

Samsung Electronics suffers fall in 1Q earnings

April 7 2011, By KELLY OLSEN , AP Business Writer



A man uses Samsung Electronics' Galaxy Tab at a showroom of the headquarters in Seoul, South Korea, Thursday, April 7, 2011. Samsung Electronics said Thursday that sales rose during the first quarter though operating profit declined sharply, as buoyancy in semiconductors was offset by weakness in its liquid crystal display business and a tough pricing environment for its flagship tablet device. (AP Photo/Ahn Young-joon)

(AP) -- Samsung Electronics has suffered a sharp fall in first quarter earnings as competition in the tablet computer market and weakness in its liquid crystal display business offset strength in semiconductors.

The manufacturer of the Galaxy S smartphone and Galaxy Tab tablet said Thursday operating profit for the first three months of 2011 will fall to between 2.7 trillion won and 3.1 trillion won (\$2.85 billion) from 4.41 trillion won a year earlier. It will release a full [earnings report](#) at the end of the month.

Consolidated revenue for the three months ended March 31 is expected at between 36 trillion won and 38 trillion won. The Suwon, South Korea-based company recorded sales of 34.64 trillion won in the same period last year.

[Samsung Electronics](#) Co., the world's largest manufacturer of flat screen televisions, computer memory chips and [liquid crystal displays](#) is coming off a stellar 2010 when it recorded record annual sales, operating profit and net profit. The company ranks No. 2 globally in mobile phones behind Finland's Nokia Corp.

The South Korean technology giant warned in January when releasing annual results for last year that the outlook for 2011 was uncertain as weak pricing for components and consumer electronics products that hurt profitability in the fourth quarter were likely to continue.

The company gave no reason for the expected first-quarter results and plans to release details when it announces earnings at the end of this month, according to spokesman Nam Ki-yung.

Lee Min-hee, an analyst at Dongbu Securities in Seoul, said that weakness in LCDs was the main factor for Samsung's first quarter profit performance, citing a lack of demand from manufacturers of TV sets and laptop computers as one of the factors.

He also said that profitability for the company's Galaxy Tab suffered "due to severe price competition" with Cupertino, California-based

Apple Inc.'s [iPad](#).

Memory chips were a relative bright spot, Lee said, as prices for DRAM, or dynamic random access memory used mostly in personal computers rose in March off lows in February while those for NAND flash chips used in digital devices and smartphones were steady.

"Operating profit will improve to some extent," Lee said, referring to the current second quarter through June in which he predicts a recovery to 3.4 trillion won. He also said that memory chip prices have been rising amid supply shortages due to Japan's earthquake while manufacturers needing LCDs are stocking up amid worries over possible supply chain disruptions.

Samsung does not release net profit forecasts. Operating profit is seen as a direct indicator of business performance before taxes, dividends, asset sales and other items that are figured into net [profit](#) or loss.

Samsung began issuing earnings estimates, or guidance, in 2009 in hopes that increased transparency would help minimize market speculation over its performance. The estimates include the performance of its overseas and domestic subsidiaries.

Samsung's shares fell 1.5 percent to close at 909,000 won on South Korea's stock exchange Thursday.

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