

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)

	<u>Sales</u>			<u>Operating Profit</u>		
	3Q '09	2Q '09	3Q '08	3Q '09	2Q '09	3Q '08
Device Solution	14.21	11.25	11.55	2.17	0.39	0.65
<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>
Digital Media & Communications	23.25	21.98	19.83	1.98	2.07	0.80
<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>
Total	35.87	32.51	30.27	4.23	2.52	1.48
<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)

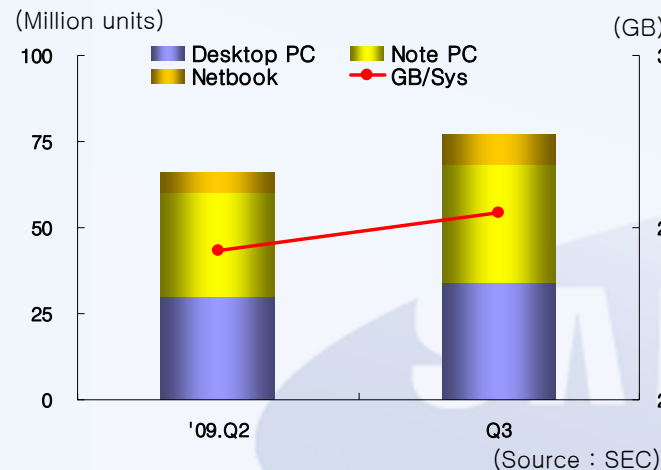
	(Trillion KRW)		
	<u>3Q '09</u>	<u>2Q '09</u>	<u>3Q '08</u>
Assets	80.8	76.0	75.0
Current Assets	24.7	20.1	20.6
<i>Cash*</i>	8.8	6.1	8.1
<i>A/R & Inventories</i>	11.3	10.0	8.3
Non Current Assets	56.1	55.9	54.5
<i>P.P.E.</i>	28.0	28.5	31.9
Liabilities	16.8	15.1	17.0
Debts	0.1	0.1	0.1
Shareholders' Equity	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

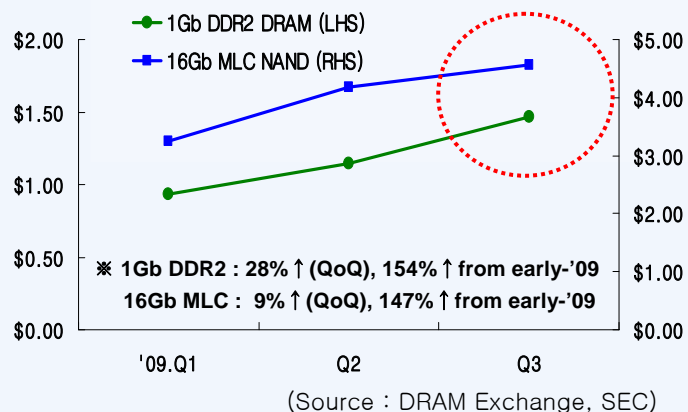
PC Shipment and GB/Sys



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**

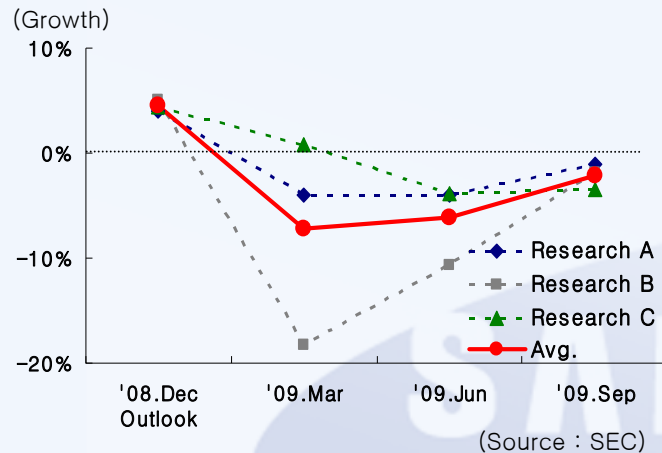
System LSI

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

DS : Semiconductor

Business Outlook

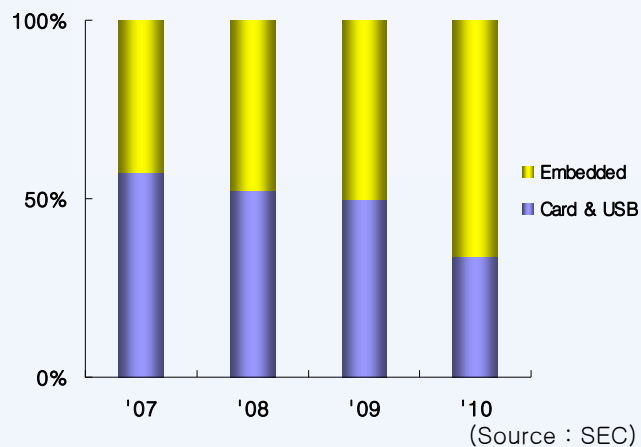
2009 PC Demand Outlook



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

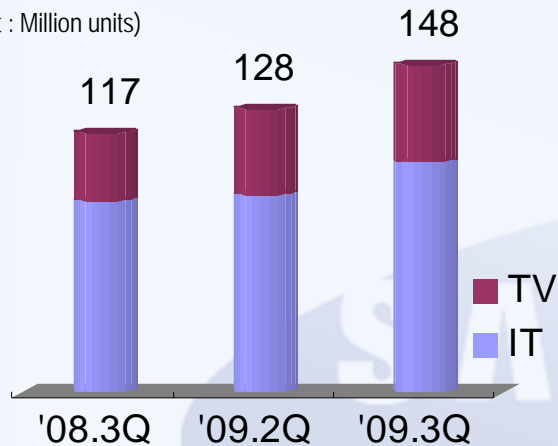


Samsung

- **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
Note PC	52	64	22%
Monitor	79	93	17%
TV	221	256	16%

(Source : DisplaySearch, '09.3Q)

Samsung

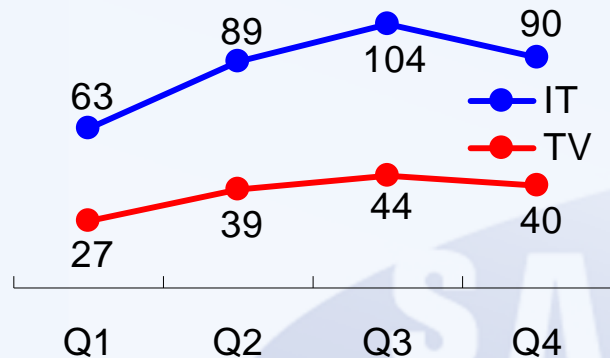
- **Panel shipment increased mid-10% QoQ driven by strong sales across all applications**
 - IT : Strong sales of consumer notebooks and higher-than-expected demand for corporate monitors (e.g. Mini notebooks, 16:9, LED)
 - TV : Shipment rose mid-20% QoQ due to successful ramp-up of the 8-2 line, increased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



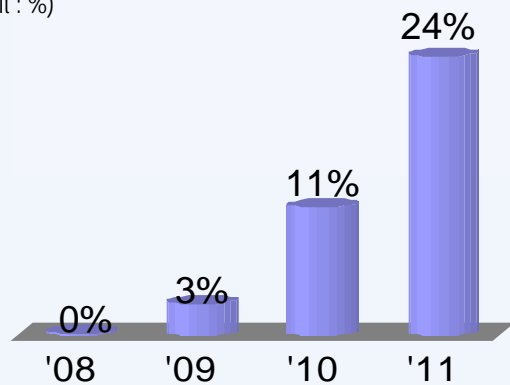
(Source : DisplaySearch, 3Q)

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)

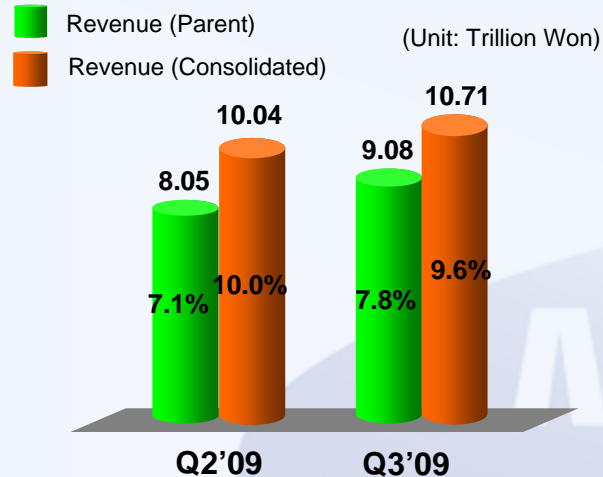
Samsung

- **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

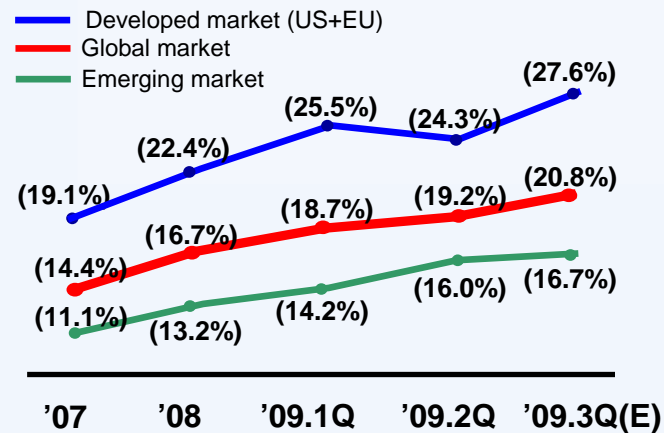
DMC : Telecommunication

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

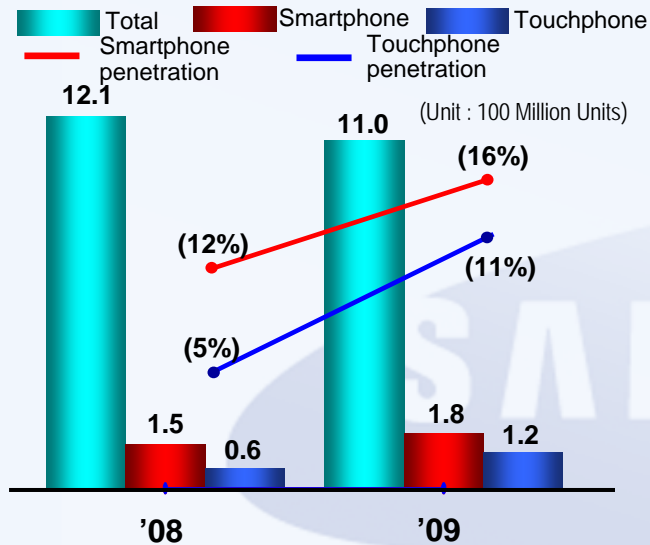
- ☞ **Maintained steady OP margin despite increased expenses, due to strong sales of premium products and enhanced cost competitiveness**

Network

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

DMC : Telecommunications Business Outlook

Handset Market



Touch / Smartphone



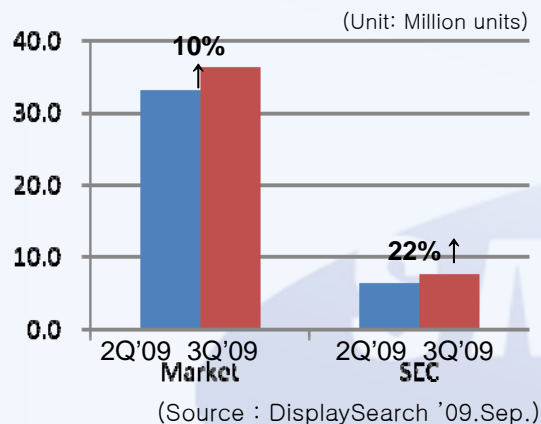
Market

- **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

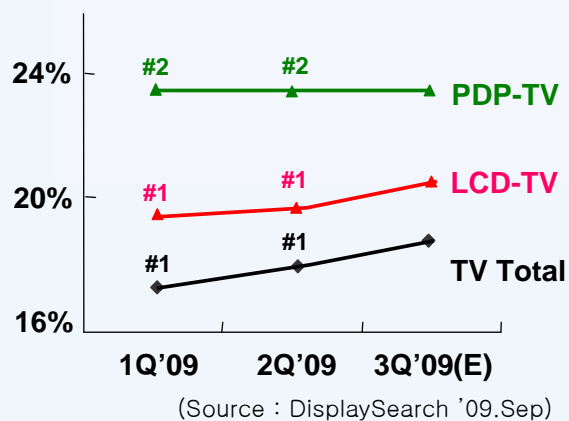
Samsung

- **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**

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

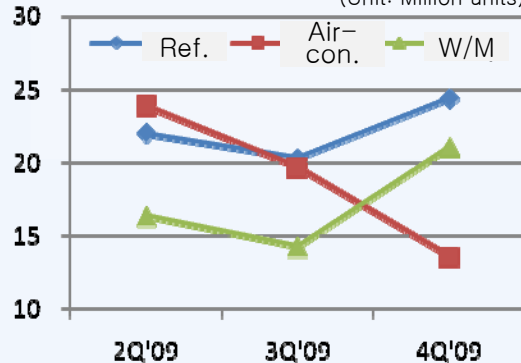
(Unit: Million units)

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

(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)
Current Assets	247,051	201,315	205,681	45,736	41,370
– 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
Non Current Assets	560,558	558,626	544,510	1,932	16,048
– 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
Total Assets	807,610	759,941	750,191	47,669	57,419
Liabilities	168,204	150,942	169,612	17,262	-1,408
– 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
Shareholders' Equity	639,406	608,999	580,579	30,407	58,827
– 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
Total Liabilities & Shareholder's Equity	807,610	759,941	750,191	47,669	57,419

[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)
Sales	248,620	100%	210,196	100%	192,562	100%	38,424	56,058
– 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
Cost of Sales	181,561	73.0%	165,576	78.8%	149,615	77.7%	15,985	31,946
Gross Profit	67,059	27.0%	44,621	21.2%	42,947	22.3%	22,438	24,112
SG&A	39,385	15.8%	33,985	16.2%	32,713	17.0%	5,400	6,672
– 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
Operating Profits	27,674	11.1%	10,636	5.1%	10,234	5.3%	17,038	17,440
Non OP Income & Expenses	15,056	6.1%	14,627	7.0%	3,775	2.0%	429	11,281
– 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
Income before Income Taxes	42,730	17.2%	25,263	12.0%	14,009	7.3%	17,467	28,721
– Income Taxes	5,499	2.2%	2,728	1.3%	1,822	0.9%	2,771	3,677
Net Income	37,231	15.0%	22,535	10.7%	12,187	6.3%	14,696	25,044