Samsung's 4th-quarter net profit rises 13 percent

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Samsung Electronics, the world's largest manufacturer of computer memory chips and flat screen televisions, said net profit rose 13 percent in the fourth quarter amid higher sales of semiconductors and smartphones as the technology giant rounded out a record year for earnings and revenue.

Samsung warned, however, of a cloudy outlook for 2011 as weak prices for components and consumer electronics that negatively affected profitability in the final three months of last year were likely to linger.

Suwon, South Korea-based Samsung Electronics Co. earned 3.42 trillion won ($3.1 billion) in the three months ended Dec. 31, it announced Friday, compared with net profit of 3.04 trillion won the year before. Sales rose 7 percent to 41.9 trillion won.

For all of 2010, net profit surged 65 percent to a record 16.1 trillion won. Sales also increased to an all-time high of 154.6 trillion won, up 13 percent. Operating profit — seen as a direct indicator of business performance before taxes, dividends, asset sales and other items are figured into net profit or loss — jumped 58 percent to 17.3 trillion won, also a record.

Operating profit for the fourth quarter, however, declined 12 percent to 3.01 trillion won from the year before and a sharper 38 percent compared with the previous three months as the company battled price declines for liquid crystal displays and memory chips and intense competition in the global television market.

Though net profit rose from the year before, it failed to achieve the record levels reached in each of the first three quarters of last year and sank 23 percent from the previous three months.

Still, the stellar 2010 full-year performance further cements Samsung's position gained over the past decade as a dominant global technology company that has surged past Japanese rivals including Sony Corp. It ranks as the world's biggest manufacturer of computer memory chips, liquid crystal displays and flat-screen televisions. It stands No. 2 in mobile phones behind Finland's Nokia Corp.

Investors welcomed the results, pushing the company's share price up 1.6 percent to a record high close of 1.01 million won Friday.

Robert Yi, a Samsung vice president and head of investor relations, said that the company expects "intensified price competition for set products and price declines for major component products" in 2011.

Prices for consumer electronics and components, especially semiconductors and LCDs, are prone to cyclical booms and busts depending on supply conditions within

the broader industry and can also be affected by competitive cuts as rival manufacturers jockey for advantage.

Unlike last year, however, the company expects the "traditional earnings pattern of weak first half and strong second half to take place in 2011," Yi told analysts on a conference call.

Investors pushed up Samsung's share price as much as 1.4 percent to a record high 1.01 million won in morning trading about 25 minutes after the earnings result was released. Samsung released its results a little more than a half hour after the start of trading.

Samsung's semiconductor business, which includes memory chips, and its telecommunications business, which includes mobile phones, were the company's main earnings drivers in the fourth quarter.

Semiconductor sales gained 16 percent from the year before to 9.25 trillion won as the company countered negative pricing by focusing on high-margin products including mobile DRAM. The company manufactures both DRAM chips, used mostly in personal computers, and NAND flash memory chips, used in products such as digital cameras, music players and smartphones.

Sales in telecommunications, meanwhile, rose 19 percent to 12.11 trillion won.

"In telecommunications, we achieved record high quarterly sales and operating profits as a result of strong sales of Galaxy S as well as Galaxy Tab in developed markets and solid sales of mass market smartphones as well as full-touch phones in emerging markets," Yi said.

After a slow start in smartphones, Samsung is making a major push to challenge Apple Inc.'s iPhone with it Galaxy brand. Samsung has sold 10 million Galaxy S smartphones since the flagship model was introduced in June last year.

Samsung said Friday it aims to sell 60 million smartphones this year, twice the 2010 total, and plans to introduce what it called a successor to the Galaxy S during the first half of the year.

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