b>
<b>Gain(or Loss) on Equity Method Investment</b>	<b>4,107</b>	<b>1.0%</b>	<b>3,756</b>	<b>1.0%</b>	<b>5,529</b>	<b>1.5%</b>	<b>351</b>	<b>-1,422</b>
<b>Finance Incomes / Expenses</b>	<b>20</b>	<b>0.0%</b>	<b>636</b>	<b>0.2%</b>	<b>-2,531</b>	<b>-0.7%</b>	<b>-616</b>	<b>2,551</b>
- Interest Gain (or Loss)	170	0.0%	116	0.0%	18	0.0%	54	152
- F/X Gain (or Loss)	-150	0.0%	520	0.1%	-2,548	-0.7%	-670	2,398
<b>Income Before Income Taxes</b>	<b>41,646</b>	<b>10.6%</b>	<b>33,878</b>	<b>9.2%</b>	<b>53,140</b>	<b>14.0%</b>	<b>7,768</b>	<b>-11,494</b>
- Income Taxes	6,582	1.7%	6,030	1.6%	10,370	2.7%	552	-3,788
<b>Net Income</b>	<b>35,064</b>	<b>8.9%</b>	<b>27,847</b>	<b>7.5%</b>	<b>42,769</b>	<b>11.3%</b>	<b>7,217</b>	<b>-7,705</b>