

Earnings Release Q3 2010

Samsung Electronics

October 2010

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS. Previous earnings results have also been restated in compliance with K-IFRS.

This document is provided for the convenience of investors only, before our external audit on Q3 2010 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
- Numerous other matters at the national and international levels which could affect our future results

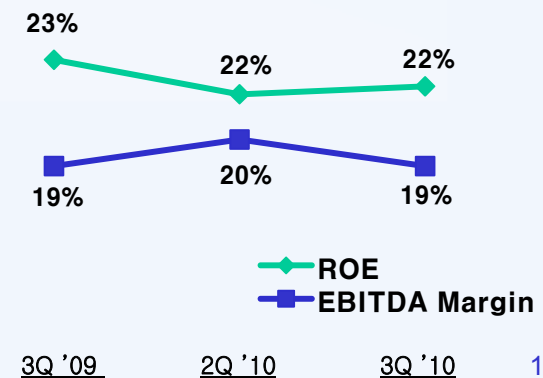
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: Trillion Won)	3Q '10	(% of sales)	Y-on-Y	3Q '09	(% of sales)	2Q '10	(% of sales)
Sales	40.23	100.0%	12%↑	35.89	100.0%	37.89	100.0%
Cost of Sales	26.02	64.7%	9%↑	23.77	66.2%	24.52	64.7%
Gross Profit	14.21	35.3%	17%↑	12.12	33.8%	13.37	35.3%
R&D expenses	2.31	5.8%	19%↑	1.94	5.4%	2.31	6.1%
SG&A expenses	7.15	17.8%	19%↑	6.01	16.7%	6.36	16.8%
Other operating profits/losses	0.11	0.3%	145%↑	0.05	0.1%	0.31	0.8%
Operating Profit	4.86	12.1%	15%↑	4.22	11.8%	5.01	13.2%
Equity method gains/losses	0.56	1.4%	10%↑	0.50	1.4%	0.55	1.5%
Finance incomes / expenses	0.001	0.0%	–	△0.04	△0.1%	△0.25	△0.7%
Profit Before Income Tax	5.42	13.5%	16%↑	4.68	13.0%	5.31	14.0%
Income tax	0.96	2.4%	11%↑	0.87	2.4%	1.03	2.7%
Net profit	4.46	11.1%	17%↑	3.81	10.6%	4.28	11.3%

Key Profitability Indicators

(Unit: %)	3Q '10	3Q '09	2Q '10
ROE	22%	23%	22%
Profitability (Net income/Sales)	0.11	0.11	0.11
Asset turnover (Sales/Asset)	1.32	1.41	1.27
Leverage (Asset/Equity)	1.54	1.52	1.54
EBITDA Margin	19%	19%	20%



Segment Information

Sales by Segment

(Unit: Trillion Won)	3Q '10	Y-on-Y	3Q '09	2Q '10
Semiconductor	10.66	43%↑	7.46	9.53
– Memory	7.49	60%↑	4.69	6.71
LCD	8.10	4%↑	7.76	7.76
Telecom	11.12	16%↑	9.57	8.78
– Mobile	10.38	15%↑	9.01	8.05
Digital Media	14.13	10%↑	12.90	14.54
– VD	8.05	2%↓	8.18	8.59
– Appliances	3.15	25%↑	2.52	3.17
Others	△3.78		△1.80	△2.72
Total	40.23	12%↑	35.89	37.89

* Sales include intersegment sales

Operating Profit by Segment

(Unit: Trillion Won)	3Q '10	(Margin)	Y-on-Y	3Q '09	(Margin)	2Q '10
Semiconductor	3.42	32.1%	17.5%p↑	1.09	14.6%	2.94
LCD	0.52	6.5%	9.0%p↓	1.20	15.5%	0.88
Telecom	1.13	10.2%	0.3%p↑	0.95	9.9%	0.63
Digital Media	△0.23	△1.6%	–	0.96	7.4%	0.36
Others*	0.02			0.02		0.20
Total	4.86	12.1%	0.3%p↑	4.22	11.8%	5.01

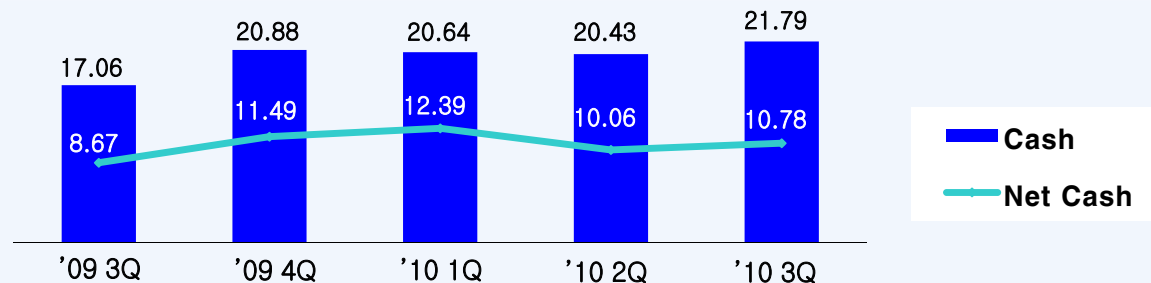
* Other businesses & Other operating profits/losses

Cash Flow Statement

(Unit: Trillion Won)	3Q '10	2Q '10
Cash (Beginning of period)*	20.43	20.64
Cash flow from Operation	6.76	3.82
Net profit	4.46	4.28
Depreciation	2.65	2.57
Others	△0.35	△3.03
Cash flow from Investment	△5.63	△4.59
Increase in tangible assets	△5.75	△5.09
Cash flow from Finance	0.16	1.06
Increase in Debts	0.85	2.18
<u>Net increase in cash</u>	<u>1.36</u>	<u>△0.21</u>
Cash (End of period)*	21.79	20.43

* 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)	3Q '10	2Q '10	3Q '09
Current assets	63.30	60.69	50.94
Cash*	21.79	20.43	17.06
Trade accounts and notes receivable	19.29	19.67	16.94
Inventories	15.46	13.82	11.43
Non-current assets	68.93	64.99	56.20
Investments	11.48	10.49	8.90
PP&E	49.41	47.07	43.40
Total assets	132.23	125.68	107.14
Debts	11.01	10.37	8.39
Total liabilities	46.67	43.98	36.87
Total shareholders' equity	85.56	81.70	70.27

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

Key Financial Indicators

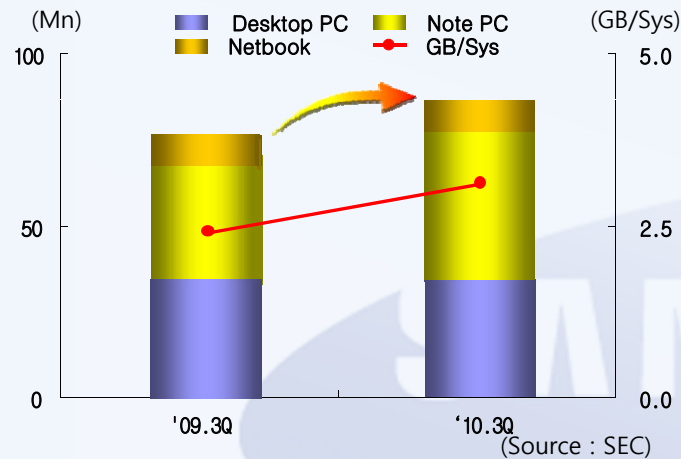
(Unit : %)	3Q '10	2Q '10	3Q '09
Current ratio*	156%	160%	159%
Liability/Equity	55%	54%	52%
Debt/Equity	13%	13%	12%
Net debt/Equity	△13%	△12%	△12%

* Current ratio= Current Assets/ Current Liabilities

Semiconductor

Q3 Results

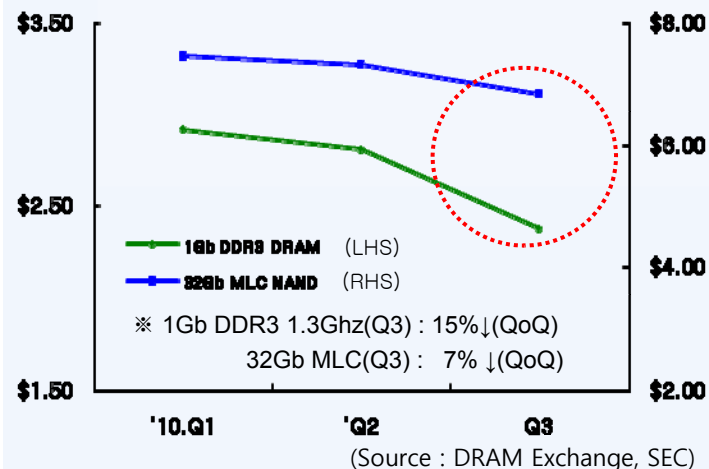
PC Shipment ('09.3Q vs '10.3Q)



Memory

- DRAM : Weaker-than-expected seasonal demand and increase in supply led to market oversupply
 - PC Shipment : low-10% ↑ (YoY), mid-single% ↑ (QoQ)
 - GB/Sys : high-20% ↑ (YoY), Flat (QoQ)
- ☞ SEC : Increased profitability by adjusting product mix and strengthened cost competitiveness by expanding 4Xnm portion & starting mass production of 3Xnm
- ※ Continued to outperform market growth (mid-20% vs. mid-10%)

Memory Spot Price Trends



- NAND : Strong demand for set/embedded products continued
 - Demand for embedded products remained strong due to release of new products (e.g. smart phone, tablet PC) while card/channel demand weakness continued
- ☞ SEC : Enhanced profitability by expanding set/embedded sales and strengthened cost competitiveness by ramping up 2Xnm

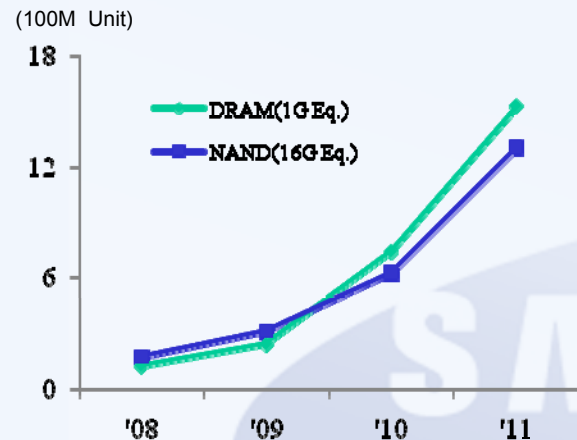
System LSI

- Major product segment(i.e. AP & CIS) revenue grew with strong demand for mobile applications
 - Significant improvement in revenue and profit QoQ and YoY

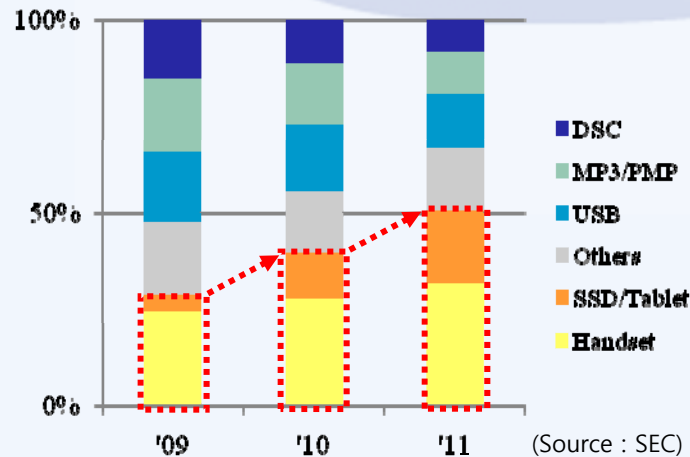
Semiconductor

Business Outlook

Memory in Smartphone



NAND Applications



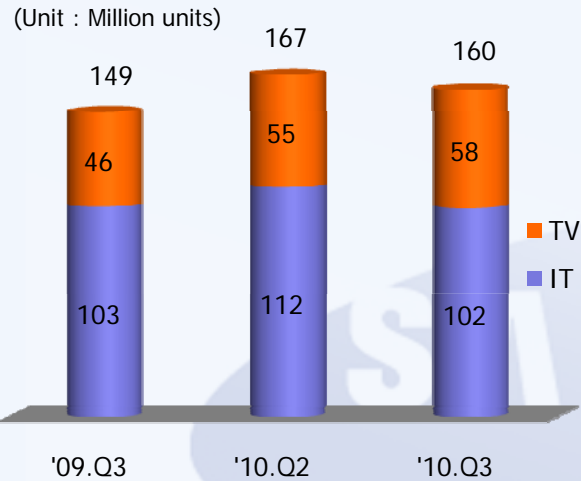
Market

- DRAM : Oversupply to continue with weak PC demand and increase in supply
 - Expect weakness in PC demand and GB/Sys growth to continue
 - Server and Mobile application demand to remain stable
 - Supply increase to continue as competitors resolve issues with process migration
- NAND : Strong demand for set/embedded products to continue with seasonal effects
 - Expect market tightness to continue with strong demand for smart phones, tablet PCs, and SSDs

Samsung

- Memory : Expand market dominance and secure profitability via cost competitiveness and product differentiation
 - DRAM : Increase 3Xnm portion and strengthen product differentiation (e.g. low power/green products for mobile/server applications)
 - NAND : Expand mass production of 2Xnm and focus on set/embedded market
- System LSI
 - Major product (e.g. AP, CIS) revenue growth to continue with strong demand for mobile applications

Large Panel Shipment (Market)



(Source : DisplaySearch, '10.3Q)

Panel ASP [Market]

(Unit : US\$, %)

ASP	'10.2Q	'10.3Q	Change
Note PC	57	50	-13%
Monitor	89	76	-15%
TV	260	248	-5%

(Source : DisplaySearch, '10.3Q)

Market

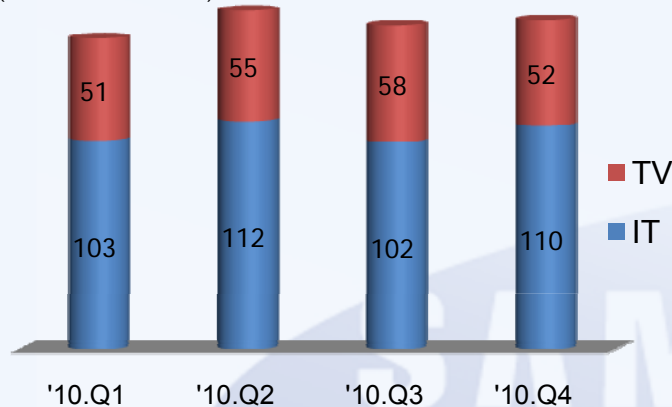
- Demand declined QoQ due to the economic slowdown and inventory issues, but YoY demand growth continued
- Shipment : '10.2Q 167 → '10.3Q 160 M units (7%↑ YoY, 4%↓ QoQ)
 - TV : Shipment increased slightly due to year-end demand in developed markets and National Day holiday sales in China
 - IT : Demand weakened as notebook & monitor set products sales declined

Samsung

- Total shipment increased low-single % YoY and remained flat QoQ, but profitability decreased due to ASP decline.
 - ☞ Expanded premium and differentiated products sales (e.g. LED, 3D/240Hz TV panels)
 - TV : Sales of premium products increased due to National Day holiday sales in China and year-end demand in developed markets
 - ☞ LED panels for low end models, etc.
 - IT : Notebook and monitor panel shipment decreased due to demand weakened

2010 Panel Demand (Market)

(Unit : Million units)



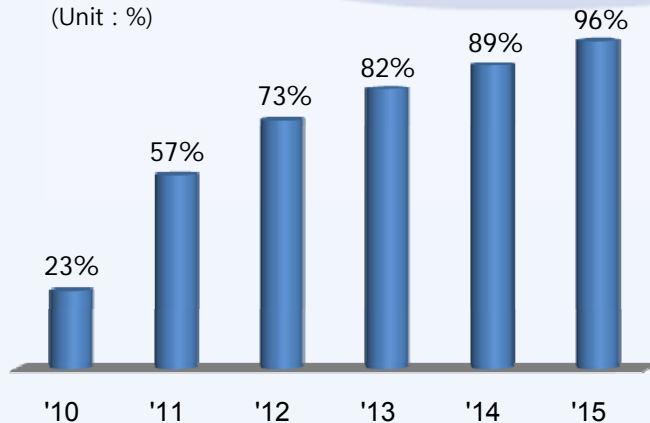
(Source : DisplaySearch, '10.3Q)

Market

- Weak panel demand to continue in Q4 due to slow set sales expected amid the economic slowdown
- TV : Panel demand to decrease due to weak year-end sales in developed markets (i.e. US & EU) under economic slowdown, despite panel demand increase in China for New Years' holidays
- IT : Notebook panel demand to increase slightly due to the expectation of tablet PC market to grow

LED TV Penetration Rate (Market)

(Unit : %)



(Source : DisplaySearch, '10.3Q)

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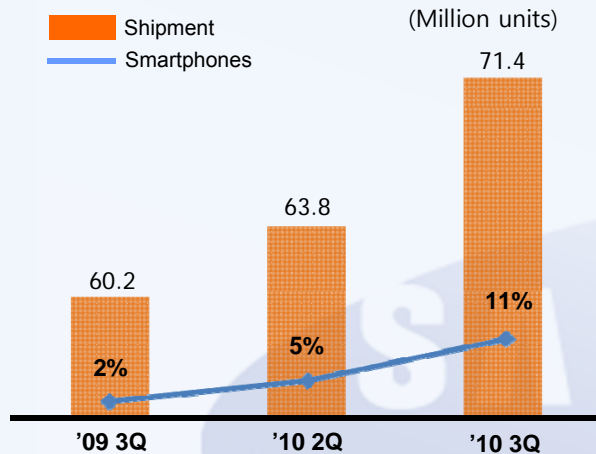
Focus on minimizing profitability decline by expanding premium and differentiated product sales

- TV : Increase portion of premium and differentiated products
 - LED, 240Hz and low-end LED panels
- IT : Emphasis on profitable product mix

Telecommunication

Q3 Results

Shipment Trends



New Strategic Models



Handset

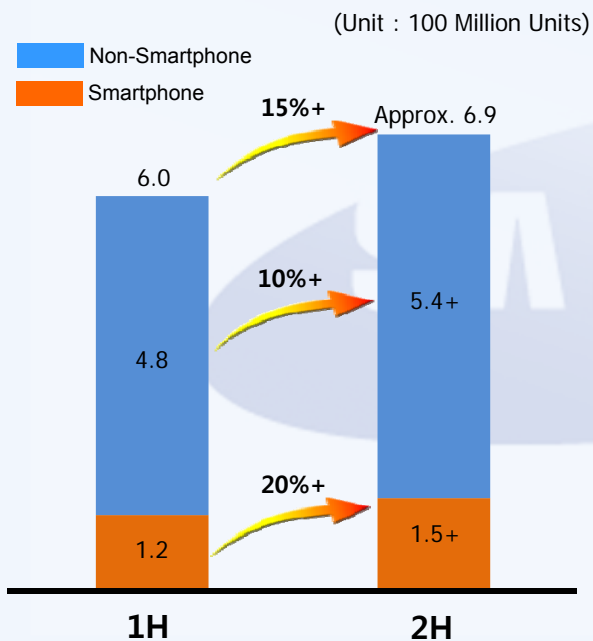
- Shipment : 71.4 M units (QoQ 12% ↑, YoY 19% ↑)
 - Outperformed industry shipment growth amid global demand recovery, by increasing sales of smartphone including GalaxyS/Wave and strengthening touchphone competitiveness
 - Smartphone : Strong sales of strategic models such as GalaxyS (7Mil. *) and Wave (2Mil. *), and mass-market line-up expansion
 - * Accumulated basis
 - Developed markets : Increased sales led by mid-to-high end models
- ASP : \$122 (QoQ 14% ↑)
 - Portion of high-end models increased due to strong smartphone sales

Network

- Revenue increased with the expansion of domestic and overseas M-WIMAX business, and entry into LTE market
- ☞ **Telecommunication division achieved double-digit OP margin with improved performance of handset business**
 - Increased portion of mid-to-high end smartphones and efficient spending of marketing expenses

Market

Handset market



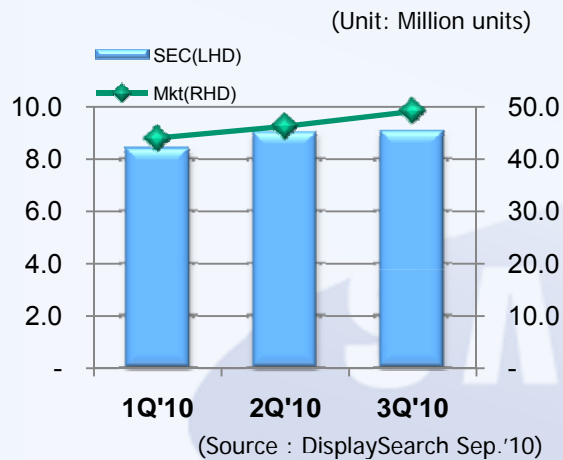
(Source: SA, Securities)

- Q4 : Smartphone demand growth to continue with strong seasonality
 - Developed markets : Competitors to launch new strategic smartphones and carriers to expand seasonal promotions
 - Emerging markets : Competition to intensify in the mass market smartphone and low-end full-touch phone segments

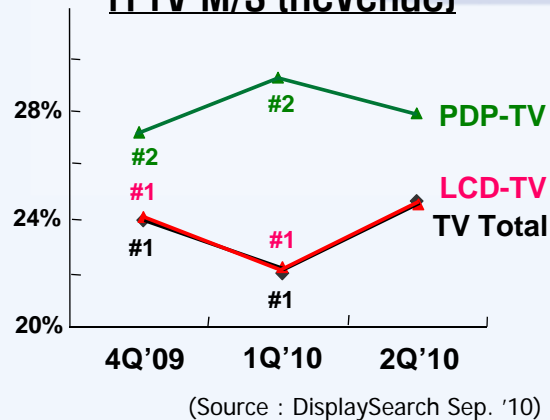
Samsung

- Q4 : Increase market share by enhancing product mix including smartphones and tablet PC
 - Developed markets : Meet seasonal demand with enhanced product line-up
 - Increase sales of strategic smartphones such as Galaxy S/Wave 2 and Galaxy Tab
 - Target mass market smartphone demand with various models launched in Q3
 - Emerging markets : Strengthen mass market smartphones and full-touch phones and enhance distribution channel
- ☞ **Improve OP margin by enhancing product mix and improving marketing efficiency**
- Network : Expect sales growth of M-WiMAX and LTE

FPTV Market



FPTV M/S (Revenue)



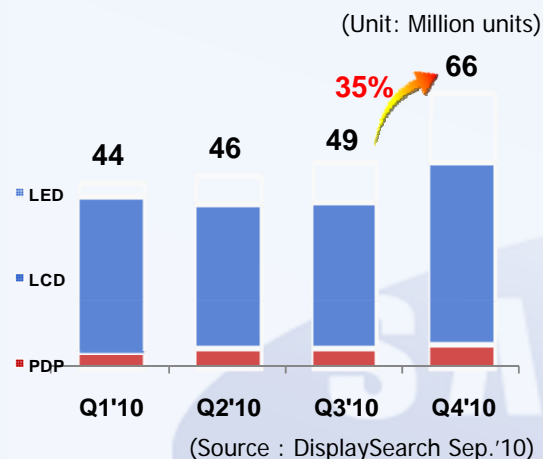
TV

- FPTV Shipment : 9.07M units (YoY 17%↑, QoQ 1%↑)
 - Increased in emerging markets, decreased in developed markets
 - Developed markets : Demand declined in Europe after the World Cup events & US economy slowdown
 - Emerging markets : Growth continued in all regions except Latin America
 - ※ Cumulative 3D-TV shipments as of end-September : 1M+ units
- ☞ Profitability decreased due to decreased sales of premium products in developed markets (e.g. US, Europe)

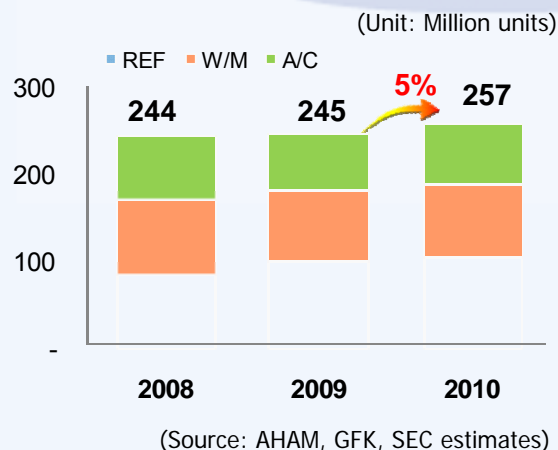
Appliances

- Revenue increased 25% YoY due to strong sales in developed markets and CIS
 - Continued to gain M/S in premium refrigerators and drum W/M in US
- ☞ Profitability declined in digital appliances business due to increased raw material & shipping costs

FPTV Market



Appliances Market Forecast



Market

- FPTV : Q4 demand to grow by 20%YoY and 35%QoQ
 - Expect LED-TV & 3D-TV demand growth to continue, but price competition to intensify
 - LED TV portion in LCD-TV to increase ('10.2Q 18% → 3Q 22% → 4Q 28%)
 - Emerging market's growth to continue : Q4 demand to rise by 32%YoY
- Appliances : Q4 demand for major products (REF, W/M, and A/C) to grow by 10% YoY

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- FPTV : Expand the sales of premium products (e.g. LED TV, 3D TV)
 - Increase sales and profitability
 - LED TV : Strengthen market presence by expanding LED TV model line-up
 - 3D TV : Increase sales by expanding 3D TV line-up and 3D total solution
 - ※ 3D total solution : TV + BD Player + 3D glasses + contents + Home Theater Systems
- Appliances : Continue to launch differentiated products and expand sales infrastructure → Increase sales and profitability
 - Continue to launch premium and eco-friendly low-power products

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

(Unit : 100 Million, KRW)

	3Q '10 (A)	2Q '10 (B)	3Q '09 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	633,005	606,912	509,390	26,093	123,615
- Cash *	217,894	204,285	170,608	13,609	47,286
- A/R	192,855	196,702	169,423	-3,847	23,432
- Inventories	154,554	138,249	114,280	16,305	40,274
- Other Current Assets	67,702	67,676	55,079	26	12,623
Non Current Assets	689,294	649,855	561,965	39,439	127,329
- Investment	114,808	104,875	89,019	9,933	25,789
- PP&E	494,074	470,665	434,028	23,409	60,046
- Intangible Assets	28,145	27,364	12,472	781	15,673
- Other Non Current Assets	52,267	46,951	26,446	5,316	25,821
Total Assets	1,322,299	1,256,767	1,071,355	65,532	250,944
Liabilities	466,714	439,801	368,632	26,913	98,082
- Debts	110,138	103,669	83,910	6,469	26,228
- Trade Accounts and N/P	99,756	97,506	99,550	2,250	206
- Other Accounts and N/P & Accrued Expenses	150,242	148,657	114,306	1,585	35,936
- Income Tax Payable	18,808	15,133	9,555	3,675	9,253
- Unearned Revenue & Other Advances	12,904	12,130	12,317	774	587
- Other Liabilities	74,866	62,706	48,994	12,160	25,872
Shareholders' Equity	855,585	816,966	702,723	38,619	152,862
- Capital Stock	8,975	8,975	8,975	0	0
Total Liabilities & Shareholder's Equity	1,322,299	1,256,767	1,071,355	65,532	250,944

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

[Appendix 2] Income Statement (K-IFRS)

(Unit : 100 Million, KRW)

	3Q '10		2Q '10		3Q '09		Q-on-Q	Y-on-Y
	(A)	%	(B)	%	(C)	%	(A - B)	(A - C)
Sales	402,292	100%	378,919	100%	358,938	100%	23,373	43,354
Cost of Sales	260,169	64.7%	245,256	64.7%	237,715	66.2%	14,913	22,454
Gross Profit	142,123	35.3%	133,663	35.3%	121,223	33.8%	8,460	20,900
R&D	23,134	5.8%	23,057	6.1%	19,415	5.4%	77	3,719
SG&A	71,475	17.8%	63,557	16.8%	60,051	16.7%	7,918	11,424
- Wages & Fee	17,206	4.3%	14,605	3.9%	13,167	3.7%	2,601	4,039
- Marketing Expenses	24,407	6.1%	22,551	6.0%	21,527	6.0%	1,856	2,880
Other Operating Profits	1,131	0.3%	3,093	0.8%	461	0.1%	-1,962	670
Operating Profits	48,645	12.1%	50,142	13.2%	42,218	11.8%	-1,497	6,427
Gain(or Loss) on Equity Method Investment	5,579	1.4%	5,529	1.5%	5,049	1.4%	50	530
Finance Incomes / Expenses	13	0.0%	-2,531	-0.7%	-454	-0.1%	2,544	467
- Interest Gain (or Loss)	-187	0.0%	18	0.0%	-451	-0.1%	-205	264
- F/X Gain (or Loss)	199	0.0%	-2,548	-0.7%	-3	0.0%	2,747	202
Income Before Income Taxes	54,237	13.5%	53,140	14.0%	46,813	13.0%	1,097	7,424
- Income Taxes	9,683	2.4%	10,370	2.7%	8,752	2.4%	-687	931
Net Income	44,554	11.1%	42,770	11.3%	38,061	10.6%	1,784	6,493