

# **The 43<sup>rd</sup> AGM Material**

**February 2012**

**Samsung Electronics**

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# **1. Notice of the Convening of the AGM**

**To Shareholders;**

## **NOTICE OF THE CONVENING OF THE 43<sup>rd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Thank you for your continuous interest and support.

Pursuant to Article 17 of the Articles of Incorporation, we hereby notify you of the convening of the 43<sup>rd</sup> annual general meeting of shareholders as follows.

1. Date: March 16, 2012 (Friday) 09:00 a.m.
2. Place: Multifunctional Hall, 5F Samsung Electronics Bldg., 1320-10, Seocho-2-dong, Seocho-ku, Seoul
3. Report: ①Audit report ②Business report
4. Agenda
  - Item No. 1: Approval of Balance Sheet, Income Statement, and Statement of Appropriation of Retained Earnings (Draft) for the 43<sup>rd</sup> Fiscal Year ( January 1, 2011 ~ December 31, 2011)
    - Cash Dividends (excluding interim dividends)  
Dividend per share: KRW 5,000 (Common)  
KRW 5,050 (Preferred)
  - Item No. 2: Approval of Directors
    - Agenda 2-1: Appointment of Independent Directors (3 persons)
    - Agenda 2-2: Appointment of Executive Directors (3 persons)
    - Agenda 2-3: Appointment of Members of Audit Committee (2 persons)
  - Item No. 3: Approval of the limit on the remuneration for the Directors
    - Proposed remuneration limit for the 44<sup>th</sup> fiscal year: KRW 30 billion
    - Remuneration limit approved in the 43<sup>rd</sup> fiscal year: KRW 37 billion
  - Item No. 4: LCD Business Spin-off

**SAMSUNG ELECTRONICS CO., LTD.**

## 2. Agenda of the Meeting

### Summary of Agenda

- **Agenda 1**

Approval of Balance Sheet, Income Statement, and Statement of Appropriation of Retained Earnings (Draft) for the 43<sup>rd</sup> Fiscal Year (January 1, 2011 ~ December 31, 2011)

- **Agenda 2**

Appointment of Directors

- Agenda 2-1: Appointment of Independent Directors (3 persons)  
→ Mr. Dong Min Yoon, Dr. Han-joong Kim, and Dr. Byeong Gi Lee
- Agenda 2-2: Appointment of Executive Directors (3 persons)  
→ Mr. Geesung Choi, Dr. Oh-Hyun Kwon, and Mr. Juhwa Yoon
- Agenda 2-3: Appointment of Members of Audit Committee (2 persons)  
→ Mr. Dong-Min Yoon and Dr. Han-joong Kim

- **Agenda 3**

Approval of the limit on the remuneration for the Directors

- Proposed remuneration limit for the 44<sup>th</sup> fiscal year: KRW 30 billion
- Remuneration limit approved in the 43<sup>rd</sup> fiscal year: KRW 37 billion
- Number of Directors: 7 (including 4 Independent Directors)

- **Agenda 4**

LCD Business Spin-off

### Instructions on Voting

For the 43<sup>rd</sup> General Shareholders' Meeting of the Company, there are four agendas as described above. In case of Agenda 2, there are three sub-agendas related to it, and you should vote on each sub-agenda. **Therefore, you should vote on a total of six agendas.**

**Regarding Agenda 4, preferred shareholders also have voting rights, pursuant to the Commercial Act, article 530-3.**

## **AGENDA 1: APPROVAL OF BALANCE SHEET, PROFIT & LOSS STATEMENT AND STATEMENT OF APPROPRIATION OF RETAINED EARNINGS FOR THE 43<sup>rd</sup> FISCAL YEAR**

The balance sheet, the statement of income and the statement of appropriation of retained earnings for the 43<sup>rd</sup> fiscal year are to be approved in accordance with Article 449 of the Commercial Code.

### **Business Performance**

Financial results for the fiscal year 2011 are as follows - sales KRW 165.00 trillion, operating profit KRW 16.25 trillion, and net income KRW 13.73 trillion. In 2011, most of the IT companies suffered earnings deterioration due to weak IT demand resulting from financial crisis in Europe, and PC demand slowdown, among others. However, our company achieved strong results on the strength of improved profitability and earnings growth of our Set businesses, including smartphones and FPTVs, solid earnings from our Memory business, and growth of Sys-LSI and OLED businesses. Driven by the solid earnings results, our stock price increased 11% from KRW949,000 in end-2010 to KRW1,058,000 in 2011 and outperformed KOSPI, which declined 11% during the same period.

Summary of financial statements is attached at the end of this document. For your reference, our company has been providing consolidated quarterly earnings results based on Korean International Financial Reporting Standards (K-IFRS) since Q1 2010.

※ Under the Korean commercial law, parent-basis financial statements are to be approved at the annual general shareholders' meeting. We have also attached K-IFRS parent basis financial statements at the end of this document for your reference.

### **Dividend Payments**

Details of scheduled dividend declaration are as follows: Year-end dividend per share is KRW 5,000 for common shares and KRW 5,050 for preferred shares. Including interim dividend of KRW 500 per share, annual dividend per share will be KRW 5,500 for common share and KRW 5,550 for preferred share. Total dividends for year 2011 will be KRW 827 billion (payout ratio: 6.0%). Our dividends have been decided conservatively due to our need to invest in core/new growth businesses in order to prepare for the future.

**Capital Expenditures** Since we believe that in the long run, continuous growth and stable profit generation are essential in enhancing our shareholder value, we carried out investment of 23 trillion won in capex in 2011. We raised our capital expenditures to KRW 23.0 trillion in 2011 from KRW 21.6 trillion in 2010, in order to further enhance our competitiveness and prepare for the future.

※ Capex plan for 2012: Approximately 25.0 trillion won

### 【Dividend Payout over the Past Five Years】

| (Unit: KRW billion)        | '07         | '08         | '09         | '10         | '11              |
|----------------------------|-------------|-------------|-------------|-------------|------------------|
| Net profit                 | 7,923       | 5,890       | 9,761       | 16,147      | <b>13,734</b>    |
| <b>Dividends</b>           | 1,171       | 809         | 1,185       | 1,497       | <b>827</b>       |
| (Per common share, KRW)    | (8,000)     | (5,500)     | (8,000)     | ( 10,000)   | <b>(5,500)</b>   |
| <b>Payout ratio</b>        | <b>15%</b>  | <b>14%</b>  | <b>12%</b>  | <b>9%</b>   | <b>6%</b>        |
| Year-end share price (KRW) | 556,000     | 451,000     | 799,000     | 949,000     | <b>1,058,000</b> |
| <b>Dividend yield</b>      | <b>1.4%</b> | <b>1.2%</b> | <b>1.0%</b> | <b>1.1%</b> | <b>0.5%</b>      |

※ '07 ~ '09: K-GAAP (consolidated), '10 ~ '11: K-IFRS (consolidated)

### 【Stock Price and EPS over the Past 5 Years】

| (Unit: KRW)            | '07     | '08     | '09     | '10     | '11              |
|------------------------|---------|---------|---------|---------|------------------|
| Stock Price (Year-end) | 556,000 | 451,000 | 799,000 | 949,000 | <b>1,058,000</b> |
| EPS                    | 49,502  | 37,684  | 64,888  | 105,992 | <b>89,073</b>    |

## **AGENDA 2: APPOINTMENT OF DIRECTORS**

The Company's Board of Directors is currently composed of seven Directors, three Executive Directors and four Independent Directors. Independent Directors constitute a majority of the Company's Board of Directors.

In this AGM, we will appoint six Directors. Among the six nominees for the Directors, three are candidates for Independent Directors, and three for Executive Directors. Mr. Dong Min Yoon (Independent Director), Mr. Geesung Choi (Executive Director), and Mr. Juhwa Yoon (Executive Director) are to be re-nominated. Dr. Han-joong Kim, Dr. Byeong Gi Lee, and Dr. Oh-Hyun Kwon will replace the Directors whose terms will expire in March 2012.

Please note that Mr. Dong Min Yoon and Dr. Han-joong Kim, the candidates for the Independent Directors have also been nominated for members of the Audit Committee.

## AGENDA 2-1: APPOINTMENT OF INDEPENDENT DIRECTORS

Pursuant to Article 542-8 of the Commercial Code and Article 24 of the Articles of Incorporation of the Company, the Independent Director Recommendation Committee recommends the following candidates to be (re-)nominated as Independent Director: Mr. Dong Min Yoon (re-nominated), Dr. Han-joong Kim (newly nominated), and Dr. Byeong Gi Lee (newly nominated). Dr. Han-joong Kim and Dr. Byeong Gi Lee will replace Dr. Oh-Soo Park and Mr. Chae-Woong Lee at the expiration of their terms in march,2012.

Under global uncertainties amid continued global economic slowdown, the company needs to prepare for the future more actively. As it is crucial for the company to develop new products, new technology and new businesses at the right timing in order to prepare for the future, we formalized the expertise to which the Independent Directors are to bring to the BOD. These areas of expertise are Legal, Economy/Business, Engineering and new growth businesses. The areas of expertise and the proposed Independent Directors are as follows:

|                     |                                   |
|---------------------|-----------------------------------|
| Legal               | Mr.Dong-Min Yoon (Re-nominee)     |
| Economy/Business    | Mr. In-Ho Lee                     |
| Engineering         | Dr. Byeong Gi Lee (New-nominee)   |
| New growth business | * Dr. Han-Joong Kim (New-nominee) |

\* The company believes the health related areas provide significant growth potential in next several years. Therefore the BOD is recommending Dr. Han-Joong Kim who has in-depth experience in health industry.

The following section contains the names and biographical information of the three candidates for Independent Directors. The Board recommends a vote “FOR” the election of each of the following candidates.



**Mr. Dong Min Yoon**  
(Re-nominated)

Date of Birth: April 4, 1945

Mr. Dong-Min Yoon has been an Independent Director of Samsung Electronics since March 2006.

He was Public Prosecutor at Daejeon Supreme Public Prosecutors’ Office from 1995 to 1997, and Chief of Planning Management Department at the Ministry of Justice from 1997 ~ 1998. He has been attorney at law, Kim & Chang Law Office since 1999. Mr. Yoon has been Independent Director of Doosan from 2004.

Mr. Yoon got his BA Degree in Law from Seoul National University.





**Dr. Han-joong Kim**  
(Newly nominated)

Date of Birth: November 2, 1948

Dr. Han-joong Kim has been a professor at Department of Preventive Medicine & Public Health at Yonsei University since 1982. He was the Director of Korea Council for University Education (KCUE) in 2008 ~ 2012 and President of Korea University Sports Federation (KUSF) from 2010 to 2012. He also served as the President of Yonsei University from Feb. 2008 to Jan. 2012.

Dr. Kim received his MD from Yonsei University College of Medicine and Master's degree in Public Health from Yonsei University, and Ph.D. in Public Health from Seoul National University Graduate School.



**Dr. Byeong Gi Lee**  
(Newly-nominated)

Date of Birth: May 12, 1951

Dr. Byeong Gi Lee worked for AT&T Bell Laboratories, North Andover, MA, from 1984 to 1986. In 1986, he joined the faculty of School of Electrical Engineering at Seoul National University and is a Professor until currently. He served as the Director of the Institute of New Media and Communications in 2000 and the Vice Chancellor for Research Affairs from 2000 to 2002.

Dr. Lee was the President of the Korea Society of Engineering Education (KSEE) in 2003~2004, and the President of Korea Information and Communication Society (KICS) in 2007, and Commissioner of Korea Communications Commission (KCC) from 2008 to 2010. He lately served as the President of the IEEE Communications Society from 2010 to 2011.

Dr. Lee earned his B.S in Electronics Engineering from Seoul National University and Ph.D. from University of California, Los Angeles in Electrical Engineering.

## **AGENDA 2-2: APPOINTMENT OF EXECUTIVE DIRECTORS**

Pursuant to Article 382 of the Commercial Code and Article 24 of the Articles of Incorporation of the Company, the BOD recommends the following candidates for Executive Directors' position: Mr. Geesung Choi, Mr. Juhwa Yoon, and Dr. Oh-Hyun Kwon. Vice Chairman Geesung Choi and President & CFO Juhwa Yoon are currently members of BOD and need to be re-nominated. Dr. Oh-Hyun Kwon, Vice Chairman of Device Solutions is a new nominee and will replace Vice Chairman Yoon-Woo Lee whose term will expire in March 2012. Dr. Kwon has been nominated as a new candidate for Executive Director in order to strengthen independence and management efficiency between our Component and Set Businesses.

Mr. Geesung Choi became Vice Chairman & CEO of Samsung Electronics in 2010. Previously, he served as President of Digital Media & Communication Group (DMC), namely our "Set business." While Mr. Choi served as President & CEO of Visual Display Business from 1998 to 2006, he focused on strengthening our competitiveness in the TV business, establishing global SCM. He also served as the President and CEO of our Telecommunication Business (January 2007 ~ January 2009) and expanded our company's handset shipments and market share.

Dr. Oh-Hyun Kwon has been Vice Chairman of Device Solutions Group (Semiconductors + LCD) since December 2011. Since Dr. Kwon joined Samsung Electronics' Semiconductor Business in 1985, he has played a pivotal role in Samsung Electronics' rapid advance in the Semiconductor business. He successfully led the development of the industry's first 64Mb DRAM in 1992, and was promoted to Vice President of Samsung's Memory Device Technology unit three years later. He, then, transferred to the System LSI business upon its establishment in 1997 as a Vice President. He led the business for over 10 years, while being promoted to senior Vice President in 1998, Executive Vice President in 2000, and President in 2004. Dr. Kwon was the driving force behind the growth of the System LSI business and is an expert in semiconductors both in memory and non-memory (Sys-LSI) segments.

Mr. Juhwa Yoon has been serving as President & CFO since 2010. He has devoted most of his 30-year service in the company to business management, management innovation, overseas business management, and the establishment of a new cost management system. He is considered the best expert in business management and innovation. Some of Mr. Yoon's contributions include: establishment of global SCM system through standardization and integration, introduction of the global cost management & consolidated ERP System, and enhancement of management efficiency of overseas headquarters through regular evaluation and consulting.

The following is the biographical information of the candidates for Executive Directors. The Board recommends a vote “FOR” the election of the following nominees.

|   |  |
|---|--|
|  <p><b>Mr. Geesung Choi</b><br/>(Re-nominated)</p> | <p>Date of Birth: February 2, 1951</p> <p>Mr. Choi has been Vice Chairman &amp; CEO of Samsung Electronics since 2010. He was President of the Digital Media &amp; Communications Business in 2009. Also, he was President &amp; CEO of Telecommunications Business of Samsung Electronics from 2007 to 2009 and President &amp; CEO of the Digital Media Business from 2004 through 2005. He was also Head of the Digital Media Business' Visual Display Division from 2002 to 2003, and Senior Vice President of the Semiconductor Sales Division in 1998.</p> <p>Mr. Choi got his BA in International Trade from the Seoul National University.</p>   |
|  <p><b>Dr. Oh-Hyun Kwon</b><br/>(New Nominee)</p> | <p>Date of Birth: October 15, 1952</p> <p>Dr. Kwon has been Vice Chairman of Device Solutions since December 2011. He was President of Semiconductor Business from 2008 to 2011, and President of System LSI Business from 2004 to 2008. He served as Executive Vice President of System LSI R&amp;D Division from 2001 to 2004. He joined Samsung Electronics Semiconductor Business in 1985, and he led various core projects such as 64Mb DRAM development. He was promoted to Vice President of Memory Division in 1995, and after transferring to the System LSI business, he was promoted to Senior Vice President in 1998, Executive Vice President in 2000, and President in 2004</p> <p>Dr. Kwon got his BA degree in Electrical Engineering at Seoul National University and Master's degree in Electrical Engineering at Korea Advanced Institute for Science and Technology (KAIST.) He received Ph.D. in Electrical Engineering at Stanford University in 1985.</p> |
|  <p><b>Mr. Juhwa Yoon</b><br/>(Re-nominated)</p> | <p>Date of Birth: February 26, 1953</p> <p>Mr. Yoon served as President &amp; CFO since 2010. Previously, he was President of the Corporate Auditing Team in 2009. Also, he was Head of Management Support Team of the Corporate Executive Staff and the Global ERP T/F from 2007 to January 2009. From 1998 through 2007, he was Head of the Corporate Executive Staff's Management Support Team.</p> <p>Mr. Yoon got his BA degree in Statistics at the SungKyunKwan University in 1979.</p>   |



## AGENDA 2-3: APPOINTMENT OF MEMBERS OF AUDIT COMMITTEE

The Company’s Audit Committee is a committee under Board of Directors that supervises and supports the management with an aim to enhance the company's value to the maximum through auditing. Currently, Audit Committee consists of three members, all of whom are Independent Directors

Pursuant to Article 415-2 of the Commercial Code and Article 28-4 of the Articles of Incorporation of the Company, the BOD recommends the following Independent Directors as members of the audit committee: Mr. Dong Min Yoon and Dr. Han-joong Kim.

With Mr. In-Ho Lee, who has a degree in economics and was a formal CEO of Shinhan Bank, returning to the Audit Committee, the addition of the two nominees whose expertise are in legal and public health, will provide diversified experiences to the Audit Committee.

The following is the biographical information of the nominees for the Members of Audit Committee. The Board recommends a vote “FOR” the election of each of the following candidates.

|   |  |
|---|--|
|  <p><b>Mr. Dong Min Yoon</b><br/>(Newly nominated<br/>as Member of<br/>Audit Committee)</p> | <p>Date of Birth: April 4, 1945</p> <p>Mr. Dong-Min Yoon has been an Independent Director of Samsung Electronics since March 2006.</p> <p>He was Public Prosecutor at Daejeon Supreme Public Prosecutors’ Office from 1995 to 1997, and Chief of Planning Management Department at the Ministry of Justice from 1997 ~ 1998. He has been attorney at law, Kim &amp; Chang Law Office since 1999. Mr. Yoon has been Independent Director of Doosan from 2004.</p> <p>Mr. Yoon got his BA Degree in Law from Seoul National University.</p>  |
|  <p><b>Dr. Han-joong Kim</b><br/>(Newly nominated)</p>                                     | <p>Date of Birth: November 2, 1948</p> <p>Dr. Han-joong Kim has been a professor at Department of Preventive Medicine &amp; Public Health at Yonsei University since 1982. He was the Director of Korea Council for University Education (KCUE) in 2008 ~ 2012 and President of Korea University Sports Federation (KUSF) from 2010 to 2012. He also served as the President of Yonsei University from Feb. 2008 to Jan. 2012.</p> <p>Dr. Kim received his MD from Yonsei University College of Medicine and Master’s degree in Public Health from Yonsei University, and Ph.D. in Public Health from Seoul National University Graduate School.</p> |

### **AGENDA 3: APPROVAL OF THE LIMIT ON THE REMUNERATION FOR DIRECTORS**

The remuneration to be paid to Directors during the 44<sup>th</sup> fiscal year will be approved in accordance with Article 388 of the Commercial Code and Article 34 of the Articles of Incorporation. The proposed limit on the remuneration for the 44<sup>th</sup> fiscal year is KRW 30 billion - KRW 22 billion for general compensation and KRW 8 billion for long-term incentives.

#### **43<sup>rd</sup> Fiscal Year (2011)**

The proposed limit on the remuneration for the 43<sup>rd</sup> fiscal year was KRW 37 billion - KRW 22 billion for general compensation and KRW 15 billion for long-term incentives. The actual amount paid during the 43<sup>rd</sup> fiscal year was KRW 32.9 billion – KRW 21.2 billion for general compensation and KRW 11.7 billion for long-term incentives. Please note that there was a change in the company’s payment scheme of long-term incentives in 2010 as we informed last year.

#### **44<sup>th</sup> Fiscal Year (2012)**

Total limit on the remuneration for Directors that needs to be approved during the 44<sup>th</sup> fiscal year is KRW 30 billion - KRW 22 billion for general compensation, which is the same as last year’s, and KRW 8 billion for long-term incentives. Long-term incentive limit for 2012 was reduced to reflect the three-year pay out schedule (50%, 25%, 25%).

#### **【Table of the limits on the remuneration for Directors】**

| (Unit: KRW)                 | '09<br>(41 <sup>st</sup> ) |              | '10<br>(42 <sup>nd</sup> ) |              | '11<br>(43 <sup>rd</sup> ) |              | '12<br>(44 <sup>th</sup> ) |
|-----------------------------|----------------------------|--------------|----------------------------|--------------|----------------------------|--------------|----------------------------|
|                             | Approved                   | Executed     | Approved                   | Executed     | Approved                   | Executed     | To be approved             |
| <b>General Compensation</b> | 55 billion                 | 43.4 billion | 22 billion                 | 18.2 billion | 22 billion                 | 21.2 billion | <b>22 billion</b>          |
| <b>Long-term Incentive</b>  | -                          | -            | 30 billion                 | -            | 15 billion                 | 11.7billion  | <b>8 billion</b>           |
| <b>Total</b>                | 55 billion                 | 43.4 billion | 52 billion                 | 18.2 billion | 37 billion                 | 32.9 billion | <b>30 billion</b>          |

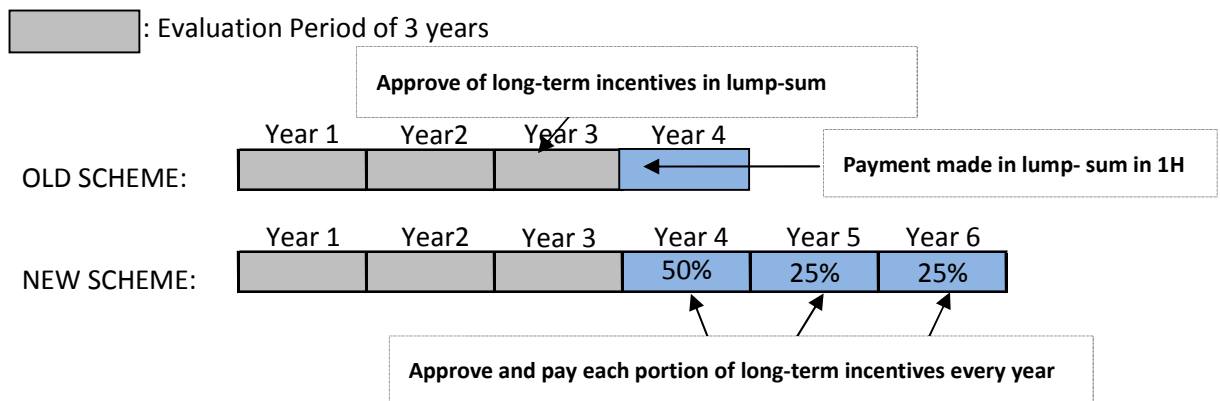
**Change in Payment Scheme for Long-term Incentives (2010)**

The Company adopted a "Long-Term Performance Incentive Plan" in 2005 to replace stock option program. Evaluation and payment have been made at a three-year interval (2007, 2010, etc.) However, in September 2010, the company changed the payment scheme of long-term incentives for Directors.

Under the old payment scheme, the evaluation were made at a three-year interval (2007, 2010, etc.), and the long-term incentives were approved at the third year of the three-year evaluation period in lump sum. And the actual payment of long-term incentives was made during the first half of the following year. However, under the new scheme, instead of approving a lump-sum amount at the third year of the three-year evaluation period, 50% of the three-year worth of long-term incentive amount will be approved and paid in the first year following the evaluation period, and the remaining 50% during the second and third years (25% each year) following the evaluation period.

The reason for the change was to enhance the management responsibility by deferring payment of long-term incentives. Under the new scheme, if any financial losses such as contingent liabilities are found afterwards, Directors' long-term incentives may be reduced accordingly.

**< Comparison >**



※ For your information, in October 2009, we established “Compensation Committee” fully comprised of Independent Directors to ensure the objectivity and transparency of decision making on Director remuneration. The Committee is responsible for assessing the appropriateness of Director compensation and reviews and approves the ceiling on Director compensation to be submitted for resolution at the general meeting of shareholders.

## **AGENDA 4: LCD Business Spin-off**

Currently, the display market is undergoing rapid changes with OLED panels expected to fast replace LCD panels to become the mainstream. Amid this structural change of the Display industry, adopting measures for change and innovation, including business restructuring, are essential to improve our competitiveness for our Display business.

In this regards, first, the LCD business will be spun off from Samsung Electronics and become a new corporation (100% wholly subsidiary of Samsung Electronics). Then, going forward, the new corporation will consider adopting various restructuring measures including a merger with Samsung Mobile Display and S-LCD.

※ The new corporation :

- Number of shares to be issued: 150 million shares
- Equity attributable to owners of the parent: 750 billion won
- Net asset: 13.6 trillion won

By being independently operated company specializing in display panels going forward, our LCD business will be able to strengthen its competitiveness based on the select and focus strategy and take an advantageous position in the future display market ahead of competitors, thereby achieving continuous growth. Other expected benefits are: 1) reinforcement of technological competitiveness, 2) enhanced speed in investment/strategic decision-making process, and 3) establishment of autonomous and responsible management.

※ Major upcoming schedules:

- BOD meeting for approval of corporate split: February 20, 2012
- General Meeting of Shareholders for approval of corporate spin-off: March 16, 2012
- Effective Date of the corporate spin-off: April 1, 2012
- Resolution by BOD meeting of the corporate spin-off: April 2, 2012
- The first General Meeting of Shareholders: April 2, 2012
- Registration of corporate split: April 3, 2012

## **Pre/Post Spin-Off Financial Position** (September 30, 2011, K-IFRS, parent-basis)

(Unit : KRW million)

|  | Pre-split   | Post-split       |            |
|--|-------------|------------------|------------|
|  |             | Surviving entity | New entity |
| Assets   |             |                  |            |
| Current assets                                 | 37,900,277  | 33,529,244       | 4,371,033  |
| Cash and cash equivalents                      | 1,888,640   | 1,387,876        | 500,764    |
| Short-term financial instruments               | 8,569,268   | 8,566,456        | 2,812      |
| Short-term available-for-sale financial assets | 656,679     | 656,679          |            |
| Trade receivables                              | 17,009,812  | 14,610,594       | 2,399,218  |
| Other account receivables                      | 1,328,986   | 928,719          | 400,267    |
| Advances                                       | 957,957     | 892,604          | 65,353     |
| Prepaid expenses                               | 1,347,672   | 1,258,691        | 88,981     |
| Inventories                                    | 5,201,762   | 4,360,454        | 841,308    |
| Other current assets                           | 939,501     | 867,171          | 72,330     |
| Non-current assets                             | 74,872,031  | 75,944,032       | 12,502,162 |
| Available-for-sale financial assets            | 2,114,275   | 1,689,452        | 424,823    |
| Associates and joint ventures                  | 25,234,378  | 36,731,043       | 2,077,498  |
| Property, plant, and equipment                 | 40,922,726  | 31,735,055       | 9,187,671  |
| Intangible assets                              | 2,535,360   | 2,343,983        | 191,377    |
| Deposits                                       | 328,379     | 302,916          | 25,463     |
| Long-term prepaid expenses                     | 3,109,361   | 2,855,217        | 254,144    |
| Other non-current assets                       | 627,552     | 286,366          | 341,186    |
| Total assets                                   | 112,772,308 | 109,473,276      | 16,873,195 |
| Liabilities                                    |             |                  |            |
| Current liabilities                            | 25,073,589  | 22,123,427       | 2,950,162  |
| Trade payable                                  | 8,366,444   | 7,191,225        | 1,175,219  |
| Short-term borrowings                          | 4,094,407   | 3,614,694        | 479,713    |
| Other account payable                          | 5,294,614   | 4,840,929        | 453,685    |
| Advance received                               | 651,928     | 205,136          | 446,792    |
| Withholdings                                   | 465,773     | 463,057          | 2,716      |



|  |             |             |            |
|--|-------------|-------------|------------|
| Accrued expenses                                       | 2,716,645   | 2,537,334   | 179,311    |
| Income tax payable                                     | 242,935     | 242,935     |            |
| Current portion of long-term borrowings and debentures | 5,656       | 5,656       |            |
| Provisions   | 2,986,411   | 2,900,495   | 85,916     |
| Other current liabilities                              | 248,776     | 121,966     | 126,810    |
| Non-current liabilities                                | 1,987,199   | 1,638,329   | 348,870    |
| Debentures   | 84,844      | 84,844      |            |
| Long-term other payables                               | 793,861     | 653,800     | 140,061    |
| Retirement benefit obligation                          | 373,429     | 335,084     | 38,345     |
| Deferred income tax liabilities                        | 134,653     | 134,653     |            |
| Provisions   | 448,265     | 410,322     | 37,943     |
| Other non-current liabilities                          | 152,147     | 19,626      | 132,521    |
| Total liabilities                                      | 27,060,788  | 23,761,756  | 3,299,032  |
| Equity   |             |             |            |
| Equity attributable to owners of the parent            | 897,514     | 897,514     | 750,000    |
| Preferred stock  | 119,467     | 119,467     |            |
| Common stock   | 778,047     | 778,047     | 750,000    |
| Share premium  | 4,403,893   | 4,403,893   | 12,824,163 |
| Retained earnings                                      | 85,626,554  | 85,626,554  |            |
| Other component of equity                              | (5,216,441) | (5,216,441) |            |
| Total equity   | 85,711,520  | 85,711,520  | 13,574,163 |
| Total liabilities and equity                           | 112,772,308 | 109,473,276 | 16,873,195 |

Note 1) The above figures can be revised to those as of the spin-off date.

2) The above figures are based on separate financial statements. The domestic law does not specify which type of financial statements shall be adopted for public disclosure.

Since consolidated financial statements also includes the year's financial positions of other companies, we thought separate financial statements would be more appropriate in figuring out actual changes in the substances of the concerned companies' financial position.

3) In general, cash includes not only cash & cash equivalent assets but also short-term financial assets and short-term available-for-sale financial assets. The amount of cash to be succeeded by the new corporation is about KRW500 billion, which is 3% of the total assets to be succeeded by the new entity (approximately KRW17 trillion).

The proportion is very low considering that the cash-to-total asset proportion is 10% for the pre-spin company and the post-spin surviving entity.

## Financial Statements for FY 2011 (K-IFRS, consolidated)

- { 43<sup>rd</sup> fiscal year (January 1, 2011 ~ December 31, 2011)  
 { 42<sup>nd</sup> fiscal year (January 1, 2010 ~ December 31, 2010)

### □ Summary of Statement of Financial Position

(Unit: Trillion Won, %)

| Account Title                                       | 43 <sup>rd</sup> Period | 42 <sup>nd</sup> Period | Change     |
|---|-------------------------|-------------------------|------------|
| <b>Current Assets</b>                               | <b>71.50</b>            | <b>61.40</b>            | <b>16%</b> |
| Cash & Cash Equivalents                             | 26.88                   | 22.48                   | 20%        |
| A/R   | 21.88                   | 19.15                   | 14%        |
| Inventories   | 15.72                   | 13.36                   | 18%        |
| Others  | 7.02                    | 6.41                    | 10%        |
| <b>Non Current Assets</b>                           | <b>84.13</b>            | <b>72.89</b>            | <b>15%</b> |
| Investment  | 12.82                   | 11.80                   | 9%         |
| PP&E  | 62.04                   | 52.96                   | 17%        |
| Intangible Assets                                   | 3.36                    | 2.78                    | 21%        |
| Other Non Current Asset                             | 5.91                    | 5.35                    | 11%        |
| <b>Total Assets</b>                                 | <b>155.63</b>           | <b>134.29</b>           | <b>16%</b> |
| <b>Liabilities</b>                                  | <b>53.79</b>            | <b>44.94</b>            | <b>20%</b> |
| Debts   | 14.65                   | 10.78                   | 36%        |
| Accounts and Notes Payable                          | 10.28                   | 9.15                    | 12%        |
| Accrued Expenses                                    | 16.06                   | 14.00                   | 15%        |
| Income Tax Payable                                  | 1.26                    | 2.05                    | △38%       |
| Others  | 11.54                   | 8.96                    | 29%        |
| <b>Shareholders' Equity</b>                         | <b>101.84</b>           | <b>89.35</b>            | <b>14%</b> |
| <b>Total Liabilities &amp; Shareholder's Equity</b> | <b>155.63</b>           | <b>134.29</b>           | <b>16%</b> |

□ **Summary of Income Statement**

{ 43<sup>rd</sup> fiscal year (January 1, 2011 ~ December 31, 2011)  
 { 42<sup>nd</sup> fiscal year (January 1, 2010 ~ December 31, 2010)

(Unit: Trillion Won, %)

| Account Title                         | 43 <sup>rd</sup> Period | 42 <sup>nd</sup> Period | Change      |
|---------------------------------------|-------------------------|-------------------------|-------------|
| <b>Sales</b>                          | <b>165.00</b>           | <b>154.63</b>           | <b>7%</b>   |
| Cost of Goods Sold                    | 112.15                  | 102.67                  | 9%          |
| <b>Gross Profit</b>                   | <b>52.86</b>            | <b>51.96</b>            | <b>2%</b>   |
| R&D Expenses                          | 9.98                    | 9.10                    | 10%         |
| SG&A                                  | 27.42                   | 26.24                   | 4%          |
| Other Operating Profits/ Losses (net) | 0.79                    | 0.68                    | 18%         |
| <b>Operating Profit</b>               | <b>16.25</b>            | <b>17.30</b>            | <b>△6%</b>  |
| Equity Method Gains/ Losses           | 1.40                    | 2.27                    | △38%        |
| Finance Incomes/ Expenses             | △0.49                   | △0.24                   | -           |
| <b>Income before Income Taxes</b>     | <b>17.16</b>            | <b>19.33</b>            | <b>△11%</b> |
| Income Taxes                          | 3.42                    | 3.18                    | <b>8%</b>   |
| <b>Net Income</b>                     | <b>13.73</b>            | <b>16.15</b>            | <b>△15%</b> |

□ **Cash Flow Statement**

- { 43<sup>rd</sup> fiscal year (January 1, 2011 ~ December 31, 2011)  
 { 42<sup>nd</sup> fiscal year (January 1, 2010 ~ December 31, 2010)

(Unit: Trillion Won)

| Account Title   | Current Period (43 <sup>rd</sup> ) |               | Previous Period (42 <sup>nd</sup> ) |               |
|---|------------------------------------|---------------|-------------------------------------|---------------|
|   |                                    |               |                                     |               |
| <b>Cash flow from Operating Activities</b>                  |                                    |               |                                     |               |
| - Net Income  | 13.73                              |               | 16.15                               |               |
| - Depreciation & amortization                               | 12.93                              |               | 10.85                               |               |
| - Others  | △3.74                              |               | △3.17                               |               |
| <b>Net Cash Provided by Operating Activities</b>            |                                    | <b>22.92</b>  |                                     | <b>23.83</b>  |
| <b>Cash flow from Investing Activities</b>                  |                                    |               |                                     |               |
| - Acquisition of property, plant & equipment                | △21.97                             |               | △21.62                              |               |
| <b>Net Cash Used in Investing Activities</b>                |                                    | <b>△21.62</b> |                                     | <b>△22.03</b> |
| <b>Cash flow from Financing Activities</b>                  |                                    |               |                                     |               |
| - Increase in Debt  | 3.76                               |               | 1.70                                |               |
| <b>Net Cash Used in Financing Activities</b>                |                                    | <b>3.11</b>   |                                     | <b>△0.15</b>  |
| <b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b> |                                    | <b>4.40</b>   |                                     | <b>1.60</b>   |
| - Cash at Beginning of the Year                             |                                    | 22.48         |                                     | 20.88         |
| <b>Cash at End of the Year</b>                              |                                    | <b>26.88</b>  |                                     | <b>22.48</b>  |

## Financial Statements for FY 2011 (K-IFRS, parent)

- { 43<sup>rd</sup> fiscal year (January 1, 2011 ~ December 31, 2011)  
 { 42<sup>nd</sup> fiscal year (January 1, 2010 ~ December 31, 2010)

### □ Summary of Statement of Financial Position

(Unit: Trillion Won, %)

| Account Title                                       | 43 <sup>rd</sup> Period | 42 <sup>nd</sup> Period | Change      |
|---|-------------------------|-------------------------|-------------|
| <b>Current Assets</b>                               | <b>39.50</b>            | <b>36.24</b>            | <b>9%</b>   |
| <b>Non Current Assets</b>                           | <b>77.96</b>            | <b>70.94</b>            | <b>10%</b>  |
| Investment  | 25.46                   | 22.63                   | 13%         |
| PP&E  | 43.03                   | 38.71                   | 11%         |
| Intangible Assets                                   | 2.45                    | 2.44                    | 0.3%        |
| Other Non Current Asset                             | 7.02                    | 7.16                    | Δ2%         |
| <b>Total Assets</b>                                 | <b>117.46</b>           | <b>107.18</b>           | <b>10%</b>  |
| <b>Current Liabilities</b>                          | <b>26.97</b>            | <b>24.99</b>            | <b>8%</b>   |
| <b>Non Current Liabilities</b>                      | <b>1.59</b>             | <b>2.22</b>             | <b>Δ29%</b> |
| <b>Total Liabilities</b>                            | <b>28.56</b>            | <b>27.21</b>            | <b>5%</b>   |
| <b>Shareholders' Equity</b>                         | <b>88.90</b>            | <b>79.97</b>            | <b>11%</b>  |
| <b>Total Liabilities &amp; Shareholder's Equity</b> | <b>117.46</b>           | <b>107.18</b>           | <b>10%</b>  |

□ **Summary of Income Statement**

{ 43<sup>rd</sup> fiscal year (January 1, 2011 ~ December 31, 2011)  
 { 42<sup>nd</sup> fiscal year (January 1, 2010 ~ December 31, 2010)

(Unit: Trillion Won, %)

| Account Title                         | 43 <sup>rd</sup> Period | 42 <sup>nd</sup> Period | Change      |
|---------------------------------------|-------------------------|-------------------------|-------------|
| <b>Sales</b>                          | <b>120.82</b>           | <b>112.25</b>           | <b>8%</b>   |
| Cost of Goods Sold                    | 90.41                   | 77.98                   | 16%         |
| <b>Gross Profit</b>                   | <b>30.41</b>            | <b>34.27</b>            | <b>Δ11%</b> |
| R&D Expenses                          | 9.35                    | 8.59                    | 9%          |
| SG&A                                  | 11.38                   | 13.36                   | Δ15%        |
| Other Operating Profits/ Losses (net) | 2.02                    | 2.61                    | Δ22%        |
| <b>Operating Profit</b>               | <b>11.70</b>            | <b>14.92</b>            | <b>Δ22%</b> |
| Finance Incomes/ Expenses             | △0.21                   | 0.11                    | -           |
| <b>Income before Income Taxes</b>     | <b>11.49</b>            | <b>15.03</b>            | <b>Δ24%</b> |
| Income Taxes                          | 1.46                    | 1.79                    | Δ18%        |
| <b>Net Income</b>                     | <b>10.03</b>            | <b>13.24</b>            | <b>Δ24%</b> |

## Shares & Stock Option Holdings of BOD Members

(Unit: Share)

| Name                  |                | Appointed Since           | Shares | Stock Options |
|-----------------------|----------------|---------------------------|--------|---------------|
| Executive Directors   | Gee-Sung Choi  | Re-nominated<br>(Mar- 09) | 9,000  | 0             |
|                       | Oh-Hyun Kwon   | New Nominee<br>(Mar-12)   | 5,383  | 0             |
|                       | Ju-Hwa Yoon    | Re-nominated<br>(Mar- 09) | 9,000  | 0             |
|                       | Yoon-Woo Lee   | Resign<br>(Mar-12)        | 5,000  | 0             |
| Independent Directors | Dong-Min Yoon  | Re-nominated<br>(Feb-06)  | 0      | -             |
|                       | In-Ho Lee      | Mar-10                    | 0      | -             |
|                       | Han-joong Kim  | New Nominee<br>(Mar-12)   | 0      | -             |
|                       | Byeong-Gi Lee  | New Nominee<br>(Mar-12)   | 0      | -             |
|                       | Oh-Soo Park    | Resign<br>(Mar-12)        | 0      | -             |
|                       | Chae-Woong Lee | Resign<br>(Mar-12)        | 100    | -             |

※ As of December 31, 2011

## Remuneration of Independent Directors

(unit : Million KRW)

| Duration           | Category                | Total amount | Average amount |
|--------------------|-------------------------|--------------|----------------|
| '11. 1. ~ '11. 12. | 4 Independent Directors | 223          | 56             |

## BOD Meeting Attendance ('09 ~ '11)

**- Three- year accumulated attendance**

|                          | Name           | 2009 (9) | 2010 (9) | 2011 (10) | Total (28) |          |      |
|--------------------------|----------------|----------|----------|-----------|------------|----------|------|
|                          |                | Attended | Attended | Attended  | Meeting    | Attended | %    |
| Executive<br>Directors   | Gee-Sung Choi  | 8        | 9        | 10        | 28         | 27       | 96%  |
|                          | Yoon-Woo Lee   | 9        | 8        | 8         | 28         | 25       | 89%  |
|                          | Ju-Hwa Yoon    | 9        | 9        | 10        | 28         | 28       | 100% |
| Independent<br>Directors | Dong-Min Yoon  | 8        | 7        | 10        | 28         | 25       | 89%  |
|                          | Chae-Woong Lee | 9        | 9        | 9         | 28         | 27       | 96%  |
|                          | Oh-Soo Park    | 9        | 9        | 10        | 28         | 28       | 100% |
|                          | In-Ho Lee      | -        | 9        | 10        | 19         | 19       | 100% |

- **Mr. In-Ho Lee was assigned in March 2010.**