Chip Growth Leads Samsung to Another Record Profit

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Seoul, South Korea (AP) — Samsung Electronics Co. reported another record quarterly profit as a revival in its semiconductor business and strong shipments of cheaper handsets offset flat sales of high-end smartphones.

The South Korean company, which is the world's largest maker of smartphones, memory chips and televisions, said Friday its July-September net profit rose 25 percent over a year earlier to 8 trillion won ($7.5 billion).

It was the seventh quarter in a row that Samsung posted record earnings. Growth was driven by semiconductors and sales of cheaper smartphones in contrast to previous quarters that relied on premium smartphones.

Third-quarter profit from its semiconductor business doubled over a year earlier to 2.06 trillion won as demand rose for memory chips used in mobile devices, servers and digital game consoles.

Samsung's mobile business posted a record profit, contributing nearly 70 percent of the company's total operating profit.

However, growth in sales of premium smartphones, the Galaxy S4 and the Galaxy Note 3, came to a halt during the third quarter, staying at the same level as the previous quarter.

In the premium market, Samsung is feeling the heat from the launch of Apple's latest phone. Counterpoint Technology Market Research said Samsung's smartphone market share in the U.S. fell to 29 percent in September from 37 percent in August, yielding the top spot to Apple whose share surged to 39 percent

thanks to the iPhone 5S.

It was Samsung's cheap smartphones that drove mid-teens percentage growth in shipments.

"Samsung's result reflects the current situation in the global smartphone market. The premium smartphone market is not growing quickly," said Young Park, an analyst at Hyundai Securities. "There was a concern whether Samsung would compete well with second-tier handset makers in China in low- and mid-end smartphone markets but its growth in that area was impressive."

Samsung's home rival LG Electronics Inc. was a distant No. 3 in the smartphone market after Samsung and Apple. Its mobile business lost money in the third quarter even after selling 12 million smartphones, as it spent more to promote its product and raise its brand reputation.

Apple Inc., which is scheduled to announce its latest financial results on Monday, has responded to demand for cheap smartphones in emerging markets by cutting the prices of old iPhone models. Apple did not introduce low-priced iPhone models until this year. But the response to the slightly cheaper iPhone 5C is widely believed to be lukewarm.

Samsung forecast that growth in overall smartphone sales would remain low at less than 5 percent during the final three months of this year, as competition heats up during the peak season for consumer electronics.

Samsung, meanwhile, is trying to narrow Apple's lead in tablet computers. It forecast more than 20 percent growth in sales of tablets from the third quarter after its tablet business posted about a 25 percent increase in shipments during the three months ended in September.

The company's sales and operating profit were also at record levels. Sales rose 13 percent to 59 trillion won while operating profit of 10 trillion won was up 26 percent.

Analysts expect that Samsung will post another record profit for the final three months of this year as its chip business is likely to enjoy higher demand from handset makers releasing new mobile gadgets while supplies will remain tight.

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