

Earnings Release Q2 2010

Samsung Electronics

July 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 Q2 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

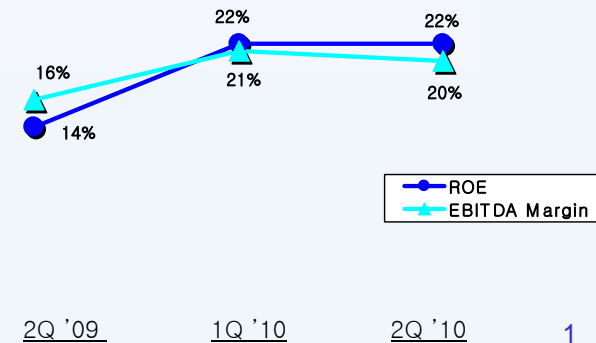
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: Trillion Won)	2Q '10	(% of sales)	Y-on-Y	2Q '09	(% of sales)	1Q '10	(% of sales)
Sales	37.89	100.0%	17%↑	32.51	100.0%	34.64	100.0%
Cost of Sales	24.52	64.7%	7%↑	22.92	70.5%	23.01	66.4%
Gross Profit	13.37	35.3%	39%↑	9.59	29.5%	11.63	33.6%
R&D expense	2.31	6.1%	34%↑	1.72	5.3%	2.05	5.9%
SG&A expense	6.36	16.8%	20%↑	5.29	16.3%	5.54	16.0%
Other operating profit/loss	0.31	0.8%	209%↑	0.09	0.3%	0.37	1.1%
Operating Profit	5.01	13.2%	88%↑	2.67	8.2%	4.41	12.7%
Equity method gains/losses	0.55	1.5%	26%↑	0.44	1.3%	0.46	1.3%
Finance income / expense	△0.25	△0.7%	-	△0.13	△0.4%	0.10	0.3%
Profit Before Income Tax	5.31	14.0%	78%↑	2.98	9.2%	4.97	14.4%
Income tax	1.03	2.7%	61%↑	0.65	2.0%	0.98	2.8%
Net profit	4.28	11.3%	83%↑	2.33	7.2%	3.99	11.5%

Key Profitability Indicators

(Unit: %)	2Q '10	2Q '09	1Q '10
ROE	22%	14%	22%
Profitability (Net income/Sales)	0.11	0.07	0.12
Asset turnover (Sales/Asset)	1.27	1.31	1.22
Leverage (Asset/Equity)	1.54	1.52	1.53
EBITDA Margin	20%	16%	21%



Segment Information

Sales by Segment

(Unit: Trillion Won)	2Q '10	Y-o-Y	2Q '09	1Q '10
Semiconductor	9.53	55%↑	6.13	8.20
– Memory	6.71	74%↑	3.85	5.59
LCD	7.76	31%↑	5.91	6.85
Telecom	8.78	4%↓	9.10	9.18
– Mobile	8.05	5%↓	8.45	8.57
Digital Media	14.54	20%↑	12.15	12.61
– VD	8.59	13%↑	7.59	7.39
– Appliances	3.17	23%↑	2.57	2.47
Others	△2.72		△0.78	△2.20
Total	37.89	17%↑	32.51	34.64

* Sales include intersegment sales

Operating Profit by Segment

(Unit: Trillion Won)	2Q '10	(Margin)	Y-o-Y	2Q '09	(Margin)	1Q '10
Semiconductor	2.94	30.8%	25.3%p↑	0.34	5.5%	1.96
LCD	0.88	11.3%	7.1%p↑	0.25	4.2%	0.49
Telecom	0.63	7.2%	3.6%p↓	0.98	10.8%	1.10
Digital Media	0.36	2.5%	7.0%p↓	1.16	9.5%	0.52
Others*	0.20			△0.06		0.34
Total	5.01	13.2%	5.0%p↑	2.67	8.2%	4.41

* Other businesses & Other operating profits/losses

Cash Flow Statement

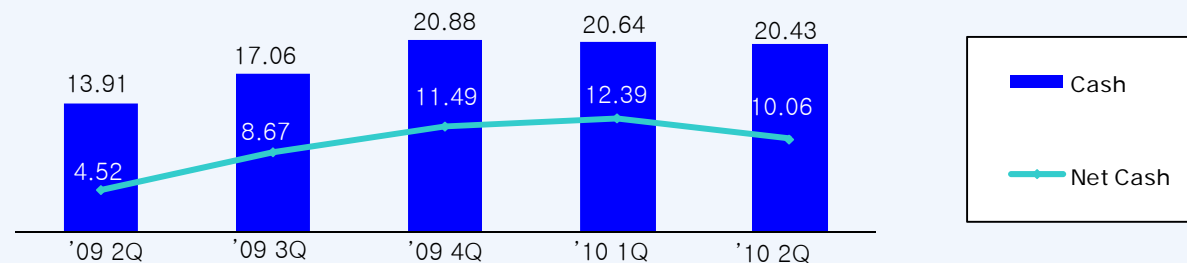
(Unit: Trillion Won)

	2Q '10	1Q '10
Cash (Beginning of period)*	20.64	20.88
Cash flow from Operation	3.82	5.23
Net profit	4.28	3.99
Depreciation	2.57	2.75
Others	△3.03	△1.51
Cash flow from Investment	△4.59	△4.48
Increase in tangible assets	△5.09	△4.14
Cash flow from Finance	1.06	△1.11
Increase in Debts	2.18	△1.15
<i>Net increase in cash</i>	△0.21	△0.24
Cash (End of period)*	20.43	20.64

* Cash = Cash + Cash equivalent + Short-term financial instrument + Short-term available-for-sale securities

※ Free Cash Flow: '10. 1Q 0.87 trillion won → '10. 2Q △0.65 trillion won

Cash & Net Cash Position



Statement of Financial Position

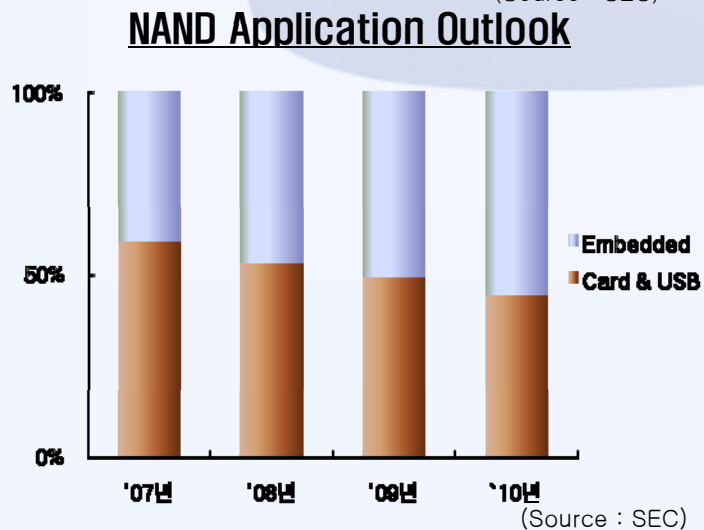
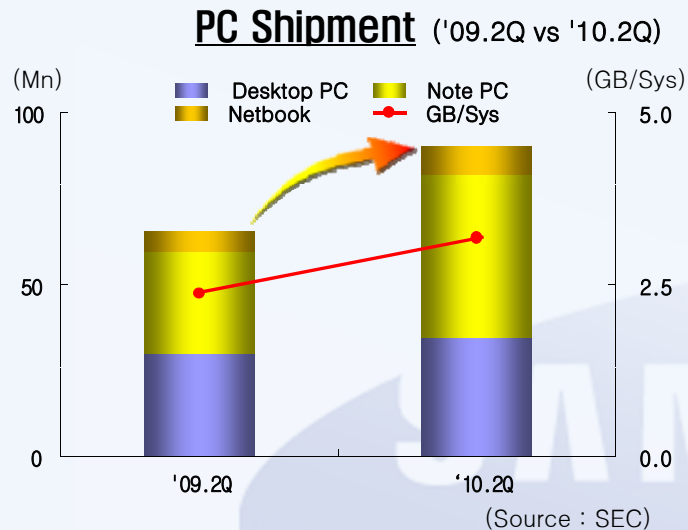
(Unit: Trillion Won)	2Q '10	1Q '10	2Q '09
Current assets	60.69	55.30	45.36
Cash*	20.43	20.64	13.91
Trade accounts and notes receivable	19.67	17.02	16.35
Inventories	13.82	11.72	9.95
Non-current assets	64.99	59.80	57.00
Investments	10.49	9.59	8.53
PP&E	47.07	44.03	44.93
Total assets	125.68	115.10	102.36
Debts	10.37	8.25	9.39
Total liabilities	43.98	39.86	35.15
Total shareholders' equity	81.70	75.24	67.21

* Cash = Cash + Cash equivalent + Short-term financial instrument + Short-term available-for-sale securities

Key Financial Indicators

(Unit : %)	2Q '10	1Q '10	2Q '09
Current ratio*	160%	157%	149%
Liability/Equity	54%	53%	52%
Debt/Equity	13%	11%	14%
Net debt/Equity	△12%	△16%	△7%

* Current ratio= Current Assets/ Current Liabilities



Memory

- DRAM : Strong demand and supply constraints continued → Price ↑
 - PC Shipment : Mid-20% ↑ (YoY), Flat(QoQ)
 - GB/Sys : Low-30% ↑ (YoY), low-teens % ↑ (QoQ)
 - Supply shortage continued due to competitors' delayed geometry migration
- ☞ SEC : Increased market leadership and enhanced profitability by accelerating migration to 4xnm
 - ※ Outperform industry bit growth (mid-teens % vs. high-single %)
- NAND : Strong embedded product demand continued despite weak seasonality
 - Despite weak card market, set embedded products drove overall demand with new applications (e.g. smart phones, tablet PC) → Price remained stable
- ☞ SEC : Expanded production of 3xnm processes and focused on embedded products
 - ※ Outperform industry bit growth (mid-20% vs. high-10%)

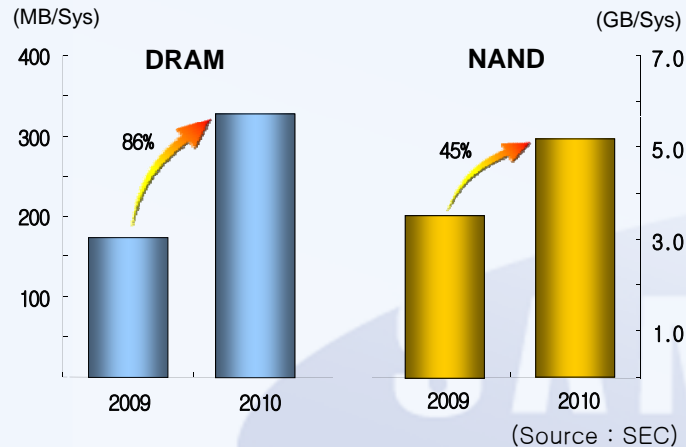
System LSI

- Despite weak seasonality, demand for DDI & Mobile AP remained strong → Improved sales and profitability (YoY, QoQ)

Semiconductor

Business Outlook

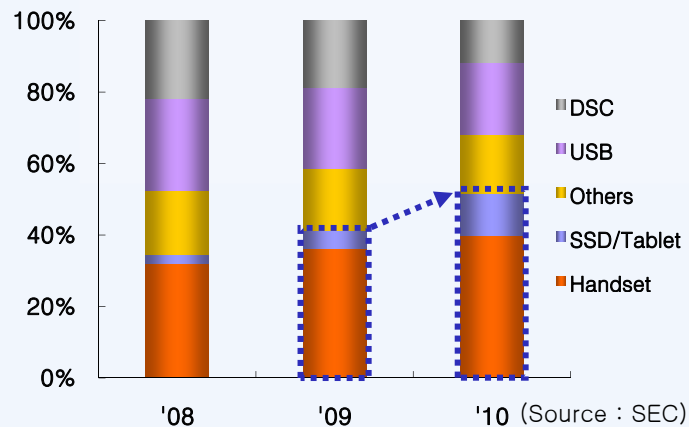
Smartphone Memory Adoption



Market

- DRAM : Expect demand to increase with seasonality
 - Corporate PC replacement, smart phones, and servers to drive demand increase
 - GB/Sys growth to slow down due to increased BOM cost
 - Expect tight market conditions to ease with increase in supply
- NAND : New applications and demand for high-density memory to increase
 - Increase in new application products (e.g. tablet PCs) and smart phone contents to drive high-density memory adoption

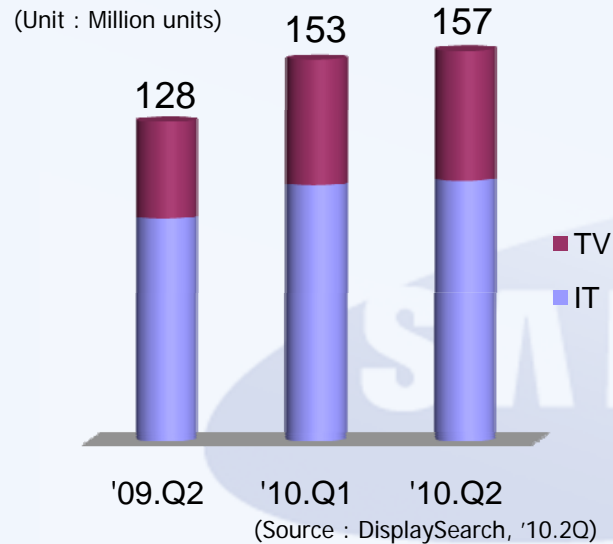
NAND Applications



Samsung

- Memory : Enhance market dominance and improve profitability based on technology leadership and cost competitiveness
 - DRAM : Strengthen cost competitiveness through mass production of 30/40nm and expand sales of green(low-power) products
 - NAND : Start mass production of 2Xnm & expand portion of 3-bit based on 3Xnm
- Sys. LSI : Expect earnings to improve across major product segments w/ increase in seasonal demand(e.g. smart phones, DTVs)

Large Panel Shipment (Market)



Panel ASP (Market)

(Unit: US\$, %)

ASP	'10.1Q	'10.2Q	Change
Note PC	57	57	-
Monitor	90	90	-
TV	255	262	3%

(Source : DisplaySearch, '10.2Q)

Market

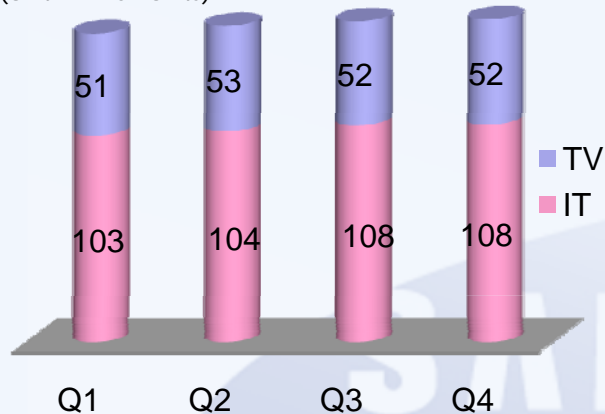
- Despite seasonal weakness, shipment increased significantly YoY and marginally QoQ due to stable panel demand
- Shipment : '10.1Q 153 → '10.2Q 157 M units (23%↑ YoY, 2%↑ QoQ)
 - TV : Demand remained robust due to the World Cup games and increased LED and 3D TV panel demand
 - IT : Notebook – Replacing old PC & Desktop and B2B demand increased
Monitor – Weak demand due to low desktop demand and seasonality

Samsung

- Total shipment increased by high teens % YoY and high single-digit% QoQ
 - ☞ Expanded sales of differentiated products and improved line productivity to increase profitability (e.g. LED, 3D/240Hz TV panel)
- TV : Sales of differentiated products increased due to the World Cup games and panel demand growth for new product models
 - ☞ 40"+, LED, 3D/240Hz, etc.
- IT : Notebook panel sales were robust due to strong PC demand
 - ☞ 14.X" sales increased

'10 Panel Demand (Market)

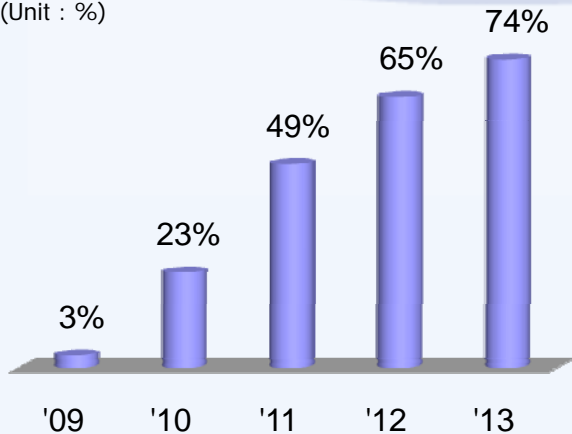
(Unit : Million Units)



(Source : DisplaySearch, '10.2Q)

LED TV Penetration Rate (Market)

(Unit : %)



(Source : DisplaySearch, '10.2Q)

Market

- Despite strong seasonal demand, TV panel demand to remain flat QoQ in Q3 due to adjustment of increased panel inventory by SET makers
- TV : **Expect strong LED and 3D TV panel demand to continue** despite concern of panel demand growth rate to decline in Q3 due to increased channel inventory in N.A. & China and World Cup related pull-in demand in Europe
- IT : Notebook panel demand to increase marginally due to continued strong B2B and PC replacement demand

Samsung

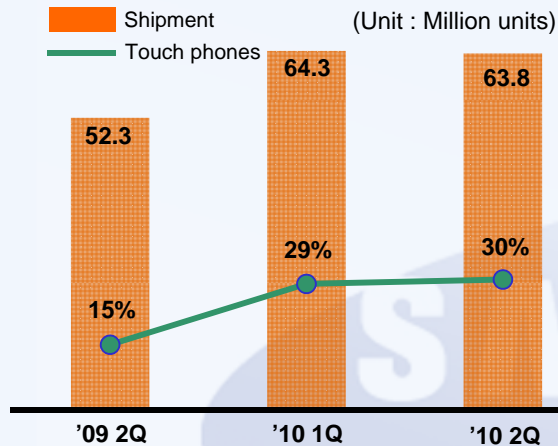
Focus on maintaining profitability by expanding differentiated product sales of LED and 3D/240Hz TV panel

- TV : Increase portion of differentiated product sales (i.e. LED, 3D/240Hz TV panel)
 - Stabilizing shipment by strengthening the cooperation with customers
- IT : Focus on value-added / profitable product mix
 - LED, Slim, low-power products, etc.

Telecommunication

Q2 Results

Shipment Trends



New Models in Q2

[Full touch phones]



Acton

Champ

[Smart phones]



Galaxy S
(Android)

Wave
(bada)

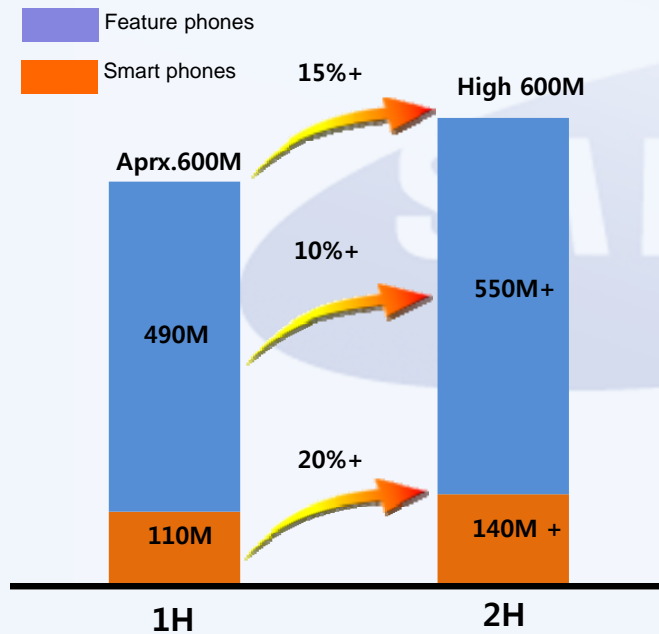
Handset

- Shipment : 63.8 M units, 22% ↑ YoY
 - Global shipment increased YoY due to overall demand recovery, but slightly decreased QoQ due to European economy's slowdown
 - Strong sales in U.S. and emerging markets (e.g. India, Latin America)
 - New smart phones launched toward the end of the quarter
→ Low contribution to overall shipment
- ☞ **Expect significant increase in sales of Galaxy S and Wave in 2H**
- ASP declined due to intensified price competition and product mix adjustment
- ☞ **Reduced earnings due to ASP decline and depreciation of Euro**

Network

- Improved revenue and profitability due to the expansion of M-WiMAX business in domestic and overseas markets

Handset Market



(Source: SA, Securities)

Market

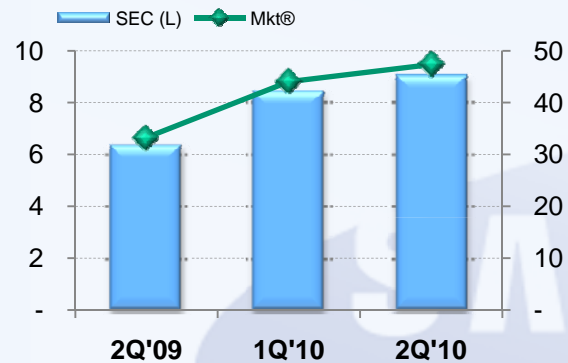
- 2H demand to increase around 15% due to strong seasonality
 - ✧ **Expect high-single digit QoQ growth in Q3**
- Developed markets : Smartphone growth to continue due to release of various products (esp. Android phones)
- Emerging markets : 3G and full-touch phones to drive replacement demand
 - ✧ 3G demand in China to increase due to line-up expansion by carriers

Samsung

- Q3 : Focus on increasing market share and improving profitability by strengthening strategic products line-up (e.g. Galaxy S)
 - Strengthen our high-end market position by expanding sales of strategic smart phone models
 - Galaxy S : Expand to all major U.S. carriers and Asia & Europe carriers
 - Enhance price competitiveness by introducing smart phones targeting the mass market
 - Strengthen feature phone leadership by introducing new full-touch phones
 - Increase emerging market M/S through product differentiation and distribution channel expansion
- ✧ **Increase in smart phone sales to drive higher ASP and profitability**
- Network business revenue to increase with increased M-WiMAX sales in Asia & domestic markets

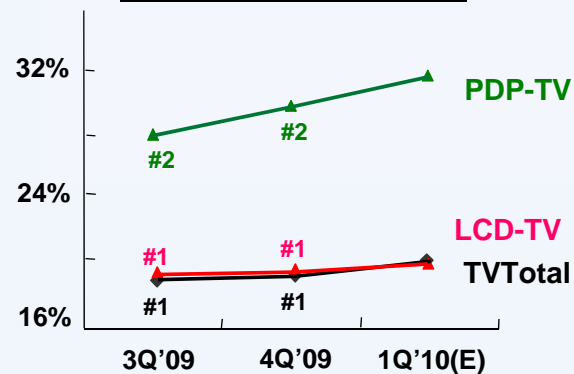
FPTV Market

(Unit: Million units)



(Source : DisplaySearch Jun '10)

FPTV M/S (Revenue)



(Source : DisplaySearch Jun '10)

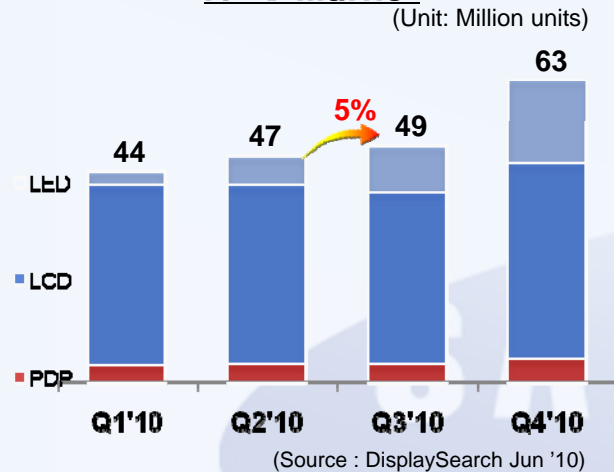
TV

- FPTV Shipment : 9.02M units (**YoY 43% ↑, QoQ 7% ↑**)
 - Increased shipment in both developed and emerging markets
 - Developed markets : Increased portion of 40"+ LCD TV and penetration of LED TV & 3D TV
 - Emerging markets : Increased shipment in BRICs
 - ※ Cumulative 3D-TV shipments as of end-June: 500K+ units
 - ☞ Profitability improved QoQ with increased sales of LED, 3D TVs

Appliances

- Revenue increased 23% YoY and 28% QoQ due to strong sales in premium refrigerators and drum W/M in developed market
 - Continued to gain market share in premium refrigerators and drum washing machines in US
 - ☞ Lower profitability in Digital Appliances business due to increased raw material & shipping cost

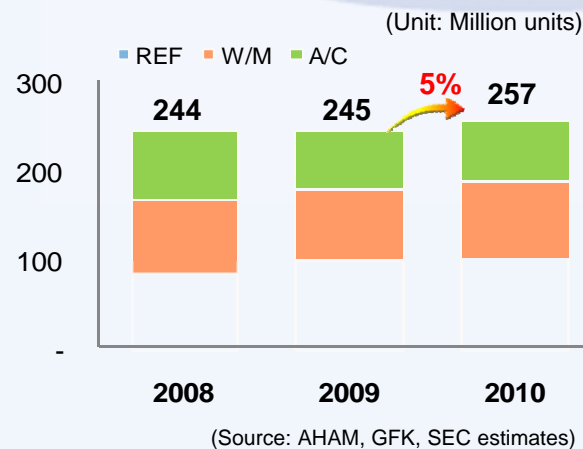
FPTV Market



Market

- FPTV : Q3 demand to grow by 20% YoY and 5% QoQ
 - Expect LED-TV and 3D TV demand growth to continue
 - LED TV portion in LCD-TVs to increase ('10.1Q 8% → 2Q 15% → 3Q 22% → 4Q 30%)
 - Emerging market's growth to continue : 2H'10 demand to rise by 29% YoY
- Appliances : 2H demand for major products (Ref., W/W and A/C) to grow by around 5% YoY

Appliances Market Forecast



Samsung

- FPTV : Expand the sales of premium products (e.g. LED TV, 3D TV)
 - Strengthen market dominance and maintain profitability
 - Strengthen market dominance by expanding LED TV line-up and offering differentiated 3DTV solution
- Appliances : Continue to launch new differentiated products, focusing on high-value added products
 - expand our market dominance
 - Launch premium and eco-friendly low-power products

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

(Unit : 100 Million, KRW)

	2Q '10 (A)	1Q '10 (B)	2Q '09 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	606,912	552,967	453,640	53,945	153,272
- Cash *	204,285	206,433	139,085	-2,148	65,200
- A/R	196,702	170,209	163,469	26,493	33,233
- Inventories	138,249	117,162	99,523	21,087	38,726
- Other Current Assets	67,676	59,163	51,563	8,513	16,113
Non Current Assets	649,855	597,991	569,978	51,864	79,877
- Investment	104,875	95,859	85,290	9,016	19,585
- PP&E	470,665	440,290	449,271	30,375	21,394
- Intangible Assets	27,364	17,750	12,084	9,614	15,280
- Other Non Current Assets	46,951	44,092	23,333	2,859	23,618
Total Assets	1,256,767	1,150,958	1,023,618	105,809	233,149
Liabilities	439,801	398,568	351,468	41,233	88,333
- Debts	103,669	82,511	93,853	21,158	9,816
- Trade Accounts and N/P	97,506	104,561	86,811	-7,055	10,695
- Other Accounts and N/P & Accrued Expenses	148,657	125,694	112,862	22,963	35,795
- Income Tax Payable	15,133	11,759	5,026	3,374	10,107
- Unearned Revenue & Other Advances	12,130	9,590	12,332	2,540	-202
- Other Liabilities	62,706	64,453	40,584	-1,747	22,122
Shareholders' Equity	816,966	752,390	672,150	64,576	144,816
- Capital Stock	8,975	8,975	8,975	0	0
Total Liabilities & Shareholder's Equity	1,256,767	1,150,958	1,023,618	105,809	233,149

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

[Appendix 2] Income Statement (K-IFRS)

(Unit : 100 Million, KRW)

	2Q '10		1Q '10		2Q '09		Q-on-Q	Y-on-Y
	(A)	%	(B)	%	(C)	%	(A - B)	(A - C)
Sales	378,919	100%	346,381	100%	325,104	100%	32,538	53,815
Cost of Sales	245,257	64.7%	230,086	66.4%	229,241	70.5%	15,171	16,016
Gross Profit	133,662	35.3%	116,295	33.6%	95,863	29.5%	17,367	37,799
R&D	23,056	6.1%	20,529	5.9%	17,212	5.3%	2,527	5,844
SG&A	63,557	16.8%	55,413	16.0%	52,915	16.3%	8,144	10,642
- Wages & Fee	14,605	3.9%	13,309	3.8%	10,942	3.4%	1,296	3,663
- Marketing Expenses	22,551	6.0%	18,083	5.2%	20,058	6.2%	4,468	2,493
Other Operating Profits	3,093	0.8%	3,703	1.1%	1,000	0.3%	-610	2,093
Operating Profits	50,142	13.2%	44,056	12.7%	26,736	8.2%	6,086	23,406
Gain(or Loss) on Equity Method Investment	5,529	1.5%	4,617	1.3%	4,381	1.3%	912	1,148
Finance Incomes / Expenses	-2,531	-0.7%	1,056	0.3%	-1,332	-0.4%	-3,587	-1,199
- Interest Gain (or Loss)	18	0.0%	103	0.0%	-820	-0.3%	-85	838
- F/X Gain (or Loss)	-2,548	-0.7%	953	0.3%	-512	-0.2%	-3,501	-2,036
Income Before Income Taxes	53,140	14.0%	49,729	14.4%	29,785	9.2%	3,411	23,355
- Income Taxes	10,370	2.7%	9,792	2.8%	6,441	2.0%	578	3,929
Net Income	42,770	11.3%	39,937	11.5%	23,344	7.2%	2,833	19,426