

**Earnings Release Q3 2009**

**Samsung Electronics**

**October 2009**

# Disclaimer

**This document is provided for the convenience of investors only, before our external audit on Q3 2009 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, LCD, telecommunication, digital media ; and 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.**

# <Consolidated Sales / Operating Profit>

(Unit : Trillion KRW)

	Sales			Operating Profit		
	3Q '09	2Q '09	3Q '08	3Q '09	2Q '09	3Q '08
<b>Device Solution</b>	<b>14.21</b>	<b>11.25</b>	<b>11.55</b>	<b>2.17</b>	<b>0.39</b>	<b>0.65</b>
<i>(Margin)</i>				<i>(15%)</i>	<i>(3%)</i>	<i>(6%)</i>
Semiconductor	7.46	6.14	5.95	1.15	0.24	0.19
<i>(Margin)</i>				<i>(15%)</i>	<i>(4%)</i>	<i>(3%)</i>
LCD	6.73	5.10	5.58	1.01	0.15	0.45
<i>(Margin)</i>				<i>(15%)</i>	<i>(3%)</i>	<i>(8%)</i>
<b>Digital Media &amp; Communications</b>	<b>23.25</b>	<b>21.98</b>	<b>19.83</b>	<b>1.98</b>	<b>2.07</b>	<b>0.80</b>
<i>(Margin)</i>				<i>(9%)</i>	<i>(9%)</i>	<i>(4%)</i>
Telecom	10.71	10.04	8.88	1.03	1.00	0.84
<i>(Margin)</i>				<i>(10%)</i>	<i>(10%)</i>	<i>(9%)</i>
Digital Media	12.37	11.77	10.78	0.94	1.06	-0.05
<i>(Margin)</i>				<i>(8%)</i>	<i>(9%)</i>	<i>(-0.5%)</i>
<b>Total</b>	<b>35.87</b>	<b>32.51</b>	<b>30.27</b>	<b>4.23</b>	<b>2.52</b>	<b>1.48</b>
<i>(Margin)</i>				<i>(12%)</i>	<i>(8%)</i>	<i>(5%)</i>

※ Consolidated Income before Tax : **4.62**      **2.86**      **1.59**

# Sales and Profits (Parent Basis)

(Unit : Trillion KRW)

	3Q '09	(%)	Q-on-Q	2Q '09	(%)	3Q '08	(%)	Y-on-Y
Sales	24.86		18%	21.02		19.26		29%
Gross Profit	6.71	(27%)	50%	4.46	(21%)	4.29	(22%)	56%
SG&A	3.94		16%	3.40		3.27		20%
Operating Profit	2.77	(11%)	160%	1.06	(5%)	1.02	(5%)	170%
Non-operating income	1.51		3%	1.46		0.38		299%
Pre-Tax Income	4.27	(17%)	69%	2.53	(12%)	1.40	(7%)	205%
Income Tax	0.55		102%	0.27		0.18		202%
Net Income	3.72	(15%)	65%	2.25	(11%)	1.22	(6%)	206%

	Sales			Operating Profit		
	3Q '09	2Q '09	3Q '08	3Q '09	2Q '09	3Q '08
Semiconductor	6.11	5.05	4.78	1.08	0.15	0.24
- Memory	3.80	3.13	3.03			
- Sys.LSI	1.07	0.88	1.02			
L C D	6.01	4.56	4.81	0.92	0.19	0.38
Telecom	9.08	8.05	6.85	0.70	0.57	0.50
- Wireless	7.60	6.94	6.09			
Digital Media	3.54	3.24	2.67	0.06	0.15	-0.10
- Appliances	1.63	1.62	1.27			

# Cash Flow & Financial Position (Parent Basis)

## Cash Flow Statement

	(Trillion KRW)	
	<u>3Q '09</u>	<u>2Q '09</u>
Cash*(Beginning of period)	6.11	5.30
Cash flow from Operation	3.93	2.64
<i>Net profit</i>	3.72	2.25
<i>Depreciation</i>	1.87	1.91
<i>Others</i>	-1.66	-1.52
Cash flow from Investment	-1.44	-1.11
<i>CAPEX</i>	-1.34	-0.93
Cash flow from Finance	0.20	-0.72
<i>Dividend</i>	-0.07	-0.74
<i>Repurchase of shares</i>	-	-
<i>Proceeds from sales of shares under stock option plan</i>	0.27	0.01
<u>Net increase in cash</u>	<u>2.68</u>	<u>0.81</u>
Cash*(End of period)	8.79	6.11

## Financial Position (B/S)

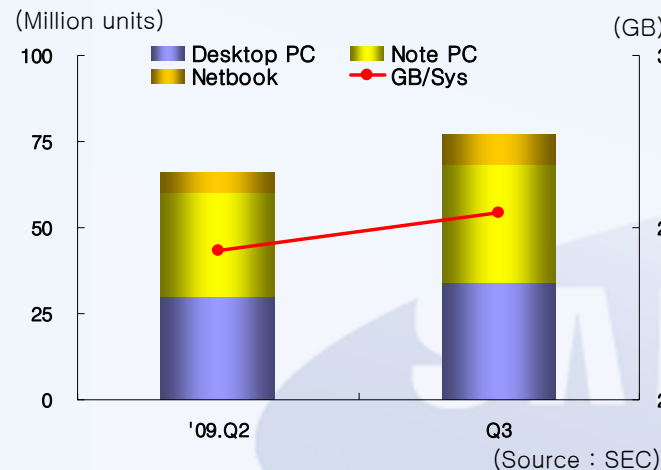
	(Trillion KRW)		
	<u>3Q '09</u>	<u>2Q '09</u>	<u>3Q '08</u>
Assets	80.8	76.0	75.0
Current Assets	24.7	20.1	20.6
<i>Cash*</i>	8.8	6.1	8.1
<i>A/R &amp; Inventories</i>	11.3	10.0	8.3
Non Current Assets	56.1	55.9	54.5
<i>P.P.E.</i>	28.0	28.5	31.9
Liabilities	16.8	15.1	17.0
Debts	0.1	0.1	0.1
Shareholders' Equity	63.9	60.9	58.1
Capital Stock	0.9	0.9	0.9
Retained Earnings	61.2	57.6	55.4
* ROE	23.9%	15.1%	8.5%

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

# DS : Semiconductor

## Q3 Results

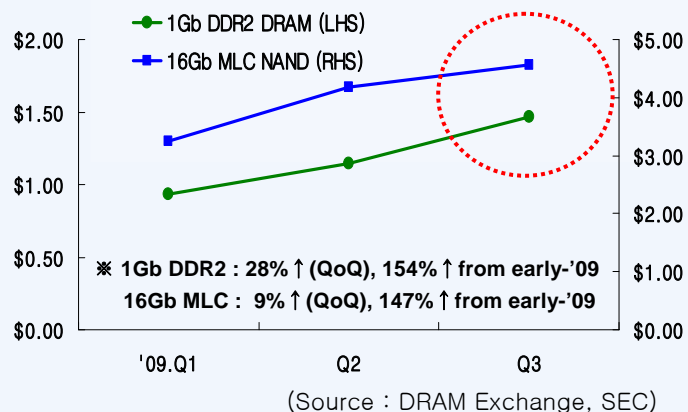
### PC Shipment and GB/Sys



### Memory

- **DRAM: Price increase continued with high seasonal demand**
  - PC Shipment: mid-10% ↑ QoQ (Historical 3Q Avg: 10% ↑)
  - GB/Sys growth: mid-single % ↑ QoQ
  - Limited recovery in utilization rates & stable increase in demand
  - ※ Spot price: 28% ↑ QoQ (1G DDR2)
- ☞ **SEC: Increased cost reduction by expanding 50/40nm, strengthened market leadership in DDR3 as well as differentiated products (i.e. Mobile / Graphic)**

### Memory Spot Price Trend



- **NAND: Strong demand continued due to high seasonality**
  - Increased demand from consumer/mobile applications
  - New product launches(MP3/PND) & high-density portion ↑
  - Increased demand for smartphone embedded solutions and cards
  - Supply shortage continued despite utilization rates increase
- ☞ **SEC: Improved cost competitiveness by expanding 40/30nm, enhanced profitability by focusing on embedded products**

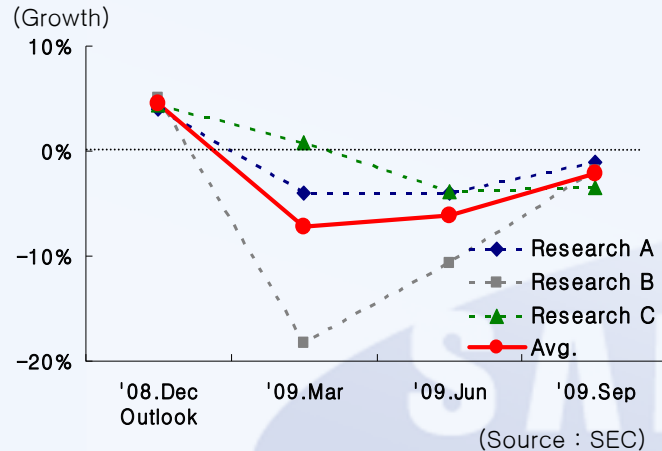
### System LSI

- **Double digit increase in revenue across all business segments**  
(e.g. Mobile Solution, Home& Media)

# DS : Semiconductor

## Business Outlook

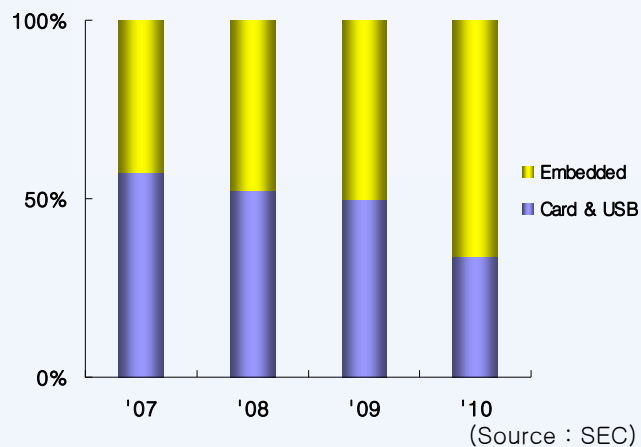
### 2009 PC Demand Outlook



### Market

- **DRAM: Demand growth to slow & limited supply increase**
  - 4Q PC Shipment: mid-single % ↑ QoQ
  - GB/Sys growth: low-single % ↑ QoQ
  - ※ 2009 PC shipment to be higher than previous estimate in Q1.09 (Research firms' '09 PC shipment estimates : △7% in Mar. → △2% in Sep.)
- DDR3 bit crossover expected in Q1.10
- Limited utilization increase & delayed geometry migration by competitors
- **NAND: Geometry migration to drive supply increase but strong year-end demand to continue**
  - Strong demand for high-density products in consumer/mobile applications (e.g. Smartphone, MP3, PMP with 16GB/32GB+) and cards

### NAND Application Outlook

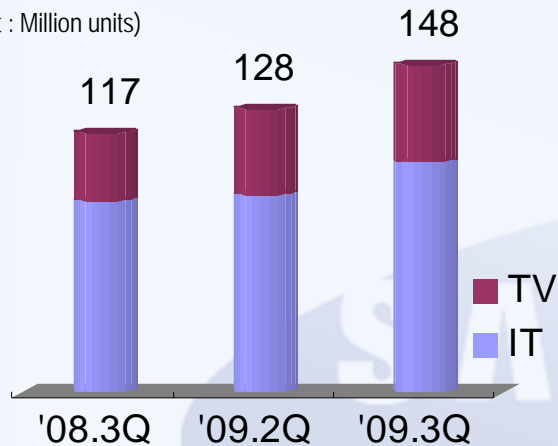


### Samsung

- **Memory: Expand market dominance & improve profitability by strengthening competitive edge**
  - DRAM: Improve cost competitiveness by expanding 4xnm portion and profit base via differentiated products (e.g. Server / Mobile)
  - NAND: Increase 3xnm process & strengthen embedded set solutions
- **S.LSI: All product segments to improve earnings led by high seasonal demand**

### Large Panel Shipment (Market)

(Unit : Million units)



(Source : DisplaySearch, '09.3Q)

### Market

- **Year-end demand for panel increased, but utilization rate recovery limited due to glass shortage → Supply shortage**
  - Shipment : Q2 128 → 148M units (15% QoQ, 26% YoY)
  - Panel ASP : Continued to increase for all products
    - IT : Notebook - supply shortage (22% QoQ), Monitor - higher-than-expected demand (17% QoQ)
    - TV : Strong panel demand continued due to China's National Holiday season and year-end demand (16% QoQ) (e.g. 32", 40" segments)

### Panel ASP (Market)

(Unit : US\$, %)

ASP	'09.2Q	'09.3Q	G/R
<b>Note PC</b>	52	64	22%
<b>Monitor</b>	79	93	17%
<b>TV</b>	221	256	16%

(Source : DisplaySearch, '09.3Q)

### Samsung

- **Panel shipment increased mid-10% QoQ driven by strong sales across all applications**
  - IT : Strong sales of consumer notebooks and higher-than-expected demand for corporate monitors (e.g. Mini notebooks, 16:9, LED)
  - TV : Shipment rose mid-20% QoQ due to successful ramp-up of the 8-2 line, increased shipment to China and expanded sales of LED TVs (e.g. edge-type LED TV panel, 240Hz)

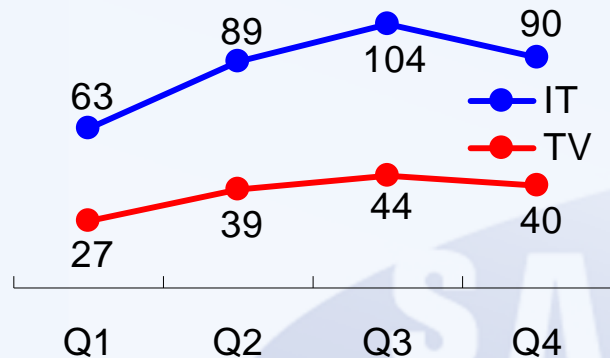


# DS : LCD

## Business Outlook

### 2009 Large Panel Demand (Market)

(Unit : Million units)



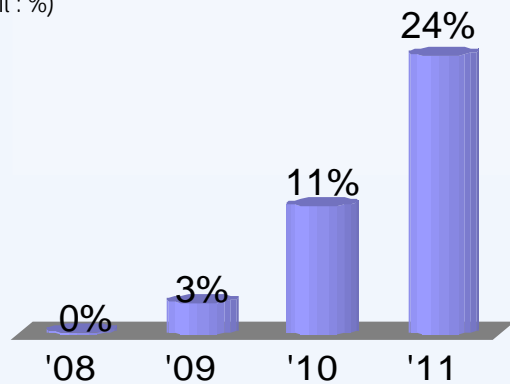
(Source : DisplaySearch, 3Q)

### Market

- **Q4 demand to decline due to seasonal weakness, but slowdown to be moderate compared to 2008**
  - IT : Expect low seasonality and conservative inventory management by set makers
  - TV : Demand decline to be moderate due to lower than typical year-end inventory level and China's New Year holiday demand

### LED TV Penetration in LCD TV Market

(Unit : %)



(Source : DisplaySearch, 3Q)

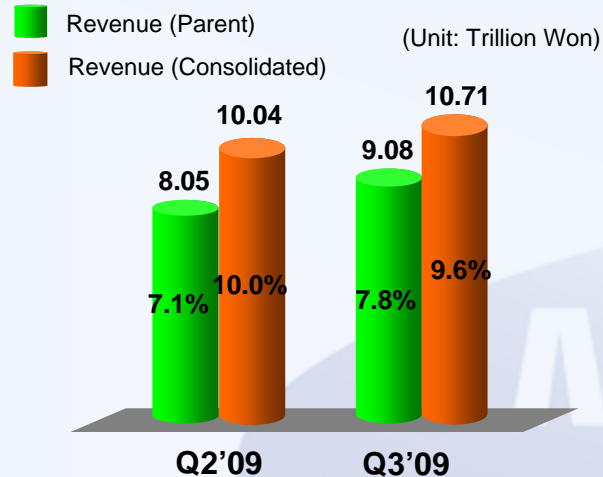
### Samsung

- **IT : Expand the sales of high-growth products and strengthen cooperation with major customers**  
(e.g. 16:9, low-power LED panels)
- **TV : Expand differentiated product line-up and sales of emerging markets**  
(e.g. LED / 240Hz / Slim)
  - Strengthen strategic partnerships with major customers and Chinese set makers

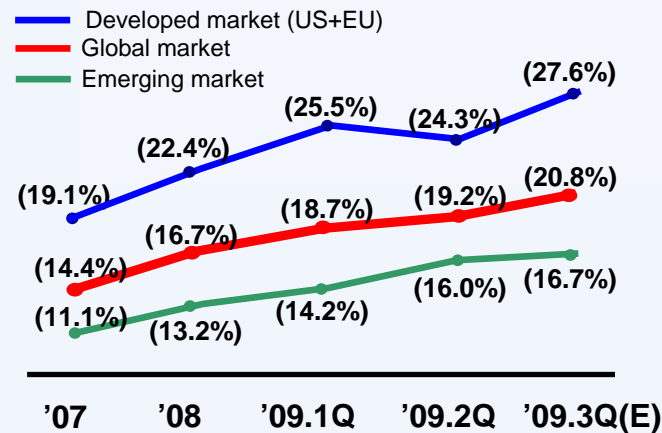
# DMC : Telecommunication

## Q3 Results

### Revenue & OP margin



### M/S Trends



### Handsets

- **Shipment : 60.2 million units (QoQ 15%↑, YoY 16%↑)**
- ☞ **Continued to outperform market growth → M/S 20%+**
  - Developed market : Strong sales of full-touchphone, due to diversified product line-up
    - Jet (AMOLED touch-phone), Star, Touch-wiz, etc.
  - Emerging market : Steady sales increase of strategic models due to improved channel demand in Latin America/CIS, and China's national holiday promotions
  - Enhanced product leadership through global launch of mid-end touch-phone (Corby)

### ASP : \$120 (QoQ 3%↓)

- Decreased portion of domestic sales with higher ASP, due to domestic demand contraction

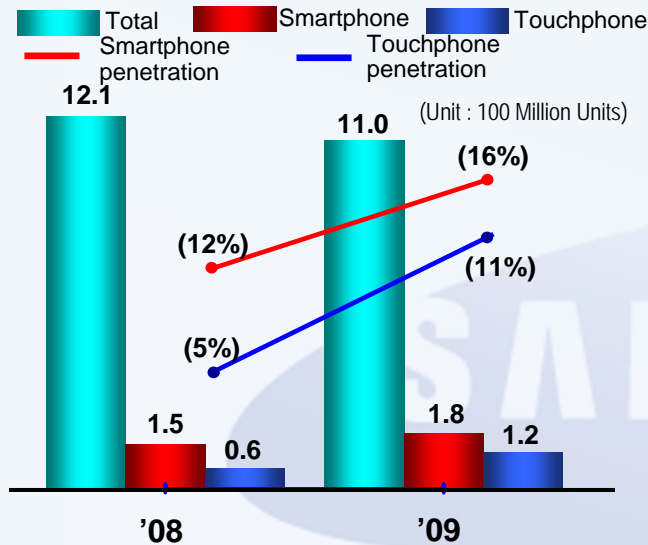
- ☞ **Maintained steady OP margin despite increased expenses, due to strong sales of premium products and enhanced cost competitiveness**

### Network

- **Overseas revenue growth due to increased Mobile WiMAX equipment sales**

# DMC : Telecommunications Business Outlook

## Handset Market



## Touch / Smartphone



## Market

- **Q4 Demand : Expect QoQ ↑ due to strong seasonality**
  - Developed market : Europe/U.S carriers to expand year-end promotions targeting Christmas holiday demand
  - Emerging market : CIS/Asia market to expand due to economy recovery and China's 3G promotion
- **Expect price competition due to increased mid/low-end strategic models among competitors**
  - Launch of mass-market targeted smart-phones & touch-phones

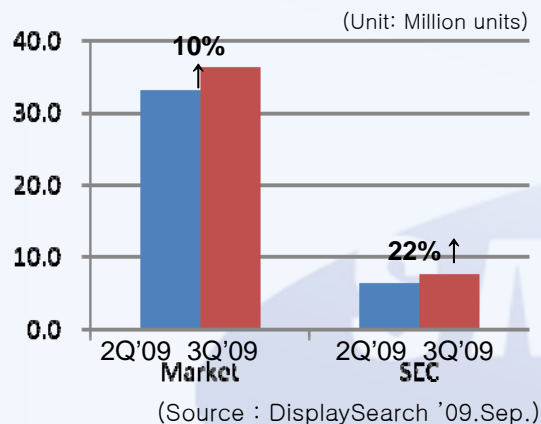
## Samsung

- **Handsets : Expect steady sales growth through product differentiation and strengthened cooperation with carriers**
  - Global expansion of AMOLED full-touchphones & launching of new smart-phones (e.g. LiMo phone, Android phone)
  - Increase in product selections for carrier promotions
  - Expansion of 3G product line-up and carrier promotions in China
- 👉 **Target : '09 M/S of 20%+ and double-digit OP margin**
- **Network : Expand Mobile WiMAX business in U.S., Japan & Latin America**

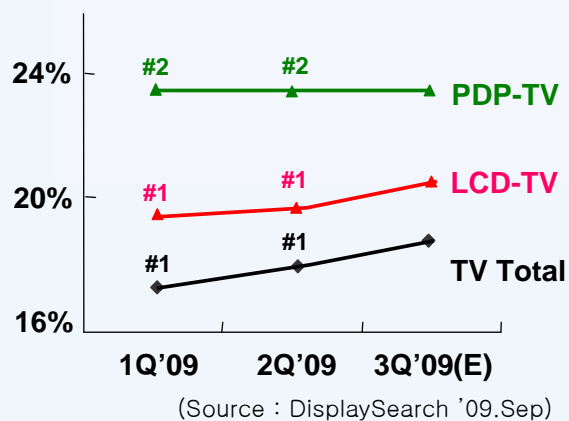
# DMC : Digital Media

## Q3 Results

### FPTV Market



### FPTV Market Share



### TV

- **FPTV shipment : 7.73 million units (QoQ 22%↑, YoY 24%↑)**
  - LCD-TV shipment continued to outperform market growth
    - ※ Cumulative LED-TV shipments as of end-September: 1.2M+ units
  - Developed market : Sales increase of LED-TV and 40" and above LCD-TV
  - Emerging market : LCD-TV shipment increased in BRICs through the market expansion
- ☞ **Maintained a double-digit OP margin for the second consecutive quarter, due to strong sales of premium products and improved cost competitiveness**

### Digital Appliances

- **Despite weak seasonality, revenue declined marginally due to strong sales of premium products (QoQ 2%↓)**
  - sales increase of premium refrigerators and Drum W/M → M/S ↑
    - ※ Revenue of the premium segments increased by 10's%QoQ

### TV Market Forecast

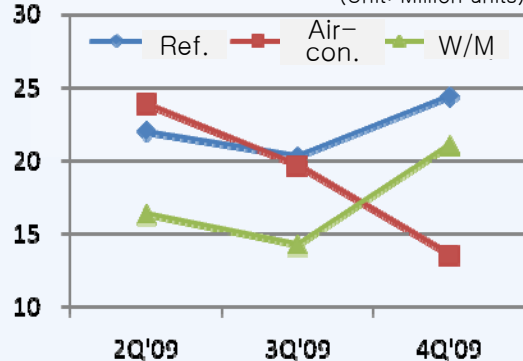
(Unit: Million units)

	2Q'09	3Q'09		4Q'09	
			QoQ		QoQ
CRT	11.4	13.3	16%	12.7	-5%
<b>LCD</b>	<b>29.9</b>	<b>32.7</b>	<b>9%</b>	<b>40.7</b>	<b>25%</b>
<b>PDP</b>	<b>3.1</b>	<b>3.5</b>	<b>15%</b>	<b>4.4</b>	<b>26%</b>
<b>Total</b>	<b>44.4</b>	<b>49.6</b>	<b>12%</b>	<b>57.8</b>	<b>17%</b>

(Source : DisplaySearch '09.Sep.)

### Appliances Market Forecast

(Unit: Million units)



(Source: AHAM, GFK, SEC)

### Market

- **FPTV : Q4 demand to continue to rise (mid-20% QoQ) but price competition to intensify**

- Demand drivers : Strong seasonality and attractive price range
- Developed markets growth(32%QoQ) to be higher than emerging markets (16%QoQ) due to the seasonality
- Price competition to intensify with new TV model launches among competitors

- **Appliances : Refrigerators & W/M demand to be recovered in Q4 due to seasonality**

### Samsung

- **TV : Outperform the market growth → strengthen leadership**

- Increase sales in the premium segment (i.e. LED, 40"+FHD)  
 . LED TV shipment target : 2.5 million units in '09
- Improve cost competitiveness through enhanced SCM and economies of scale

- **Appliances : Strengthen dominance in the premium market by expanding line-up**

- Continue to launch differentiated products (e.g., energy-saving products)

# [Appendix 1] Proforma Balance Sheet (Parent Basis)

(Unit : 100 Million, KRW)

	3Q '09 (A)	2Q '09 (B)	3Q '08 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
<b>Current Assets</b>	<b>247,051</b>	<b>201,315</b>	<b>205,681</b>	<b>45,736</b>	<b>41,370</b>
– Cash & Cash Equivalents	80,358	55,531	70,692	24,827	9,666
– Marketable Securities	7,561	5,548	10,273	2,013	-2,712
– A/R	72,496	62,720	39,740	9,776	32,756
– Inventories	40,436	37,683	42,769	2,753	-2,333
– Other Current Asset	46,200	39,835	42,208	6,366	3,992
<b>Non Current Assets</b>	<b>560,558</b>	<b>558,626</b>	<b>544,510</b>	<b>1,932</b>	<b>16,048</b>
– Investment	258,061	252,811	209,912	5,250	48,149
– PPE	279,961	285,439	318,520	-5,478	-38,559
– Intangible Assets	6,475	6,408	6,260	67	215
– Other Non Current Asset	16,061	13,968	9,818	2,093	6,243
<b>Total Assets</b>	<b>807,610</b>	<b>759,941</b>	<b>750,191</b>	<b>47,669</b>	<b>57,419</b>
<b>Liabilities</b>	<b>168,204</b>	<b>150,942</b>	<b>169,612</b>	<b>17,262</b>	<b>-1,408</b>
– Debts	1,082	1,169	1,137	-87	-55
– Trade Accounts and N/P	46,772	40,140	39,596	6,632	7,176
– Other Accounts and N/P	33,455	29,661	36,259	3,784	-2,814
– Accrued Expenses	44,451	40,792	41,783	3,659	2,668
– Income Tax Payable	4,193	363	9,026	3,830	-4,833
– Other Liabilities	38,251	38,817	41,812	-556	-3,551
<b>Shareholders' Equity</b>	<b>639,406</b>	<b>608,999</b>	<b>580,579</b>	<b>30,407</b>	<b>58,827</b>
– Capital Stock	8,975	8,975	8,975	0	0
– Capital Surplus	65,813	66,159	65,930	-346	-117
– Capital Adjustments	-82,749	-85,696	-86,003	2,947	3,254
– Accumulated Other Comprehensive Income	35,338	44,028	37,294	-8,690	-1,956
– Retained Earnings	612,029	575,533	554,383	36,496	57,646
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>807,610</b>	<b>759,941</b>	<b>750,191</b>	<b>47,669</b>	<b>57,419</b>

## [Appendix 2] Proforma Income Statement (Parent Basis)

(Unit : 100 Million, KRW)

	3Q '09 (A)		2Q '09 (B)		3Q '08 (C)		Q-on-Q	Y-on-Y
		%		%		%	(A - B)	(A - C)
<b>Sales</b>	<b>248,620</b>	<b>100%</b>	<b>210,196</b>	<b>100%</b>	<b>192,562</b>	<b>100%</b>	<b>38,424</b>	<b>56,058</b>
– Domestic	40,779	16.4%	39,507	18.8%	33,238	17.3%	1,272	7,541
– Export	207,841	83.6%	170,690	81.2%	159,324	82.7%	37,151	48,517
<b>Cost of Sales</b>	<b>181,561</b>	<b>73.0%</b>	<b>165,576</b>	<b>78.8%</b>	<b>149,615</b>	<b>77.7%</b>	<b>15,985</b>	<b>31,946</b>
<b>Gross Profit</b>	<b>67,059</b>	<b>27.0%</b>	<b>44,621</b>	<b>21.2%</b>	<b>42,947</b>	<b>22.3%</b>	<b>22,438</b>	<b>24,112</b>
<b>SG&amp;A</b>	<b>39,385</b>	<b>15.8%</b>	<b>33,985</b>	<b>16.2%</b>	<b>32,713</b>	<b>17.0%</b>	<b>5,400</b>	<b>6,672</b>
– Wages & Fee	5,716	2.3%	4,018	1.9%	4,637	2.4%	1,698	1,079
– Marketing Expenses	13,933	5.6%	13,454	6.4%	10,407	5.4%	479	3,526
– R&D / Royalty Expenses	12,424	5.0%	10,548	5.0%	10,465	5.4%	1,876	1,959
<b>Operating Profits</b>	<b>27,674</b>	<b>11.1%</b>	<b>10,636</b>	<b>5.1%</b>	<b>10,234</b>	<b>5.3%</b>	<b>17,038</b>	<b>17,440</b>
<b>Non OP Income &amp; Expenses</b>	<b>15,056</b>	<b>6.1%</b>	<b>14,627</b>	<b>7.0%</b>	<b>3,775</b>	<b>2.0%</b>	<b>429</b>	<b>11,281</b>
– F/X Gain (or Loss)	-1,468	-0.6%	-4,176	-2.0%	1,301	0.7%	2,708	-2,769
– Gain (or Loss) on Foreign Currency Translation	1,644	0.7%	3,533	1.7%	-2,347	-1.2%	-1,889	3,991
– Gain (or Loss) on Equity Investment	14,644	5.9%	14,497	6.9%	3,649	1.9%	147	10,995
<b>Income before Income Taxes</b>	<b>42,730</b>	<b>17.2%</b>	<b>25,263</b>	<b>12.0%</b>	<b>14,009</b>	<b>7.3%</b>	<b>17,467</b>	<b>28,721</b>
– Income Taxes	5,499	2.2%	2,728	1.3%	1,822	0.9%	2,771	3,677
<b>Net Income</b>	<b>37,231</b>	<b>15.0%</b>	<b>22,535</b>	<b>10.7%</b>	<b>12,187</b>	<b>6.3%</b>	<b>14,696</b>	<b>25,044</b>