

Earnings Release Q2 2009

Samsung Electronics

July 2009

Disclaimer

This document is provided for the convenience of investors only, before our external audit on Q2 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		
	2Q '09	1Q '09	2Q '08	2Q '09	1Q '09	2Q '08
Device Solution	11.25	9.34	11.31	0.39	-0.98	1.36
<i>(Margin)</i>				<i>(3%)</i>	<i>(-10%)</i>	<i>(12%)</i>
Semiconductor	6.14	5.22	5.73	0.24	-0.67	0.30
<i>(Margin)</i>				<i>(4%)</i>	<i>(-13%)</i>	<i>(5%)</i>
LCD	5.10	4.11	5.55	0.15	-0.31	1.05
<i>(Margin)</i>				<i>(3%)</i>	<i>(-8%)</i>	<i>(19%)</i>
Digital Media & Communications	21.98	19.99	18.39	2.07	1.50	1.01
<i>(Margin)</i>				<i>(9%)</i>	<i>(8%)</i>	<i>(5%)</i>
Telecom	10.04	9.77	7.88	1.00	1.12	0.89
<i>(Margin)</i>				<i>(10%)</i>	<i>(11%)</i>	<i>(11%)</i>
Digital Media	11.77	10.07	10.34	1.06	0.38	0.14
<i>(Margin)</i>				<i>(9%)</i>	<i>(4%)</i>	<i>(1%)</i>
Total	32.51	28.67	29.10	2.52	0.47	2.40
<i>(Margin)</i>				<i>(8%)</i>	<i>(2%)</i>	<i>(8%)</i>

※ Consolidated Income before Tax : **2.86** **0.80** **2.73**

Sales and Profits (Parent Basis)

(Unit : Trillion KRW)

	2Q '09	(%)	Q-on-Q	1Q '09	(%)	2Q '08	(%)	Y-on-Y
Sales	21.02		13%	18.57		18.14		16%
Gross Profit	4.46	(21%)	50%	2.98	(16%)	5.11	(28%)	-13%
SG&A	3.40		20%	2.83		3.21		6%
Operating Profit	1.06	(5%)	620%	0.15	(1%)	1.89	(10%)	-44%
Non-operating income	1.46		173%	0.54		0.68		115%
Pre-Tax Income	2.53	(12%)	270%	0.68	(4%)	2.57	(14%)	-2%
Income Tax	0.27		330%	0.06		0.43		-37%
Net Income	2.25	(11%)	264%	0.62	(3%)	2.14	(12%)	5%

	Sales			Operating Profit		
	2Q '09	1Q '09	2Q '08	2Q '09	1Q '09	2Q '08
Semiconductor	5.05	3.74	4.58	0.15	-0.65	0.27
- Memory	3.13	2.47	3.21	-	-	-
- Sys.LSI	0.88	0.65	0.77	-	-	-
L C D	4.56	3.75	4.71	0.19	-0.31	1.00
Telecom	8.05	8.06	6.14	0.57	0.94	0.79
- Wireless	6.94	6.83	5.42	-	-	-
Digital Media	3.24	2.93	2.56	0.15	0.15	-0.16
- Appliances	1.62	1.31	1.11	-	-	-

Cash Flow & Financial Position (Parent Basis)

Cash Flow Statement

	(Trillion KRW)	
	<u>2Q '09</u>	<u>1Q '09</u>
Cash*(Beginning of period)	5.30	6.65
Cash flow from Operation	2.64	-0.06
<i>Net profit</i>	2.25	0.62
<i>Depreciation</i>	1.91	1.97
<i>Others</i>	-1.52	-2.65
Cash flow from Investment	-1.11	-1.30
<i>CAPEX</i>	-0.93	-0.60
Cash flow from Finance	-0.72	0.02
<i>Dividend</i>	-0.74	-
<i>Repurchase of shares</i>	-	-
<i>Proceeds from sales of shares under stock option plan</i>	0.01	0.02
<u>Net increase in cash</u>	<u>0.81</u>	<u>-1.35</u>
Cash*(End of period)	6.11	5.30

Financial Position (B/S)

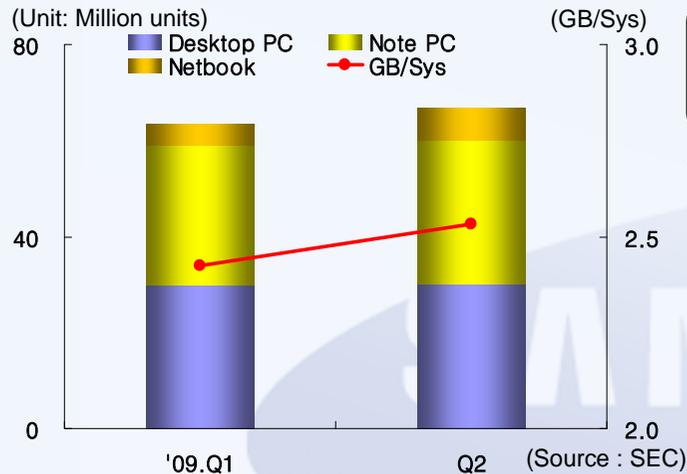
	(Trillion KRW)		
	<u>2Q '09</u>	<u>1Q '09</u>	<u>2Q '08</u>
Assets	76.0	74.5	71.0
Current Assets	20.1	19.2	18.0
<i>Cash*</i>	6.1	5.3	6.4
<i>A/R & Inventories</i>	10.0	9.1	7.8
Non Current Assets	55.9	55.3	52.9
<i>P.P.E.</i>	28.5	29.5	31.5
Liabilities	15.1	15.7	14.8
Debts	0.1	0.1	0.1
Shareholders' Equity	60.9	58.8	56.2
Capital Stock	0.9	0.9	0.9
Retained Earnings	57.6	55.3	54.3
* ROE	15.1%	4.2%	15.7%

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

DS : Semiconductor

2Q Results Analysis

PC Shipment and GB/Sys



Memory

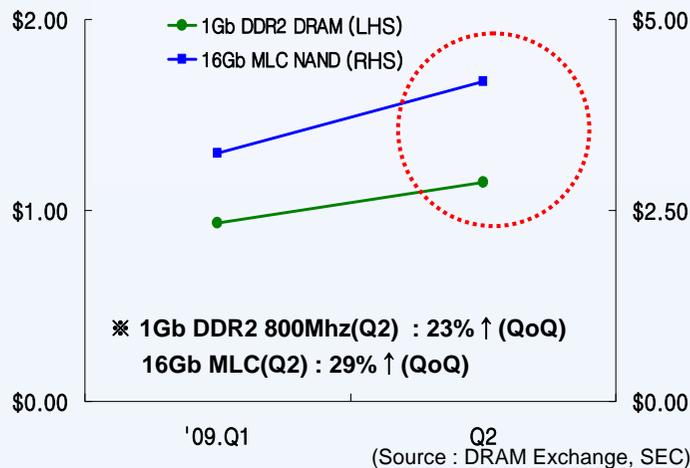
Strengthened cost-competitiveness and profitability via geometry migration and differentiated products/technology despite weak seasonality → turned profitable

- **DRAM:** Price increased due to growth in PC demand and limited supply growth

- PC shipment: mid-single % ↑, QoQ (Avg. 2Q PC shipment: -2%)
- GB/Sys growth: mid-single % ↑, QoQ
- Industry utilization rate increased, but supply increase limited due to delayed geometry migration

☞ **SEC:** Strengthened leadership in DDR3 for Server/High-end PCs and expanded sales of differentiated products (i.e. Mobile/ Graphic/Consumer)

Memory Spot Price Trend



- **NAND:** Price continued to increase due to strong demand for embedded products despite weak seasonality

- Demand recovery led by launch of new smartphones, PMP models, and increased memory density
- Supply shortage continued despite higher industry utilization rate

☞ **SEC:** Enhanced profitability by focusing on solutions for embedded products (moviNAND, OneNAND, etc.)

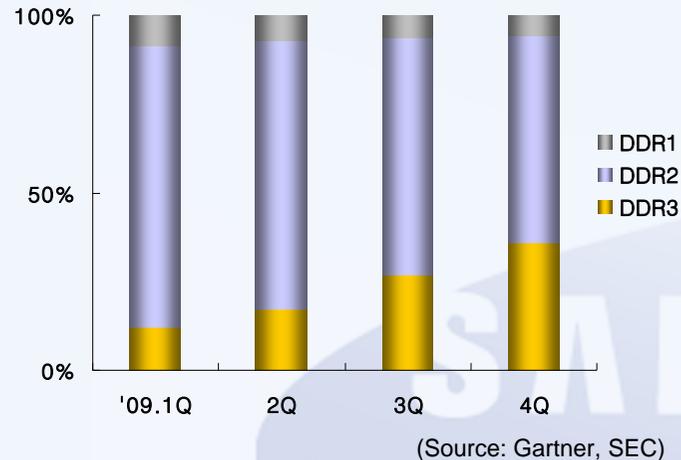
System LSI

- Sales and profitability improved due to demand recovery

DS : Semiconductor

Business Outlook

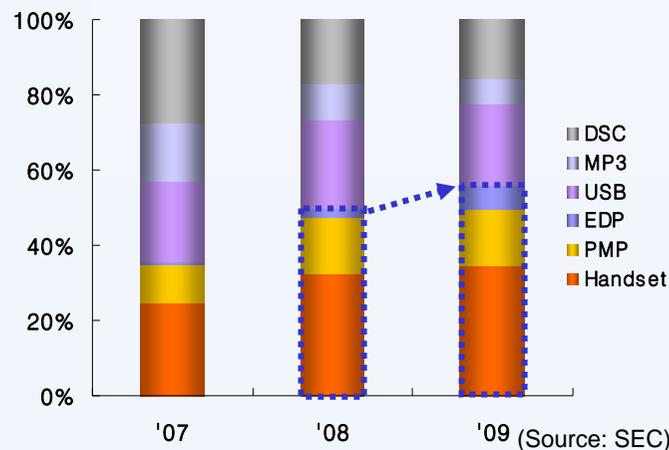
DDR Products (Market)



Market

- **DRAM : PC demand to increase due to seasonality**
 - 3Q PC Shipment: high-single %↑, QoQ (Avg. 3Q PC shipment: 10%↑)
 - Low GB/Sys growth to continue (Low single %↑, QoQ)
 - DDR3 for Note-PCs and 8GB/16GB demand for servers to increase
 - Expect limited supply growth (i.e. limited DDR3 suppliers)
- **NAND : Demand to increase due to seasonal effects**
 - Expect new product launches (MP3/PMP) and demand for high-density memory for smart phones to increase
 - Adoption of 16GB/32GB+ for smart phones/PMPs to increase
 - Expect supply to increase from competitors' rising utilization and process migration

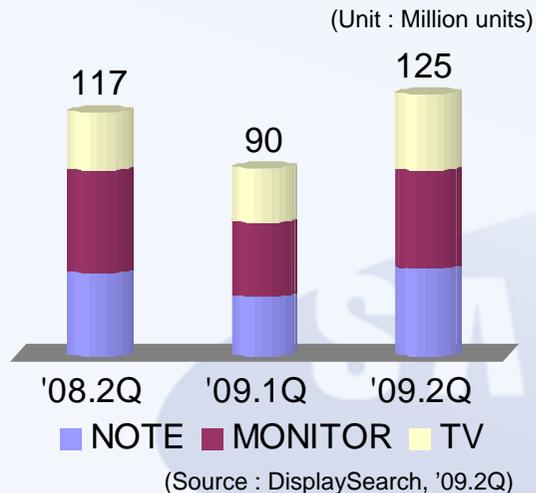
NAND Applications



Samsung

- **Memory: Strengthen market leadership based on our leading-edge technology and competitiveness**
 - **DRAM:** Expand portion of advanced process nodes (i.e. 50/40nm) and differentiation of next-generation DDR3s
 - **NAND:** Strengthen high-density embedded products and accelerate process migration for 40nm and below
- **S.LSI :** Revenue to increase due to strong seasonal demand and expanded applications

Large Panel Shipment (Market)



Large size panels

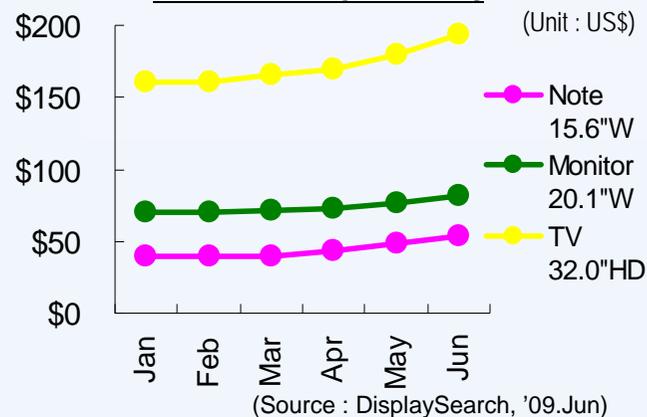
- **Market : Strong Panel demand, but limited supply increase due to glass supply shortage**

- Demand : Q1 90M units → 125M units (40% ↑ QoQ, 8% ↑ YoY)
- ASP : Increased from Q1
- IT : Notebook panel price rebounded (4% ↑ QoQ), and Monitor panel price continue to increase (12% ↑ QoQ)
- TV : Increase in under 32" panel price led to higher ASP (9% ↑ QoQ)

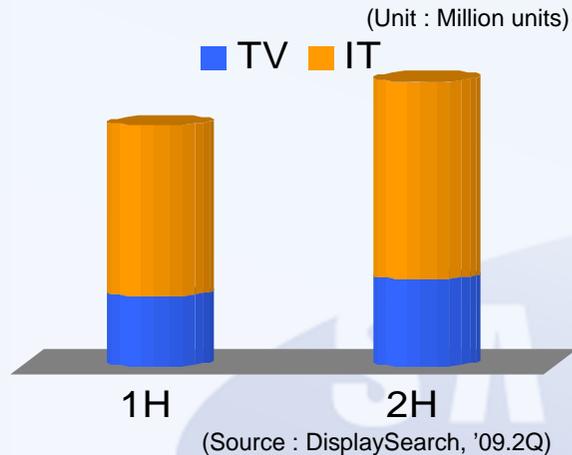
- **Samsung : Panel shipment increased (mid-30%), and turned profitable**

- IT : Shipments increased due to strong sales in emerging markets and higher demand for new products
 - ☞ New products : 16:9, LED, mini notebook panels
- TV : Shipments grew by high-50% QoQ due to expansion of customer base and successful ramp-up of the 8-2 line
 - ☞ Successfully launched the slim edge-type LED TV panels, and actively responded to demand for under 32" panels

Panel ASP (Market)



'09 Large Panel Demand (Market)



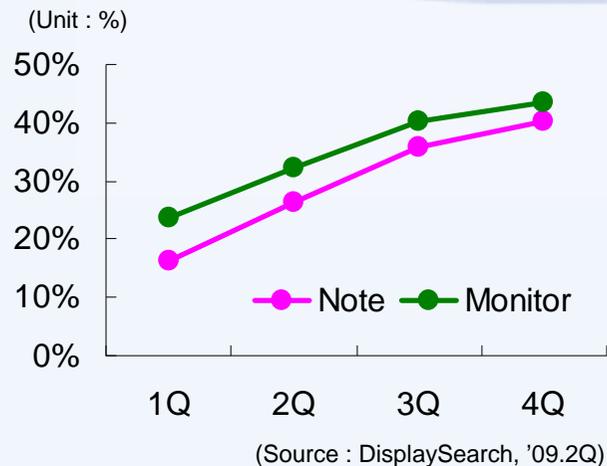
Market

- **Panel demand continues to grow in Q3 due to seasonality**
 - IT : Demand to increase due to strong seasonality and glass supply shortage to limit supply growth
 - TV : Emerging market demand to increase
 - ※ Risk factors, including weak seasonal demand expected in Q4 and demand slow down led by panel price increase, still remain

Samsung

SEC to increase market dominance by strengthening product leadership and enhancing SCM

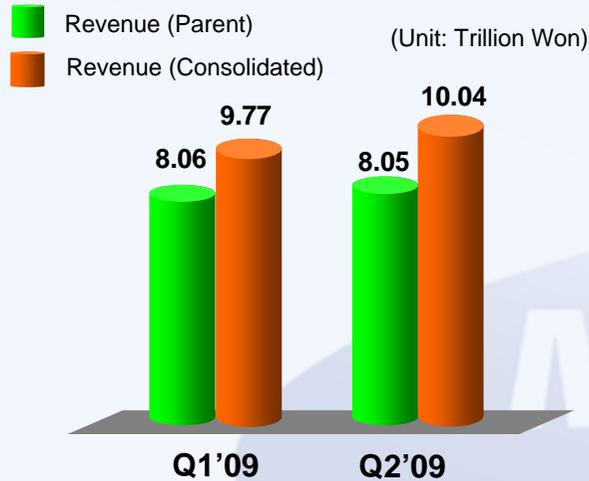
'09 16:9 Panel Portion (Market)



- **IT : Increase sales through expanding product line-up and Mini notebook panels**
 - Strengthen line-up of eco-friendly products (low-power LED panels), multimedia (16:9) panels, and over 20"+ monitor panels
- **TV : Strengthen market dominance through product differentiation and increased capacity**
 - Increase sales of under 32" panels and strengthen differentiated products (240Hz/Slim/LED)
 - ☞ Expand markets by strengthening line-up of LED products
 - Support seasonally strong demand by maximizing operation of 8-2 line

DMC : Telecommunication Q2 Results Analysis

Revenue & OP Margin



M/S Trends



Handsets

- **Shipment : 52.3 million units (QoQ 14%↑, YoY 14%↑)**
 - Sales increase in both developed and emerging markets due to enhanced product line-up
 - Europe/ US : Strong sales of touch-phones and messaging-phones
 - Emerging markets : Steady sales increase of strategic models
 - ☞ Slim design and differentiated functions (color screen, camera)
- ※ **Continued to outperform market growth**
 - Expect steady M/S growth

- **ASP : \$124 (QoQ 2%↑)**
- ☞ **Maintained double-digit OP margin, due to strong mid/high-end sales and cost saving despite increased marketing expenses**

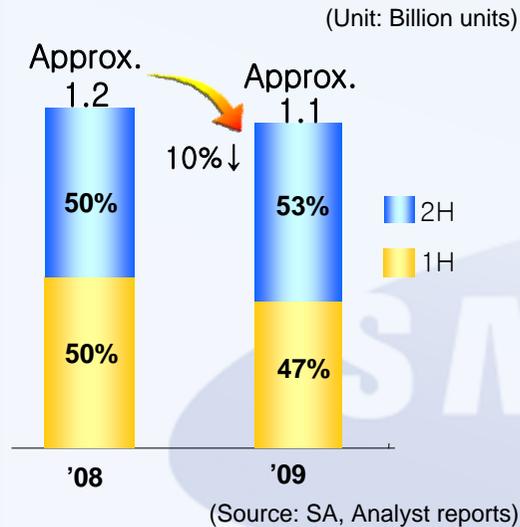
Network

- **Sustained revenue contributions from the expansion of overseas Mobile WiMAX equipment sales**

DMC : Telecommunication

Business Outlook

Handset Market



Touch-phone flagship models



Market

- **Q3 Demand : QoQ +5% range increase**
 - Developed market : Strong seasonal demand & Carrier promotion
 - Emerging market : Seasonal demand and expand 3G service in China
- **Expect continued demand increase in smart-phone and touch-phone**

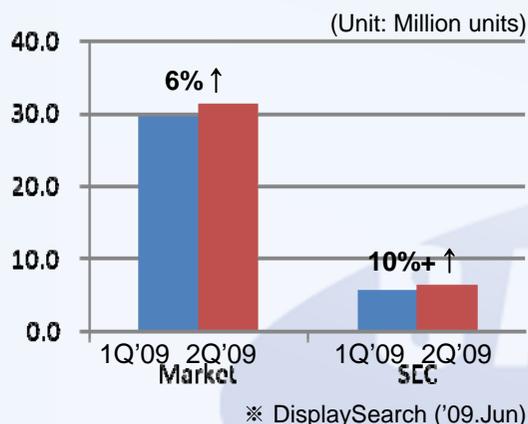
Samsung

- **Handsets : Expect steady M/S growth through strengthened product line-up**
 - ※ '09 shipment target : 200 million plus units
 - Expansion of current strategic products in the global market & Launching of 2H flagship models
 - Jet, Galaxy, Star, Omnia II
 - Growth expected in developed market (US, Europe) and emerging market where 3G service is expanding
- **Network : Expand overseas Mobile WiMAX business and increase PC (netbook, etc.) shipments**

DMC : Digital Media

Q2 Results Analysis

FPTV Shipment



Digital Media

※ Including overseas sales

- Consolidated revenue continued to increase due to strong sales of FPTV and Home Appliance products (17%↑ QoQ)
- FPTV: Market demand increased 6% QoQ while SEC outperformed the market with a 10%+ increase in shipment

- Strong sales of differentiated new products (i.e. LED TVs, New designed LCD TVs)

※ Cumulative LED-TV shipments as of end-June: 500K+ units

- Monitor : Increased sales in line with market growth (3%↑ QoQ) and maintained no.1 M/S

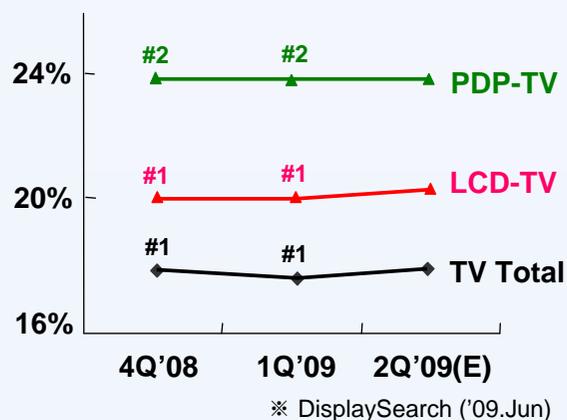
- Strengthened leadership in the 20"+ large-size monitor market
- ※ Sales portion of 20"+ monitor segment: mid-40% vs. high-30% (market)

- Appliances: Revenue growth continued (mid-20% ↑ QoQ) and profitability improved as premium products increased

- Strong sales of premium refrigerators and drum w/m → gain M/S

※ Premium refrigerator sales increased by 40% QoQ

FPTV Market Share



DMC : Digital Media

Business Outlook

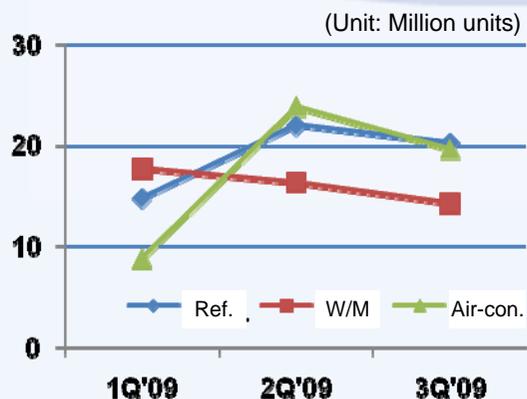
TV Market Forecast

(Unit: Million)

	1Q'09	2Q'09		3Q'09	
			QoQ		QoQ
CRT	19.6	17.8	-9%	15.5	-13%
LCD	26.8	28.1	5%	32.3	15%
PDP	2.8	3.2	16%	3.6	11%
Total	43.3	45.1	4%	51.7	15%

(Source: DisplaySearch '09.Jun)

Appliances Market Forecast



(Source: AHAM, GFK, SEC)

Market

- **FPTV : Q3 market demand to continue to rise (mid-10% QoQ), but price competition to intensify**
 - Demand drivers : Strong seasonality, China's National holidays, and attractive price range
 - Emerging market growth to lead global market growth (30%+ QoQ)
- **Price competition to intensify with new TV model launches**

Samsung

- **FPTV : Samsung to outperform the market growth through strengthened line-up of differentiated premium products**
 - Increase dominance in the premium segment through differentiated LED-TV (full line-up/ high-definition/ design)
 - Improve cost competitiveness and strengthen SCM to address market changes
- **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)

	2Q '09 (A)	1Q '09 (B)	2Q '08 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	201,315	192,139	180,301	9,176	21,014
– Cash & Cash Equivalents	55,531	47,250	53,562	8,281	1,969
– Marketable Securities	5,548	5,769	10,269	-221	-4,721
– A/R	62,720	52,106	39,246	10,614	23,474
– Inventories	37,683	38,926	38,570	-1,243	-887
– Other Current Asset	39,833	48,088	38,654	-8,255	1,179
Non Current Assets	558,626	552,787	529,275	5,839	29,351
– Investment	252,811	239,537	197,892	13,274	54,919
– PPE	285,439	295,471	314,942	-10,032	-29,503
– Intangible Assets	6,408	6,631	6,068	-223	340
– Other Non Current Asset	13,968	11,149	10,373	2,819	3,595
Total Assets	759,941	744,926	709,576	15,015	50,365
Liabilities	150,942	156,567	148,053	-5,625	2,889
– Debts	1,169	1,252	998	-83	171
– Trade Accounts and N/P	40,140	40,086	27,814	54	12,326
– Other Accounts and N/P	29,661	26,042	33,092	3,619	-3,431
– Accrued Expenses	40,792	37,754	39,421	5,689	4,022
– Income Tax Payable	363	1,901	6,816	-1,538	-6,453
– Other Liabilities	38,817	49,534	39,913	-13,368	-3,747
Shareholders' Equity	608,999	588,360	561,523	20,639	47,476
– Capital Stock	8,975	8,975	8,975	0	0
– Capital Surplus	66,159	66,182	65,908	-23	251
– Capital Adjustments	-85,696	-85,662	-86,041	-34	345
– Accumulated Other Comprehensive Income	44,028	45,866	29,751	-1,838	14,277
– Retained Earnings	575,533	552,998	542,930	22,535	32,603
Total Liabilities & Shareholder's Equity	759,941	744,926	709,576	15,015	50,365

[Appendix 2] Proforma Income Statement (Parent Basis)

(Unit : 100 Million, KRW)

	2Q '09 (A)		1Q '09 (B)		2Q '08 (C)		Q-on-Q	Y-on-Y
		%		%		%	(A - B)	(A - C)
Sales	210,197	100%	185,662	100%	181,391	100%	24,535	28,806
– Domestic	39,507	18.8%	31,017	16.7%	36,726	20.2%	8,490	2,781
– Export	170,690	81.2%	154,645	83.3%	144,665	79.8%	16,045	26,025
Cost of Sales	165,576	78.8%	155,899	84.0%	130,337	71.9%	9,677	35,239
Gross Profit	44,621	21.2%	29,763	16.0%	51,054	28.1%	14,858	-6,433
SG&A	33,985	16.2%	28,287	15.2%	32,116	17.7%	5,698	1,869
– Wages & Fee	4,018	1.9%	4,049	2.2%	4,506	2.5%	-31	-488
– Marketing Expenses	13,454	6.4%	6,683	3.6%	10,397	5.7%	6,771	3,057
– R&D / Royalty Expenses	10,548	5.0%	11,118	6.0%	10,891	6.0%	-570	-343
Operating Profits	10,636	5.1%	1,476	0.8%	18,938	10.4%	9,160	-8,302
Non OP Income & Expenses	14,628	7.0%	5,351	2.9%	6,805	3.8%	9,277	7,823
– F/X Gain (or Loss)	-4,176	-2.0%	1,735	0.9%	-501	-0.3%	-5,911	-3,675
– Gain (or Loss) on Foreign Currency Translation	3,532	1.7%	-2,733	-1.5%	77	0.0%	6,265	3,455
– Gain (or Loss) on Equity Investment	14,497	6.9%	4,355	2.3%	6,073	3.3%	10,143	8,425
Income before Income Taxes	25,263	12.0%	6,827	3.7%	25,742	14.2%	18,435	-480
– Income Taxes	2,728	1.3%	635	0.3%	4,323	2.4%	2,093	-1,595
Net Income	22,535	10.7%	6,192	3.3%	21,419	11.8%	16,342	1,115