

Earnings Release Q3 2011

Samsung Electronics

October 2011

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before our external audit on Q3 2011 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, DP (Display Panel), Telecommunication, DM & A (Digital Media & Appliances)
- Numerous other matters at the national and international levels which could affect our future results

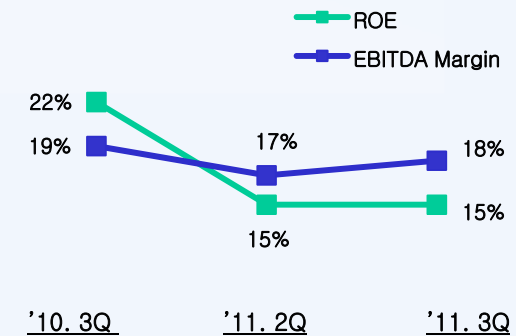
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: Trillion Won)	3Q '11	(% of sales)	Y-on-Y	3Q '10	(% of sales)	2Q '11	(% of sales)
Sales	41.27	100.0%	3%↑	40.23	100.0%	39.44	100.0%
Cost of Sales	27.75	67.2%	7%↑	26.02	64.7%	26.83	68.0%
Gross Profit	13.52	32.8%	5%↓	14.21	35.3%	12.61	32.0%
R&D expenses	2.43	5.9%	5%↑	2.31	5.8%	2.46	6.2%
SG&A expenses	6.80	16.5%	5%↓	7.15	17.8%	6.37	16.2%
Other operating profits / losses	△0.04	△0.1%	-	0.12	0.3%	△0.02	△0.1%
Operating Profit	4.25	10.3%	13%↓	4.86	12.1%	3.75	9.5%
Equity method gains / losses	0.29	0.7%	48%↓	0.56	1.4%	0.41	1.0%
Finance incomes / expenses	△0.41	△1.0%	-	0.001	0.003%	0.002	0.01%
Profit Before Income Tax	4.13	10.0%	24%↓	5.42	13.5%	4.16	10.6%
Income tax	0.69	1.7%	29%↓	0.97	2.4%	0.66	1.7%
Net profit	3.44	8.3%	23%↓	4.46	11.1%	3.51	8.9%

Key Profitability Indicators

	3Q '11	3Q '10	2Q '11
ROE	15%	22%	15%
Profitability (Net income/Sales)	0.08	0.11	0.09
Asset turnover (Sales/Asset)	1.17	1.32	1.16
Leverage (Asset/Equity)	1.50	1.54	1.48
EBITDA Margin	18%	19%	17%



Segment Information

Sales by Segment

(Unit: Trillion Won)	3Q '11	Y-on-Y	3Q '10	2Q '11
Semiconductor	9.48	11%↓	10.66	9.16
– Memory	5.50	27%↓	7.49	5.89
DP	7.08	13%↓	8.10	7.09
– LCD	5.42	20%↓	6.79	5.76
Telecom	14.90	37%↑	10.84	12.18
– Mobile	14.42	39%↑	10.38	11.69
DM & A	14.36	0.4%↓	14.42	14.07
– VD	8.38	0.6%↑	8.34	7.86
Others	△4.55	–	△3.79	△3.06
Total	41.27	3%↑	40.23	39.44

※ Sales of each segment include intersegment sales

Operating Profit by Segment

(Unit: Trillion Won)	3Q '11	(Margin)	Y-on-Y	3Q '10	(Margin)	2Q '11
Semiconductor	1.59	16.8%	15.3%p↓	3.42	32.1%	1.79
DP	△0.09	△1.2%	7.7%p↓	0.52	6.5%	△0.21
Telecom	2.52	16.9%	6.2%p↑	1.16	10.7%	1.67
DM & A	0.24	1.6%	3.4%p↑	△0.25	△1.8%	0.51
Others*	△0.01			0.01		△0.01
Total	4.25	10.3%	1.8%p↓	4.86	12.1%	3.75

※ Other businesses & Other operating profits/losses

※ Since SetTop Box business belonging has been changed (from Telecom to DM& A), related 2010 earnings have been re-stated

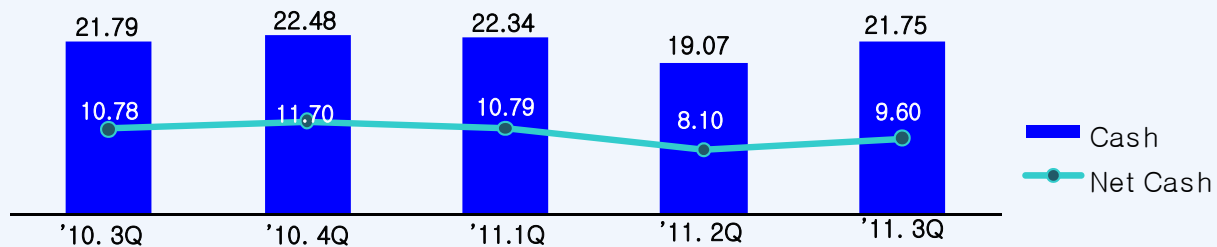
Cash Flow Statement

(Unit: Trillion Won)

	3Q '11	2Q '11
Cash (Beginning of period)*	19.07	22.34
Cash flow from Operation	6.69	4.57
Net profit	3.44	3.51
Depreciation	3.32	3.15
Others	△0.07	△2.09
Cash flow from Investment	△4.87	△6.06
Increase in tangible assets	△4.86	△5.65
Cash flow from Finance	0.51	△1.68
Increase in debts	0.51	△0.60
<i>Net increase in cash</i>	<i>2.68</i>	<i>△3.27</i>
Cash (End of period)*	21.75	19.07

* 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 '11	2Q '11	3Q '10
Current assets	67.21	59.44	63.30
Cash*	21.75	19.07	21.79
Trade accounts & notes receivable	21.73	19.90	19.29
Inventories	16.63	14.06	15.46
Non-current assets	80.95	78.53	68.93
Investments	12.01	12.35	11.48
PP&E	59.66	57.38	49.41
Total assets	148.16	137.97	132.23
Debts	12.15	10.97	11.01
Total liabilities	49.50	43.36	46.67
Total shareholders' equity	98.66	94.61	85.56

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

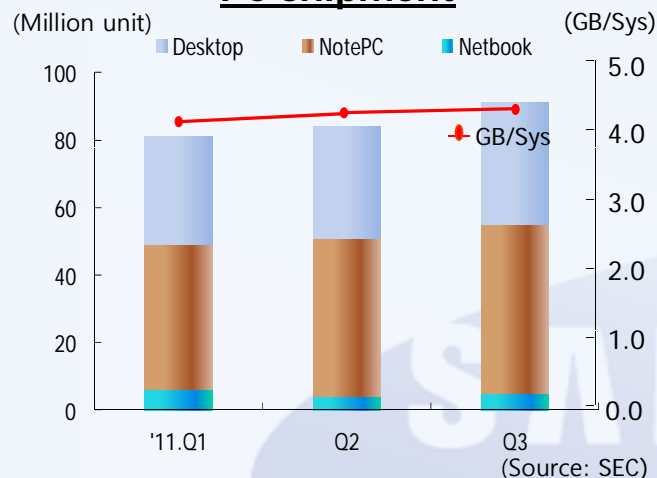
Key Financial Indicators	3Q '11	2Q '11	3Q '10
Current ratio*	161%	163%	156%
Liability/Equity	50%	46%	55%
Debt/Equity	12%	12%	13%
Net debt/Equity	△10%	△9%	△13%

* Current ratio= Current Assets / Current Liabilities

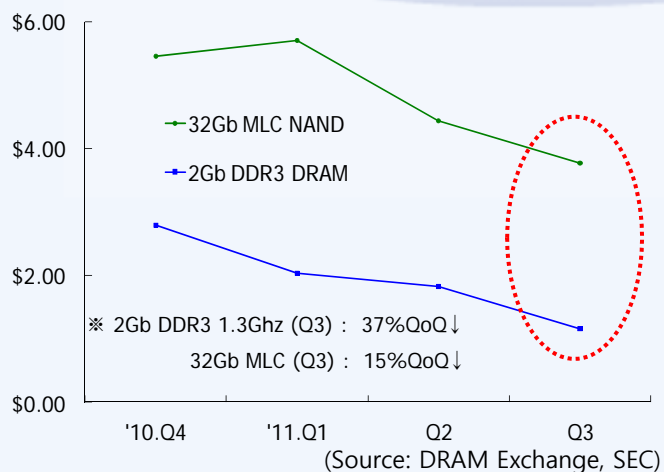
Semiconductor

3Q results

PC shipment



Memory spot price trend



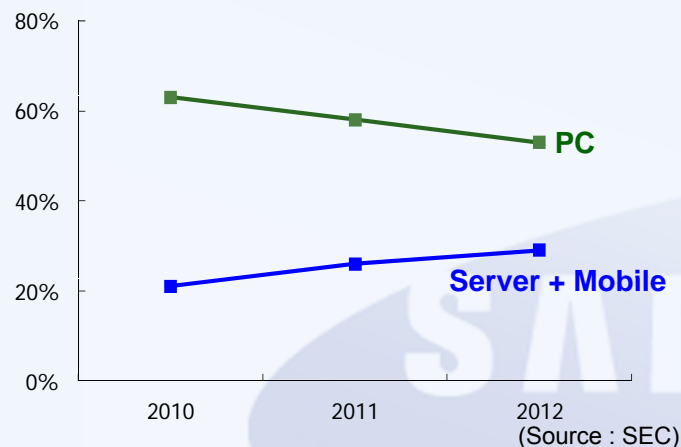
Memory

- **DRAM : Demand for PC remained weak amid muted seasonality, while demand for mobile/server continued to grow**
 - PC shipment: High-single-digit%↑ (QoQ), mid-single-digit%↑ (YoY)
 - GB/Sys : High-single-digit%↑ (QoQ), mid-20%↑ (YoY)
 - Demand for mobile/server DRAM remained solid driven by strong sales of mobile devices and expansion of data center
 - ☞ **Samsung : Achieved solid performance by increasing sales of differentiated products (mobile/server DRAM, etc.) and reinforcing cost leadership via 3xnm migration**
- **NAND : Demand increased due to solid growth of mobile devices**
 - Demand for embedded products increased such as eMMC and SSD
 - Spot price rebounded due to channel supply decrease amid strong OEM demand
 - ☞ **Samsung : Posted solid performance by expanding sales of embedded products for mobile application & SSD and improving cost structure via accelerating 2xnm migration**

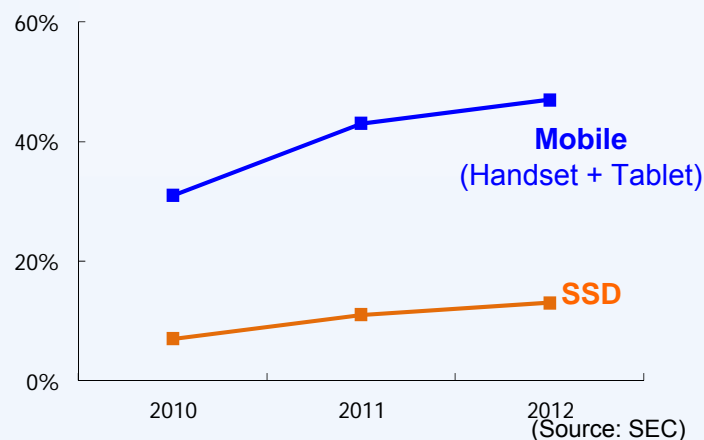
System LSI

- **Demand for smart mobile devices remained strong**
 - ☞ **Samsung : Enhanced revenue & profitability with successful ramp up of new line.**
 - Reinforced technology leadership via development of dual core AP based on 32nm HKMG process

DRAM demand by application



NAND demand by application



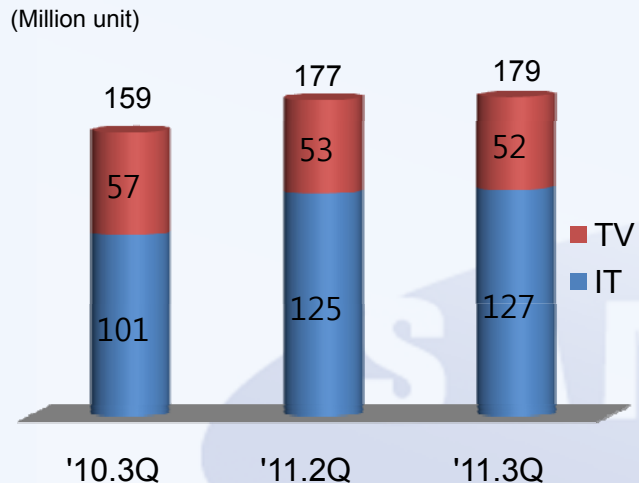
Memory

- **DRAM : Expect demand for mobile/server to remain solid while PC demand to remain weak**
 - PC demand to remain weak due to global economic uncertainties, cannibalization effect by mobile devices, etc.
 - PC shipment: High-single-digit%↑(QoQ) / GB/Sys: Low-single-digit%↑(QoQ)
 - Demand growth for mobile DRAM to be sustained by new product launches and expansion of mass-market smartphone
 - Competition in mobile DRAM market to intensify due to supply increase
- **NAND : Expect solid demand to be continued due to new mobile product launches**
 - Demand for embedded products in smart mobile devices & SSD to remain strong while demand for consumer products (card, etc.) to be weak
 - Expect industry supply to increase due to geometry migration and capacity expansion by some suppliers
- ☞ **Samsung : Target to attain solid performance based on differentiated cost structure & product competitiveness by actively addressing increased demand for mobile/server**

System LSI

- **Expect demand for smart mobile devices (eg. mobile AP, CIS, etc) to remain relatively strong**
- ☞ **Samsung : Expect to attain solid performance by increasing sales of high value-added products such as dual-core AP, high-pixel image sensors, etc.**

Large panel shipment (market)



(Source: Display Search, '11.3Q)

Panel ASP (market)

(USD, %)

		'11.1Q	'11.2Q	Chg.
Note PC	15.6"LED	\$46	\$43	-5%
Monitor	20"LED	\$68	\$65	-4%
TV	46"LED	\$447	\$417	-7%

(Source : Display Search, '11.3Q)

Market

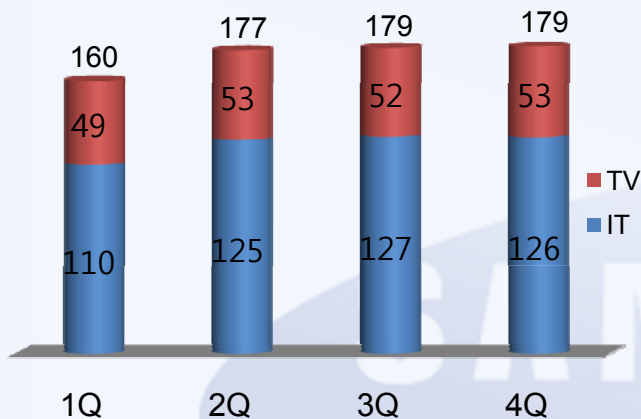
- Weaker demand due to economy slowdown in developed markets, resulted in continued panel price decline
- Shipments: 177M units in '11.2Q → 179M units in '11.3Q (1%↑QoQ, 12%↑YoY)
 - TV : Panel demand was weaker than expected due to demand slowdown in developed markets and not very strong demand related to the Chinese National Holidays
 - ※ While panel makers lowered fab utilization rates, TV panel ASP continued to drop driven by inventory adjustments
 - IT : Panel ASP declined as demand for both Desk Top PCs and note PCs slowed down
 - ※ Solid demand growth for tablet panels continued

Samsung

- ☞ DP business' overall profitability improved due to OLED business' enhanced earnings amid difficult LCD business' difficulties
- LCD panel shipments grew by single-digit %QoQ and high-teens% YoY
 - TV LED TV panel shipments grew continuously ;
Sales of differentiated products (43"/48" panels, etc.) increased
 - IT : Sales of high value-added tablet panels expanded

2011 panel demand outlook (market)

(Million unit)



(Source : Display Search, '11.3Q)

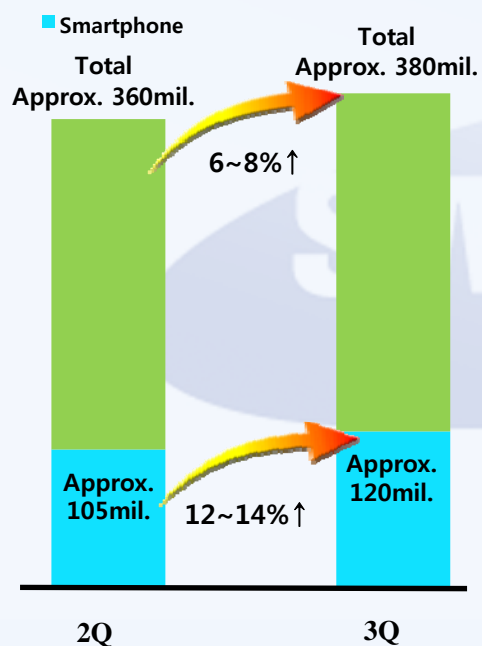
LED TV panel penetration rate (market)



(Source : Display Search, '11.3Q)

- Under global economy slowdown, panel demand growth expected to be limited in Q4.
 - ; However, we expect some seasonal demand pick-up related to year-end & Chinese New Year holidays
 - Panel demand: 179M units in '11.3Q → 179M units in '11.4Q (0%QoQ, 4%↑YoY)
 - TV : Despite economic slowdown in developed markets, expect demand to grow slightly QoQ, supported by solid demand growth in emerging market & Chinese New Year holiday - related demand.
 - Expect panel shipment to be lower than that of the set products due to conservative inventory management of the set makers
 - ※ LED TV panel portion to reach high-50% in Q4 2011 and over 70% in 2012 with increased portion of the entry models
 - IT : Expect demand to slowdown due to sluggish consumption.
 - Notebook : Demand to decrease with new mobile applications (tablet, etc.) cannibalizing notebook PC sales
 - Monitor : Demand slowdown to continue as consumers are replacing desktop PCs with notebook PCs
 - ※ Expect tablet panel demand to grow continuously
- Samsung : Expect to maintain strong earnings momentum in the OLED business while improving LCD business' earnings
 - Increase sales of value-added products (tablet, etc.), along with entry LED TV & 3D TV panels

Market Demand



(Source : SA, Securities)

Handset

- Demand : 6~8% increase QoQ amid strong seasonality
- Shipment : High-20% ↑ YoY (low-20% ↑ QoQ)
 - Shipment increased across all regions, led by product competitiveness & strong seasonal demand
 - Developed market : Strong growth mainly led by smartphones, with regional expansion of Galaxy SII
 - Emerging market : Smartphone portion continued to increase, esp. in China, Southeast Asia, and South America
 - Solid volume growth across all segments due to enhanced full product line ups
 - Smartphones : Strong growth with global expansion of Galaxy S II & enhanced mass-market line-up
 - Featurephones : Over 10% increase QoQ , driven by full-touch phones
 - Galaxy Tab : Volume increase with 10.1 expansion & 8.9 launch
- ASP : Slight increase QoQ
 - Despite enhanced price competition, ASP increased due to improved product mix amid strong smartphone sales
- ☞ **Achieved record quarterly sales and operating profit, along with improved OP margin**

Network

- Sales and profitability improved YoY due to the expansion of 4G LTE business, and 3G network upgrade business, etc.

Flagship model

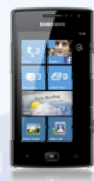
[Premium Smartphone]



Galaxy Note
(Android)



Galaxy Nexus
(Android)



Omnia W
(Windows phone)

[Mass-market Smartphone]



Galaxy Y Pro
(Android)



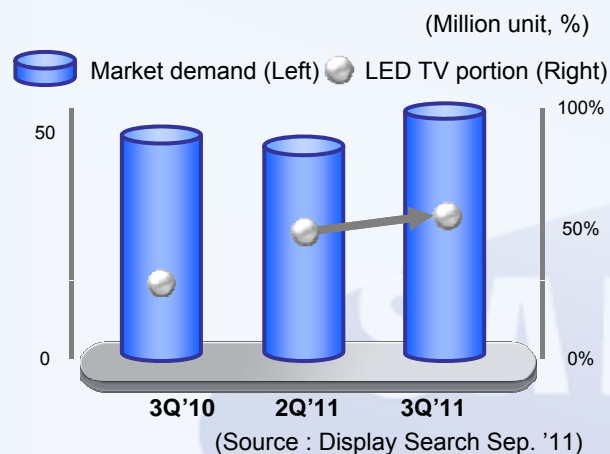
Galaxy Y
(Android)



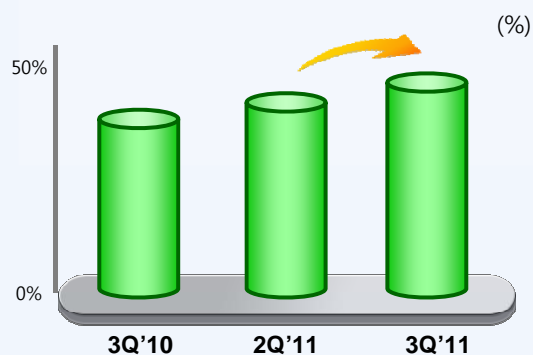
Wave M
(bada)

- Expect seasonal demand pick-up related with year-end promotion. Market competition to intensify in 4Q with new product launches.
 - Smartphones : Expect new launches of high-end/mass-market models
 - Developed market : Strong demand to continue targeting christmas promotion
 - ※ LTE service expansion in North America, Enhanced mass-market line-ups of Europe carriers, etc.
 - Emerging market : Mass-market line-up to expand in China, India, South America, etc.
 - Featurephones : Expect competition with mass-market smartphones to intensify amid year-end demand increase
 - Tablets : Expect new mass-market models to increase amid strong demand growth in developed markets
- ↳ Samsung : Target to sustain strong earning momentum with increased smartphone sales, etc.
 - Enhance product portfolio with new high-end models such as Galaxy SII LTE/Note/Nexus/7.7" AMOLED tab, and expansion of mass-market smartphone line-up
- Network : Expect sales growth with expansion of LTE business in North America/Asia and 3G network upgrade business in global market

FPTV demand & SEC LED TV portion



DA sales portion of Emerging Markets



TV

- **Market : FPTV demand grew mid-10% QoQ (low-10% YoY), led by demand growth in the emerging markets**

- Solid demand growth of mid-20% continued in emerging markets
- LCD TV demand also grew by mid-teens, helped by strong demand in the emerging markets such as Asia and Latin America

- ☞ **Samsung : Shipment increase was higher than the market growth. Profitability also improved QoQ**

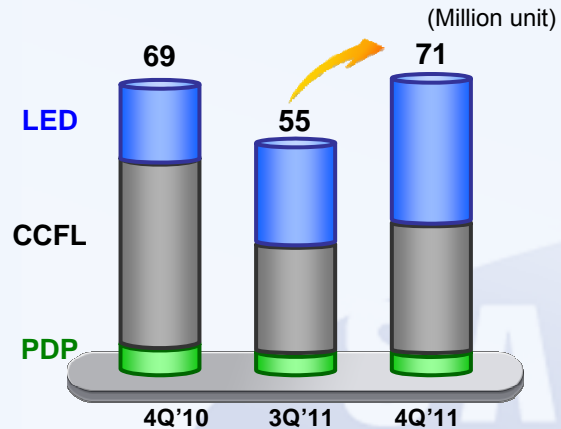
- Sales grew in emerging markets, and portion of premium products increased
- Sales portion of large screen/LED TVs increased in both emerging markets and advanced markets
- LED TV sales portion reached about mid-50% in 3Q

Digital Appliances

- ☞ **Samsung : Sales portion of premium products and emerging markets increased, but profitability declined due to economic slowdown in developed markets and low seasonality of A/C**

- Revenue grew in some of the emerging markets such as CIS and Africa
- Overall sales was weak due to demand softness in major developed markets like the US and Europe

FPTV market



(Source : Display Search Sep.'11)

Flagship DA products



Smart refrigerator (RF4289)

- 4 door
- 8"LCD
- Smart Grid
- Wireless Internet (Wi-Fi)



Bubble washing machine (WF1124)

- 70% Energy saving
- Large capacity (12kg)
- LCD display installed
- Noise control
- Vibration reduction technology (VRT)

TV

- **Market : Expect demand increase of about 30% QoQ (low-single-digit % YoY) led by set makers' active promotions to address high seasonal demand**
 - Price competition to continue amid rising demand for LED TV and 3D TV
 - LED portion in LCD TV to increase : High-40% in 3Q → mid-50% in 4Q
 - Demand growth to pick up in developed markets amid peak seasonality (0% in 3Q → about 30% in 4Q)
 - Demand growth to be continued in emerging markets : about 30%↑ QoQ
- ☞ **Samsung : Target to outperform the market and enhance profitability through the peak season marketing and sales expansion of premium/localized models**
 - Expand sales of premium products (LED TV, Smart TV, etc.) and localized models for emerging markets
 - LED TV sales portion to reach about 60%

Digital Appliances

- **Market : Expect slight demand increase in 4Q, mainly driven by emerging market demand growth. However, demand growth rate expected to be limited due to economic softness in the developed markets**
 - Expect competition for smart products and high-efficiency products due to reinforced energy regulations
- ☞ **Samsung : Focus on improving profitability by expanding sales of high value-added products and localized models for emerging markets**

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

(Unit : KRW 100 Million)

	3Q '11 (A)	2Q '11 (B)	3Q '10 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	672,143	594,445	633,005	77,698	39,138
- Cash *	217,509	190,714	217,894	26,795	-385
- A/R	217,323	199,020	192,855	18,303	24,468
- Inventories	166,296	140,604	154,554	25,692	11,742
- Other Current Assets	71,015	62,443	67,702	8,572	3,313
Non Current Assets	809,516	785,253	689,294	24,263	120,222
- Investment	120,072	123,534	114,808	-3,462	5,264
- PP&E	596,598	573,806	494,074	22,792	102,524
- Intangible Assets	34,082	33,274	28,135	808	5,947
- Other Non Current Assets	58,764	54,634	52,267	4,130	6,497
Total Assets	1,481,659	1,379,697	1,322,299	101,962	159,360
Liabilities	495,016	433,615	466,714	61,401	28,302
- Debts	121,522	109,696	110,138	11,826	11,384
- Trade Accounts and N/P	112,756	89,556	99,756	23,200	13,000
- Other Accounts and N/P & Accrued Expenses	130,063	114,157	116,860	15,906	13,203
- Income Tax Payable	11,502	10,906	18,808	596	-7,306
- Unearned Revenue & Other Advances	21,162	24,883	18,563	-3,721	2,599
- Other Liabilities	98,011	84,417	102,589	13,594	-4,578
Shareholders' Equity	986,643	946,082	855,585	40,561	131,058
- Capital Stock	8,975	8,975	8,975	0	0
Total Liabilities & Shareholder's Equity	1,481,659	1,379,697	1,322,299	101,962	159,360

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

[Appendix 2] Income Statement (K-IFRS)

(Unit : KRW 100 Million)

	3Q '11		2Q '11		3Q '10		Q-on-Q	Y-on-Y
	(A)	%	(B)	%	(C)	%	(A - B)	(A - C)
Sales	412,739	100%	394,389	100%	402,292	100%	18,350	10,447
Cost of Sales	277,542	67.2%	268,272	68.0%	260,169	64.7%	9,270	17,373
Gross Profit	135,197	32.8%	126,117	32.0%	142,123	35.3%	9,080	-6,926
R&D	24,292	5.9%	24,641	6.2%	23,134	5.8%	-349	1,158
SG&A	67,992	16.5%	63,740	16.2%	71,496	17.8%	4,252	-3,504
- Wages & Fee	16,489	4.0%	15,977	4.1%	17,206	4.3%	512	-717
- Marketing Expenses	23,321	5.7%	21,877	5.5%	24,407	6.1%	1,444	-1,086
Other Operating Profits	-384	-0.1%	-217	-0.1%	1,152	0.3%	-167	-1,536
Operating Profits	42,529	10.3%	37,519	9.5%	48,645	12.1%	5,010	-6,116
Gain(or Loss) on Equity Method Investment	2,921	0.7%	4,107	1.0%	5,579	1.4%	-1,186	-2,658
Finance Incomes / Expenses	-4,127	-1.0%	20	0.0%	13	0.0%	-4,147	-4,140
- Interest Gain (or Loss)	96	0.0%	170	0.0%	-187	0.0%	-74	283
- F/X Related Gain (or Loss)	-4,223	-1.3%	-150	0.1%	200	0.2%	-5,803	-6,503
Income Before Income Taxes	41,323	10.0%	41,646	10.6%	54,237	13.5%	-323	-12,914
- Income Taxes	6,906	1.7%	6,582	1.7%	9,683	2.4%	324	-2,777
Net Income	34,417	8.3%	35,064	8.9%	44,554	11.1%	-647	-10,137