

Samsung 1Q profit falls 30 percent on chips, TVs

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Lee Westwood of England hits out of a bunker on the 6th hole during Ballantine Championship at Blackstone Golf Club in Icheon, east of Seoul, South Korea, Thursday, April 28, 2011. (AP Photo/Yonhap, Park Ji-ho) KOREA OUT

(AP) -- Samsung Electronics said first-quarter profit fell 30 percent on declines in memory chip prices and reduced profitability in liquid crystal displays and flat screen televisions.

Samsung, the manufacturer of the Galaxy S smartphone and Galaxy Tab [tablet computer](#), earned 2.78 trillion won (\$2.59 billion) in the three months that ended March 31, it said Friday. That compared with net profit of 3.99 trillion won a year earlier.

The company said that smartphones were a bright spot during the quarter and also announced that it was raising the ante in a legal dispute with

Apple Inc. by filing a new lawsuit against the U.S. company over alleged [patent infringement](#).

Suwon, South Korea-based [Samsung Electronics](#) Co. is the top global manufacturer of flat screen televisions, [memory chips](#) and [liquid crystal displays](#) and ranks No. 2 in mobile phones behind Finland's Nokia Corp.

Samsung posted record annual sales, operating profit and net profit in 2010. The company had warned, however, that the outlook for this year was uncertain given weak prices for components and consumer electronics products that hurt profitability at the end of 2010.

Samsung said sales in the first quarter rose 6.8 percent to 36.99 trillion won.

Robert Yi, a Samsung vice president, described the company's business environment as "difficult" during the first quarter, citing rising raw material costs, financial market instability in Europe, Japan's March 11 earthquake and the political situation in the Middle East.

Yi said the current second quarter was likely to remain an "adverse business environment," though he was more optimistic for the second half of the year, partially on expectations for seasonal increases in demand for semiconductors and LCD panels.

Samsung expects that the industry may face some component supply shortages due to Japan's earthquake, though Samsung was in good shape, Yi said.

"As for our company, currently we expect minimal negative impact as we have already secured most of our key components and we continuously look to diversify our supplier base," he told analysts on a conference call.

Japanese companies are key suppliers of high-tech materials and components.

Mobile phone sales declined 14 percent to 70 million devices, but strong sales of smartphones and "high-end mobile devices" - an apparent reference to tablets - boosted profitability, the company said.

Smartphones accounted for 18 percent of Samsung's total handset sales during the first quarter, up sharply from just 4 percent a year earlier, Samsung said.

The global popularity of smartphones and tablets has skyrocketed and industry competition intensified since Apple released its hit iPhone in 2007 and iPad tablet last year.

The stakes are high in the fast growing sector, with Cupertino, California-based Apple and Samsung now engaged in a legal spat over smartphone and tablet technology.

Apple sued Samsung in a California court earlier this month, alleging Samsung's Galaxy line of phones and tablets copy the iPad and iPhone.

Samsung quickly responded, announcing it was suing Apple in South Korea, Japan and Germany. Samsung accuses Apple of violating its rights to 10 smartphone and computer patents.

Samsung said Friday in a statement that it has filed another lawsuit against Apple, this time in the United States, citing infringements of 10 patents covering mobile telecommunications and user interface technologies.

"Samsung is continuing to respond actively to the legal action taken against us in order to protect our intellectual property and to ensure our

continued innovation and growth in the mobile communications business," the statement said.

Samsung said it filed the legal action Wednesday in the U.S. District Court for the Northern District of California - the same court where Apple launched its lawsuit on April 15.

Shares in Samsung, which announced earnings results during morning trading, fell 0.8 percent to close at 893,000 won after declining as much as 2.2 percent earlier.

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