

Samsung says 2nd-quarter operating profit fell

July 7 2011, By KELLY OLSEN , AP Business Writer

(AP) -- Samsung Electronics' profitability slumped in the second quarter as strong performance in fast-growing smartphones could not overcome weakness in liquid crystal displays.

Operating profit for the three months that ended June 30 will fall to between 3.5 trillion won and 3.9 trillion won (\$3.7 billion) from 5.01 trillion won a year earlier, Samsung said in a statement.

Consolidated revenue for the period is expected at between 38 trillion won and 40 trillion won. The company recorded sales of 37.89 trillion won in the same period last year.

[Samsung Electronics](#) Co. will release a full earnings report including net profit on July 29 when it will provide reasons for the performance, spokesman Nam Ki-yung said.

Suwon, South Korea-based Samsung is a major force in the global electronics industry and the world's largest manufacturer of [memory chips](#), [liquid crystal displays](#) and flat-screen televisions. It ranks No. 2 in mobile phones behind [Nokia Corp.](#) of Finland.

Lee Min-hee, an analyst at Dongbu Securities in Seoul, said that the company again suffered from weakness in its display division, which he expects to record a net loss during the quarter on the back of similar red ink in the first three months of the year.

The bright spot for the company, however, was clearly smartphones.

"Samsung's smartphone sales were very strong in the second quarter," Lee said, adding that the company sold 19 million of the devices, up sharply from 3.2 million the year before.

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.

Lee said that Samsung's results exceeded his operating profit forecast of 3.4 trillion won amid the strong smartphone sales and cost reductions in the company's [semiconductor business](#) that helped offset weak prices for memory chips.

He expects Samsung will record net profit of 3.3 trillion won. That would be down from net profit of 4.28 trillion in the second quarter last year.

Samsung began issuing earnings estimates, or what it calls 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 2 percent to close Thursday at 880,000 won.

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