

Earnings Release Q4 2008

Samsung Electronics

January 2009

Disclaimer

This document is provided for the convenience of investors only, before our external audit on Q4 2008 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

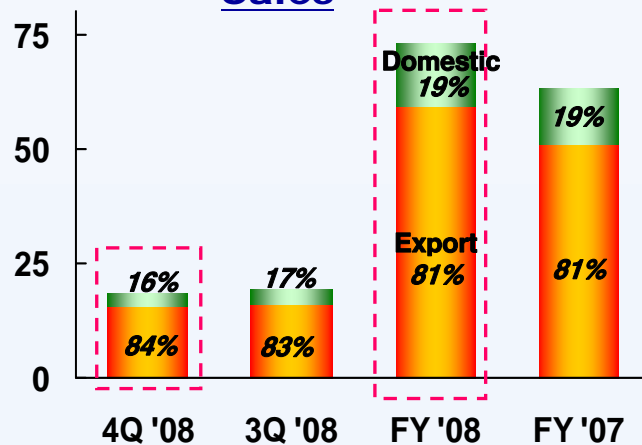
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Sales and Profits

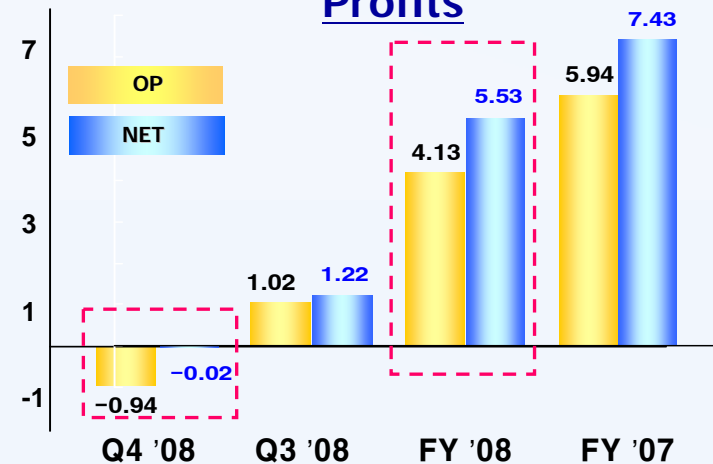
(Unit : Trillion KRW)

	4Q '08	Q-on-Q	3Q '08	FY '08	Y-on-Y	FY '07
Sales	18.45	-4%	19.26	72.95	15%	63.18
Gross Profit	3.49	-19%	4.29	17.57	8%	16.33
<i>(Margin)</i>	<i>(19%)</i>		<i>(22%)</i>	<i>(24%)</i>		<i>(26%)</i>
SG&A	<u>4.42</u>	<u>35%</u>	<u>3.27</u>	<u>13.44</u>	<u>29%</u>	10.39
Operating Profit	-0.94	-	1.02	4.13	-30%	5.94
<i>(Margin)</i>	<i>(-5%)</i>		<i>(5%)</i>	<i>(6%)</i>		<i>(9%)</i>
Non-operating income	<u>0.25</u>	-33%	<u>0.38</u>	<u>1.77</u>	-34%	<u>2.69</u>
Pre-Tax Income	-0.68	-	1.40	5.91	-32%	8.63
<i>(Margin)</i>	<i>(-4%)</i>		<i>(7%)</i>	<i>(8%)</i>		<i>(14%)</i>
Income Tax	<u>-0.66</u>		<u>0.18</u>	<u>0.38</u>	<u>-68%</u>	<u>1.20</u>
Net Income	-0.02	-	1.22	5.53	-26%	7.43
<i>(Margin)</i>	<i>(-0.1%)</i>		<i>(6%)</i>	<i>(8%)</i>		<i>(12%)</i>

Sales



Profits



Divisional Performance – Sales

(* Reflects May '08 Organization Restructuring. See Appendix 3 for pro forma operating profit.)

(Unit : Trillion KRW)

	4Q '08	Q-on-Q	3Q '08	FY '08	Y-on-Y	FY '07
Semiconductor	3.92	-18%	4.78	17.66	-5%	18.66
Memory	2.39	-21%	3.03	11.58	-12%	13.20
System LSI	0.92	-10%	1.02	3.42	20%	2.85
L C D	4.21	-12%	4.81	18.07	23%	14.66
Telecom	7.73	13%	6.85	26.72	27%	21.06
Handsets	6.94	14%	6.09	23.58	28%	18.37
Digital Media	2.41	-10%	2.67	9.87	20%	8.21
Appliances	0.98	-23%	1.27	4.19	19%	3.52
Total	18.45	-4%	19.26	72.95	15%	63.18

【Consolidated Basis*】	4Q '08	3Q '08	FY '08	FY '07
Semiconductor	4.81	5.29	20.21	20.36
L C D	3.55	3.75	14.88	13.00
T e l e c o m	10.32	8.87	34.54	26.67
Digital Media	12.62	10.77	42.17	30.50

* The consolidated sales figures are net sales (They exclude interdivisional sales)

→ Including interdivisional sales, consolidated sales for 4Q '08 : Semiconductor - 5.35 trillion KRW, LCD - 5.24 trillion KRW

Divisional Performance – Operating Profit

(* Reflects May '08 Organization Restructuring. See Appendix 3 for pro forma operating profit.)

(Unit : Trillion KRW)

	4Q '08	Q-on-Q	3Q '08	FY '08	Y-on-Y	FY '07
Semiconductor	-0.56	-	0.24	0.13	-94%	2.21
<i>(Margin)</i>	<i>(-14%)</i>		<i>(5%)</i>	<i>(1%)</i>		<i>(12%)</i>
L C D	-0.35	-	0.38	2.04	5%	1.95
<i>(Margin)</i>	<i>(-8%)</i>		<i>(8%)</i>	<i>(11%)</i>		<i>(13%)</i>
Telecom	0.16	-69%	0.50	2.37	10%	2.16
<i>(Margin)</i>	<i>(2%)</i>		<i>(7%)</i>	<i>(9%)</i>		<i>(10%)</i>
Digital Media	-0.17	-	-0.10	-0.39	-	-0.41
<i>(Margin)</i>	<i>(-7%)</i>		<i>(-4%)</i>	<i>(-4%)</i>		<i>(-5%)</i>
Total	-0.94	-	1.02	4.13	-30%	5.94
<i>(Margin)</i>	<i>(-5%)</i>		<i>(5%)</i>	<i>(6%)</i>		<i>(9%)</i>

【Consolidated Basis*】	4Q '08	3Q '08	FY '08	FY '07
Semiconductor	-0.69	0.19	0.00	2.35
L C D	-0.23	0.45	2.35	2.11
T e l e c o m	0.17	0.84	3.00	2.90
Digital Media	0.11	-0.05	0.41	1.10

* The consolidated OP is provided to enhance the understanding of the investors.

Financial Structure & Cash Flow

Financial Structure (B/S)

(Trillion KRW)

	FY '08	3Q '08	FY '07
Assets	72.5	75.0	65.2
Current Assets	17.8	20.6	16.6
<i>Cash *</i>	6.6	8.1	7.8
<i>A/R & Inventories</i>	6.9	8.3	5.1
Non Current Assets	54.7	54.5	48.6
<i>P.P.E.</i>	31.2	31.9	29.8
Liabilities	14.4	17.0	13.7
Debts	0.1	0.1	0.1
Shareholders' Equity	58.1	58.1	51.6
Capital Stock	0.9	0.9	0.9
Retained Earnings	55.4	55.4	51.0
* ROE	10.1%	8.5%	15.3%

Cash Flow Statement

(Trillion KRW)

	4Q '08	FY '08	FY '07
Cash* (Beginning of period)	8.10	7.81	6.37
Cash flow from Operation	0.88	10.86	13.40
<i>Net profit</i>	-0.02	5.53	7.43
<i>Depreciation</i>	1.97	7.62	7.06
Cash flow from Investment	-2.34	-11.01	-9.43
<i>CAPEX</i>	-1.65	-9.49	-8.47
Cash flow from Finance	0.01	-1.01	-2.53
<i>Dividend</i>	-	-1.17	-0.82
<i>Repurchase of shares</i>	-	-	-1.83
<i>Proceeds from sales of shares under stock option plan</i>	0.01	0.17	0.12
Net increase in cash	-1.45	-1.16	1.44
Cash* (End of period)	6.65	6.65	7.81

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

Semiconductor

Q4 Results Analysis

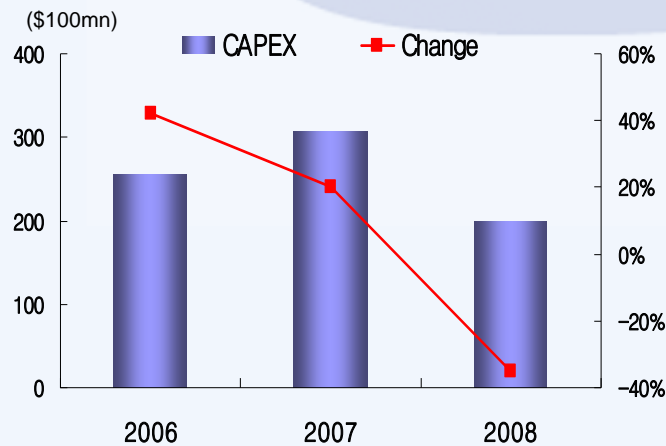
2008 PC Shipments

(Million Units)

	Q1'08	Q2	Q3	Q4	Total
PC Shipment	70	70	79	77	297
Change	-10%	0%	12%	-2%	10%
GB/sys	1.8	2.1	2.2	2.2	2.1
Change	17%	18%	3%	0%	51%

(Source: SEC)

Memory Industry CAPEX



(Source: SEC)

Memory

- **DRAM: Despite supply cutbacks, Market oversupply remained due to sluggish demand**

- Spot prices declined by 48% (QoQ, 1G DDR2)
- PC shipments declined by 2% (historical 4Q avg: 15% ↑)
- MB/sys remained flat (QoQ) as portion for low-end PCs increased
- Most players reduced utilization rate and delayed geometry migration due to worsening financial conditions

☞ SEC: Strengthened product mix and leadership in next-gen. products (e.g. 2G DDR2, 1G DDR3)

- **NAND: Price decline persisted under weak demand**

- Demand for main application products declined (e.g. mobile, consumer)
 - Excess inventories at card makers & channels
- Supply growth declined due to cutbacks and shut-down of 8" fabs

☞ SEC: Strengthened line-up of SSD & high-density moviNAND(8GB/16GB) products

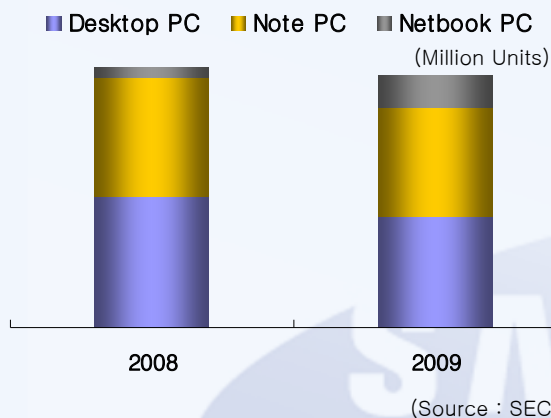
S. LSI

- **Maintained steady profit level despite weakening demand for set products**

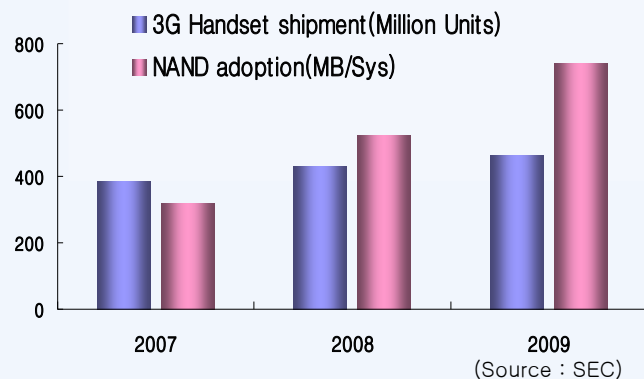
Semiconductor

2009 Business Outlook

2009 PC Shipments Forecast



NAND Adoption in 3G Handsets



Market

- **Memory: Demand outlook for 2009 remains uncertain**
→ **Oversupply to continue in 1H, improvement in 2H**
- **DRAM:**
 - Expect single-digit drop in 2009 PC shipments
 - Q1: PC shipment growth rate to decline (historical Q1 avg: -10%)
 - Expect limited supply growth due to cutbacks in CAPEX
- **NAND:**
 - Demand for major applications may decline (e.g. handset)
 - Q1: Seasonality to reduce demand
 - Expect reduction in supply due to delayed investments for 12" fabs led by worsening financial conditions

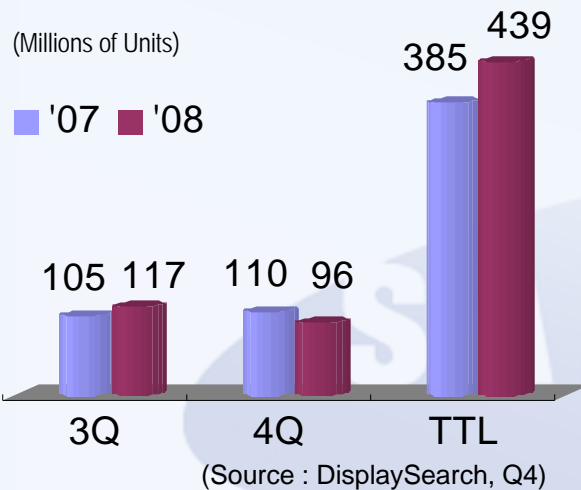
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- **Current downturn provides opportunity to strengthen leadership**
→ Expand technology & cost advantages over the competitors and focus on enhancing profitability
- DRAM: Strengthen cost-competitiveness and next-gen. products
- NAND: Increase portion of under-42nm production, Strengthen SSD/ high-density(32GB) moviNAND
- S.LSI: Expand applications & customer base for 5 major segments [6](#)

TFT-LCD

Q4 Results Analysis

Large Panel Shipment (Market)



Panel ASP (Market)

ASP	'08.3Q	'08.4Q	Gap
Note PC	\$79	\$59	26% ↓
Monitor	\$95	\$77	19% ↓
TV	\$336	\$268	20% ↓

(Source : DisplaySearch, 4Q)

Large size panels

- Panel shipment declined due to demand slowdown amid economic downturn and set makers' inventory adjustment

- ☞ Shipment dropped by the low 10% range QoQ, outperforming the market (-18%QoQ)

- IT : Panel shipment declined due to weak demand

- Notebook: 16:9 and 17"+ panel portions increased

- Monitor : 20"+ and 16:9 shipments rose

- TV : Shipment increased continuously due to strong sales to major customers

- ☞ TV Shipment exceeded 6 million units for the first time

- SEC's ASP dropped marginally compared to market ASP decline (-19%QoQ) : consolidated sales decreased by the mid single digit range.

- Consolidated annual sales increased by the mid 10% range YoY

Small & mid size panels

- Shipment decreased due to reduced demand for handset panel

- Declined by 40% range QoQ

- 2008 shipment declined YoY by the high single-digit range

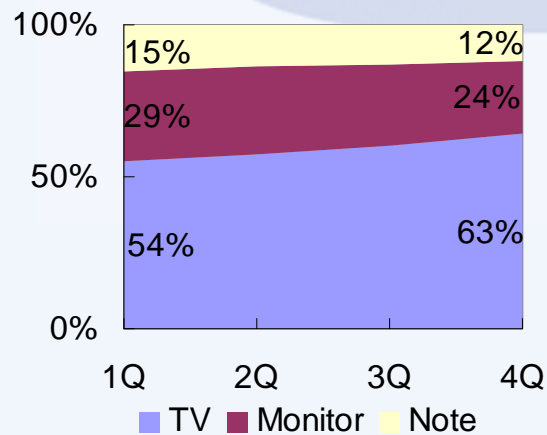
2009 Panel Demand Outlook

(Millions of units, Million m²)

	'08	G/R	'09	G/R
Notebook	135	18%	150	11%
Mini NB	(18)	N/A	(27)	49%
Monitor	172	-3%	175	2%
TV	114	24%	134	18%
Total	439	14%	486	11%
Area	63.7	19%	73.3	15%

(Source : DisplaySearch, 4Q)

2009 Area Breakdown (Market)



(Source : DisplaySearch, 4Q)

Market

- **Market growth to slow down as spending contracts amid economic downturn**

→ **Expect market to improvement with seasonal demand and economic recovery in 2H**

- Notebook : Mini Notebook and Desktop replacement demand to increase

Monitor : DT PC decline to trigger monitor panel demand slowdown but multimedia panel demand (20"+, 16:9) to grow

- TV : Demand to grow continuously due to digital broadcasting and set price decline

- **1Q : Demand reduction due to seasonality**

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☞ **SEC to outperform the market by enhancing market leadership and improving profitability through product differentiation and cost cutting efforts**

- **IT : The portion of differentiated products to increase**

- Notebook (16:9, LED, low-power, high definition)

Monitor (20"+, 16:9, etc.)

- **TV : Product differentiation / strengthen market dominance**

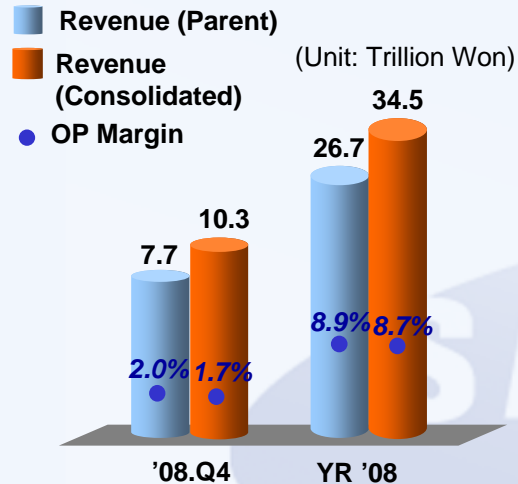
- Expand M/S in major customers and strengthening ties with strategic customers in emerging markets

- 52"+, 240Hz, Slim & Edge LED products, etc.

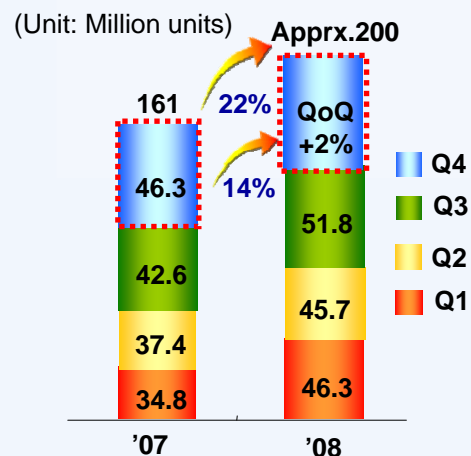
Telecommunication

Q4 Results Analysis

Revenue & OP Margin



Shipment Trend



Handsets

• Shipments increased marginally QoQ (QoQ + 2% range)

- Sales lower than expected due to global demand slowdown
 - Developed markets: Lack of holiday demand (weak Christmas sales)
 - Emerging markets: Credit issues among retailers in certain regions
- Strong demand for touch / smart phones in developed markets and mid-end camera phones in emerging markets
 - Touch phone (F480), Smartphone (Omnia), Camera phones (J700,E250)
- ☞ **Annual shipments : 22%YoY↑ (More than 2 times of market growth)**
→ 2008 M/S: 16% (2%p ↑ YoY)

• ASP: 10% ↓ QoQ

- Export : Intensified price competition and weak Euro
- Domestic : Sales decrease and weak Won

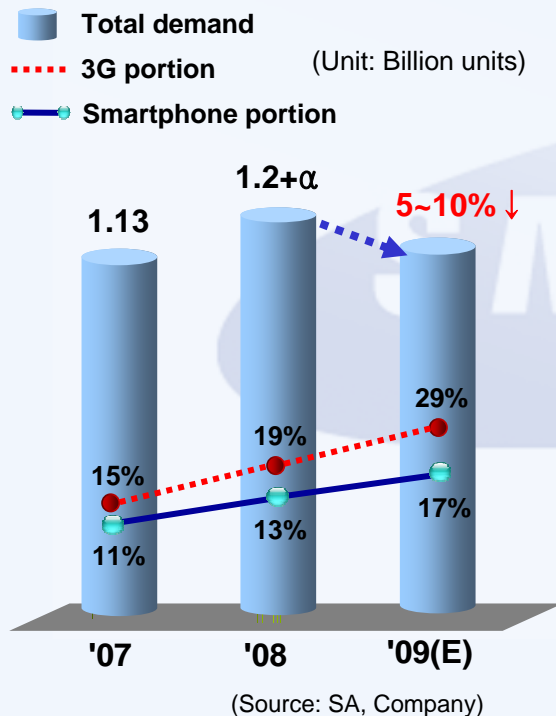
☞ **Q4 profit margin declined due to ASP decrease and marketing expense increase caused by stiff competition amid slow demand.**

Network

- Sustained strong sales due to the increase of overseas M-WiMAX equipment sales (U.S. Sprint, Japan's UQ)

Market

Handset market



• 2009 market size to contract 5~10% YoY

- Global demand to shrink due to economic slowdown and replacement demand decrease
 - Minus growth expected in both developed and emerging markets
 - Demand polarization to intensify due to decreased demand in mid-end segment

- Touch / Smartphone / 3G markets expected to grow continuously
 - Touch / Smartphone : Price ↓ , Usability ↑ , Subsidies ↑
 - 3G : To expand services in China and other emerging markets

※ Q1 growth to decline 10~15% YoY due to seasonal weakness and economic slowdown

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• 2009 shipment : More than 200 million units (M/S increase)

- Developed markets : Strengthen high-end line-up (touch/smartphone) & enhance partnership with carriers
 - Emerging markets : Enhance low-end line-up and distribution channels
 - Slim design and differentiated functions (color screen, camera)
- ※ Increase cost efficiency through global cost reduction efforts

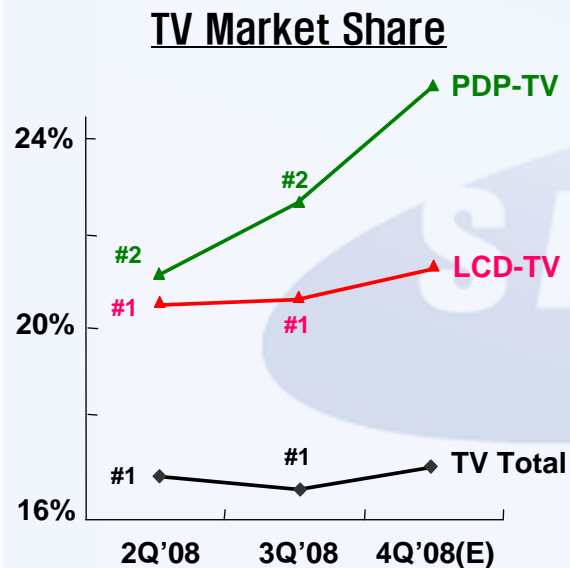
• M-WiMAX service to expand in major markets (U.S., Japan, etc.)

Digital Media

Q4 Results Analysis

Digital Media

※ Including overseas sales



※ Source: DisplaySearch (Dec '08)

- **DM Revenue:** Increased more than 10% (QoQ) led by flat panel TV shipments increase despite the fierce price competition

- **FPTV:** Global demand growth increased 10's% (QoQ)
→ SEC shipments increased 20's% (QoQ)

- . Expect M/S in advanced markets to reach mid-20's% led by strong sales of new line up introduced at the end of 3Q
- . 4Q sales portion of 40"+ LCD TV : 30's% vs. 20's%(Market)

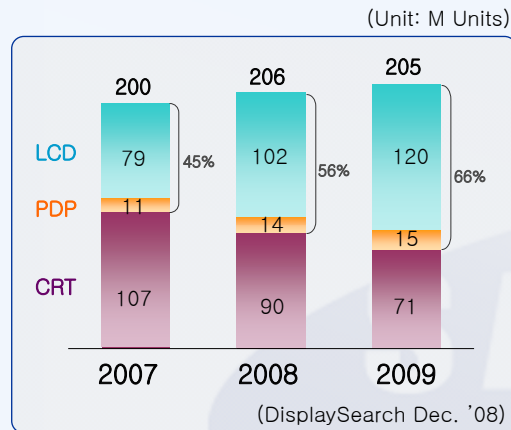
- **Monitor:** Maintained No. 1 M/S position and strengthened leadership in 20"+ monitor segment

- . 4Q sales portion of 20"+ monitor segment: 38% vs. 24%(Market)

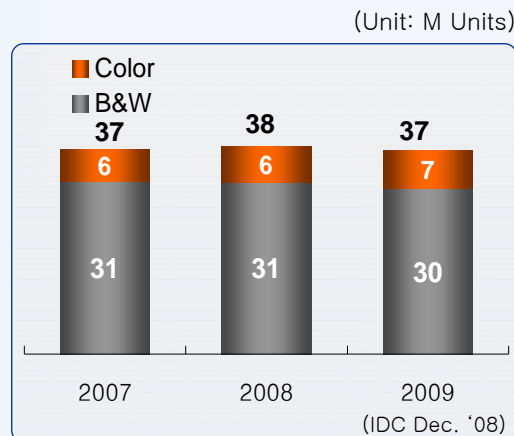
- **Appliances:** Revenue declined by the high single-digit(QoQ) due to economic slowdown but increased by the 20's%(YoY)

(*consolidated results / **based on quantity of units sold)

【 TV Market 】



【 Laser Printer Market 】



Market

- Total TV demand may experience slight decrease but flat panel TV shipments to grow by more than 10%,
 - ☞ LCD TV: 10's%↑ (YoY), PDP TV: single-digit growth (YoY)
 - Expect continuing shipment growth led by digital broadcasting, attractive price range, and low FPTV household penetration
 - Emerging market growth to lead the global market growth (50%↑ YoY)
- Expect laser printer and multifunction printer market to post negative growth due to corporate IT budget reduction
 - color laser printer (\$1,000↓) market to maintain its growth momentum

Samsung

- Flat panel TV to surpass market growth and increase M/S
 - ☞ Expand profitability & M/S by leading the industry trends in design & picture quality
 - Expand line-ups of premium products (e.g. 120Hz, LED, Slim TV)
 - Semi-annual new products launch and expand sales distribution channels
 - Improve cost competitiveness by SCM: Reduce lead-time, Rapid response to market changes
- Laser Printers: Expand corporate-use products line-ups to increase B2B sales

[Appendix 1] Proforma Balance Sheet (Parent Basis)

(Unit : 100 Million, KRW)

	4Q '08 (A)	3Q '08 (B)	4Q '07 (C)	Q-on-Q (A - B)	Y-on-Y (A - C)
Current Assets	177,908	205,681	166,211	-27,773	11,697
– Cash & Cash Equivalents	56,665	70,692	68,897	-14,027	-12,232
– Marketable Securities	9,821	10,273	9,228	-452	593
– A/R	30,898	39,740	17,805	-8,842	13,093
– Inventories	38,178	42,769	33,379	-4,591	4,799
– Other Current Asset	42,346	42,207	36,902	139	5,444
Non Current Assets	547,284	544,510	486,042	2,774	61,242
– Investment	216,530	209,912	171,215	6,618	45,315
– PPE	312,498	318,520	297,774	-6,022	14,724
– Intangible Assets	6,531	6,260	5,683	271	848
– Other Non Current Asset	11,725	9,818	11,369	1,907	356
Total Assets	725,192	750,191	652,253	-24,999	72,939
Liabilities	144,057	169,612	136,646	-25,555	7,411
– Debts	1,142	1,137	883	5	259
– Trade Accounts and N/P	23,881	39,596	19,357	-15,715	4,524
– Other Accounts and N/P	37,874	36,259	29,585	1,615	8,289
– Accrued Expenses	41,695	41,783	40,711	-88	984
– Income Tax Payable	4,124	9,026	11,140	-4,902	-7,016
– Other Liabilities	35,341	41,811	34,970	-6,470	371
Shareholders' Equity	581,135	580,579	515,606	556	65,529
– Capital Stock	8,975	8,975	8,975	0	0
– Capital Surplus	65,896	65,930	65,750	-34	146
– Capital Adjustments	-85,970	-86,003	-87,474	33	1,504
– Accumulated Other Comprehensive Income	38,074	37,294	18,728	780	19,346
– Retained Earnings	554,160	554,383	509,627	-223	44,533
Total Liabilities & Shareholder's Equity	725,192	750,191	652,253	-24,999	72,939

※ In accordance with amendments of SKFAS No. 15, “Equity-method Investments”, the company separated its changes in accumulated other comprehensive income by equity-method investments into capital surplus, capital adjustments and accumulated other comprehensive income. The Company’s non-consolidated financial statements for the year ended December 31, 2007, presented herein for comparative purposes, have been restated to reflect this change.

[Appendix 2] Proforma Income Statement (Parent Basis)

(Unit : 100 Million, KRW)

	'08 (A)		4Q '08 (B)		3Q '08 (C)		'07 (D)		Y-on-Y (A - D)	Q-on-Q (B - C)
		%		%		%		%		
Sales	729,530	100%	184,504	100%	192,562	100%	631,760	100%	97,770	-8,058
- Domestic	135,567	18.6%	29,637	16.1%	33,238	17.3%	121,341	19.2%	14,226	-3,601
- Export	593,963	81.4%	154,867	83.9%	159,324	82.7%	510,419	80.8%	83,544	-4,457
Cost of Sales	553,806	75.9%	149,650	81.1%	149,615	77.7%	468,465	74.2%	85,341	35
Gross Profit	175,724	24.1%	34,853	18.9%	42,947	22.3%	163,294	25.8%	12,430	-8,094
SG&A	134,383	18.4%	44,225	24.0%	32,713	17.0%	103,866	16.4%	30,517	11,512
- Wages & Fee	18,526	2.5%	5,488	3.0%	4,637	2.4%	16,084	2.5%	2,442	851
- Marketing Expenses	47,106	6.5%	19,481	10.6%	10,407	5.4%	25,765	4.1%	21,341	9,074
- R&D / Royalty Expenses	43,083	5.9%	12,135	6.6%	10,465	5.4%	39,867	6.3%	3,216	1,670
Operating Profits	41,341	5.7%	-9,371	-5.1%	10,234	5.3%	59,429	9.4%	-18,088	-19,605
Non OP Income & Expenses	17,742	2.4%	2,545	1.4%	3,775	2.0%	26,871	4.3%	-9,129	-1,230
- F/X Gain (or Loss)	-1,523	-0.2%	-1,134	-0.6%	1,301	0.7%	-1,100	-0.2%	-423	-2,435
- Gain (or Loss) on Foreign Currency Translation	-3,537	-0.5%	-26	0.0%	-2,347	-1.2%	25	0.0%	-3,562	2,321
- Gain (or Loss) on Equity Investment	17,922	2.5%	3,015	1.6%	3,649	1.9%	23,649	3.7%	-5,727	-634
Income before Income Taxes	59,082	8.1%	-6,826	-3.7%	14,009	7.3%	86,300	13.7%	-27,218	-20,835
- Income Taxes	3,823	0.5%	-6,604	-3.6%	1,822	0.9%	12,050	1.9%	-8,227	-8,426
Net Income	55,259	7.6%	-222	-0.1%	12,187	6.3%	74,250	11.8%	-18,991	-12,409

[Appendix 3] Divisional Sales and Operating Profit : Before & After Restructuring

Parent Basis

[Trillion KRW]

		Before Restructuring (A)				After Restructuring (B)				Differences (B - A)			
		FY '08	4Q	FY '07	4Q	FY '08	4Q	FY '07	4Q	FY '08	4Q	FY '07	4Q
S a l e s	Telecom	25.22	7.35	19.55	5.37	26.72	7.73	21.06	5.72	1.50	0.38	1.51	0.35
	Digital Media	7.08	1.78	6.12	1.64	9.87	2.41	8.21	2.17	2.78	0.63	2.09	0.53
	Digital Appliance	4.19	0.98	3.52	0.86	-	-	-	-	-	-	-	-
O P	Telecom	2.50	0.25	2.12	0.58	2.37	0.16	2.16	0.57	-0.13	-0.10	0.04	-0.01
	Digital Media	-0.62	-0.25	-0.34	-0.13	-0.39	-0.17	-0.41	-0.15	0.23	0.08	-0.07	-0.02
	Digital Appliance	0.10	-0.02	-0.04	-0.03	-	-	-	-	-	-	-	-
O P M	Telecom	9.9%	3.4%	10.8%	10.8%	8.9%	2.0%	10.3%	10.0%	-1.0%p	-1.4%p	-0.6%p	-0.8%p
	Digital Media	-8.8%	-13.9%	-5.5%	-7.9%	-3.9%	-6.9%	-4.9%	-6.9%	4.8%p	7.0%p	0.6%p	1.0%p
	Digital Appliance	2.3%	-1.5%	-1.1%	-4.0%	-	-	-	-	-	-	-	-

Consolidated Basis

[Trillion KRW]

		Before Restructuring (A)				After Restructuring (B)				Differences (B - A)			
		FY '08	4Q	FY '07	4Q	FY '08	4Q	FY '07	4Q	FY '08	4Q	FY '07	4Q
S a l e s	Telecom	31.42	9.57	23.77	6.62	34.54	10.32	26.67	7.45	3.12	0.75	2.90	0.83
	Digital Media	36.60	11.34	26.51	8.65	42.17	12.62	30.50	9.53	5.57	1.28	3.99	0.88
	Digital Appliance	8.60	2.08	6.85	1.69	-	-	-	-	-	-	-	-
O P	Telecom	3.06	0.23	2.76	0.63	3.00	0.17	2.90	0.66	-0.06	-0.06	0.14	0.03
	Digital Media	0.26	0.08	1.06	0.39	0.41	0.11	1.10	0.38	0.15	0.03	0.04	-0.01
	Digital Appliance	0.07	-0.05	0.16	0.01	-	-	-	-	-	-	-	-
O P M	Telecom	9.7%	2.4%	11.6%	9.5%	8.7%	1.6%	10.9%	8.9%	-1.1%p	-0.8%p	-0.7%p	-0.7%p
	Digital Media	0.7%	0.7%	4.0%	4.5%	1.0%	0.9%	3.6%	4.0%	0.3%p	0.2%p	-0.4%p	-0.5%p
	Digital Appliance	0.8%	-2.4%	2.3%	0.6%	-	-	-	-	-	-	-	-

※ Changes due to Organization Restructuring (Effective May 22, 2008)

- Digital Appliance Business, transferred to Digital Media Business
- Computer Business, transferred from Digital Media to Telecommunication
- MP3P, STB Business, moved from Digital Media to Telecommunication