



**SAMSUNG ELECTRONICS Co., Ltd.**

**Proxy Material**

**2016 Annual General Meeting of Shareholders**

### **Note about forward-looking statements**

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Certain statements in this proxy statement, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our financial reports available on our website at <http://www.samsung.com/us/aboutsamsung/ir/newsMain.do>

# LETTER TO SHAREHOLDERS

## Dear Shareholders,

I wish you and your family good health and prosperity in the year of 2016.

The global economic environment was challenging throughout 2015 due to the changes in the monetary policy of the U.S., an increase in volatility of emerging stock markets and exchange rates, and a sharp fall in the global oil prices. Amid global uncertainties, South Korea's economy also remained weak. For Samsung Electronics, we continued to face a challenging business environment as the growth of smartphone market slowed down and competition of major products intensified.

However, despite these challenging circumstances, we maintained solid earnings thanks to the ceaseless effort and devotion of all executives and employees. We also continued to make an effort to enhance shareholder value through our proactive shareholder return policy, including the special buyback program.

We believe it was all possible thanks to the support and interest that you have shown to the company throughout the year, so we would like to extend our deepest gratitude and share our performances and the key progresses we made in 2015 with you.

## **First, despite a slowdown in smartphone demand, we achieved solid earnings based on improved earnings of the component businesses, including semiconductor and display.**

In 2015, the total revenue slightly declined from the previous year to KRW 201 trillion, but our operating profit and net profit were solid at KRW 26 trillion and KRW 19 trillion, respectively.

For the memory business, despite a slowdown of the global economy and the IT industry, we continued to improve earnings by reinforcing cost competitiveness through expansion of leading-edge processes such as 20nm DRAM and V-NAND and by increasing sales of high value-added products such as DDR4/SSD.

In the System LSI business, we improved earnings compared to the previous year by reinforcing competitiveness of the mobile AP and foundry businesses based on our 14nm process competitiveness.

For our display business, despite a decline in ASP due to the imbalance between LCD industry supply and demand, we maintained solid earnings by improving cost efficiency. We also enhanced the foundation for revenue growth by expanding the OLED customer base.

For our IM business, revenue and profit declined compared to the previous year due to weak sales from intensified competitions amid slowing market demand. But we enhanced competitiveness of our line-ups by differentiating design, for example Galaxy S6 Edge, and by expanding competitive new mid-range products including Galaxy A and J series.

In the TV business, despite difficulties in the first half of the year such as weak demand in Europe due to the exchange rate impact, we maintained No.1 in market share for the tenth consecutive year since 2006 by reinforcing our premium product competencies through the launch of SUHD TV with the Quantum Dot technology. Also, in the digital appliances business, we further enhanced our competitiveness in the premium market by introducing innovative products such as the Chef Collection kitchenware and Active/Add Wash washing machine.

**Second, we focused on strengthening core competencies with our high-quality technologies, and solidified our technological leadership through continuous investments.**

In the current IT industry, the boundary between hardware and software companies is becoming blurred. Companies armed with contents, services, and the internet are creating new businesses and emerging as strong competitors.

To cope with such changes in the market, we focused on securing software specialists and R&D manpower, as well as outstanding talents who will be the source of our competitiveness in the future. In addition, we operated the Global Innovation Center and the Samsung Strategy and Innovation Center at Silicon Valley to respond to the changes in the IT industry in a timely manner, and opened the R&D center in Umyeon-dong, Seoul, to reinforce our software competitiveness. Moreover, we invested approximately KRW 14 trillion in R&D to create new technologies and values.

As a result, we were able to widen the gap of technological competitiveness with others as we led the 3D memory era by mass producing the world's first ultra-high density 128GB DRAM module with 3D TSV additive manufacturing technology as well as the 3rd generation V-NAND. And for our S.LSI business, we commercialize 14nm process as the first in the industry, strengthening SoC and foundry business competitiveness. As for the IM business, we improved usability of smartphones through the release of Galaxy S6 Edge with flexible OLED and the successful launch of Samsung Pay. Also, we solidified our business foundation in the wearable market by launching round design Gear S2 and follow-up models of Gear VR.

As of 2015, we registered 5,072 U.S. patents (No.2 in the world), securing future growth engines. We received eight 'IDEA 2015'(design) awards and 38 Innovation Awards at 'CES 2016', including the Best Innovation Award for our smart TV.

Our brand value in 2015 reached \$45.3 billion (InterBrand), maintaining global No.7 for the second consecutive year.

### **Third, we implemented proactive shareholder return policies to enhance shareholder value.**

Despite the challenging business circumstances in 2015, we announced various shareholder return policies, including the KRW 11.3 trillion of special buyback and cancellation program and the shareholder return plan for the next three years, as a part of our shareholder-friendly management.

Of the total KRW 11.3 trillion special buyback program, we repurchased and cancelled KRW 4.25 trillion so far in the first phase. Currently, we are in the second phase of the program. The remaining amount will also be repurchased and cancelled in the following phases. And along with this large-scale buyback, we increased dividend per share from the previous year to KRW 21,000 per common share and KRW 21,050 per preferred share, clearly demonstrating our commitment to enhance shareholder value even under the tough business circumstances.

Meanwhile, we successfully held two Investor Forum events of 2015 in Seoul and Singapore to enhance investors' understanding of our outstanding technologies and to strengthen communication.

### **Dear Shareholders,**

In 2016, the overall global economy may slow down, and uncertainties such as financial risks in emerging markets are expected to increase. The IT industry will change in an unprecedented speed, and competitions will intensify further.

We expect core products of our company, such as smartphone, TV, and memory, will face oversupply issues and intensified price competition. Our competitors will follow close behind our leading position in the global IT industry with aggressive investments and innovations. Moreover, innovative business models such as O2O(Online to Offline) and sharing economy are undermining the importance of hardware, which is our strength, and shifting the core competitiveness to software platform.

To cope with these changes in the business environment, we will continue to implement groundbreaking changes and innovations, and strive to secure differentiated competitiveness.

### **We will secure differentiated competitiveness and become the first mover.**

Even under the challenging circumstances, we will renew everything from our product development and management to the organizational culture in order to lead the new era and become a true first mover.

We will better sense the trends of consumer lifestyle and behavior patterns to secure competencies and a system that can lead a new competitive market. To do so, we will ensure internal stability by enhancing efficiency and create synergy among all divisions of the company based on active open innovation, trust, and communication.

## **We will again strive for shareholder-friendly management this year.**

We will continue to remind ourselves that even under uncertainties of the capital markets and the difficult business circumstances, generating solid earnings contributes greatly to shareholder return. As such, we will focus all our efforts on achieving solid results this year.

We will of course carry out the mid to long-term shareholder return policy that we announced in 2015 without any delays.

In addition, as we have done in 2015, we will share with you our company's value and vision through diverse IR activities and continue to strengthen communication with shareholders.

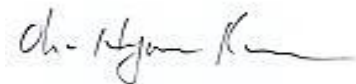
## **Dear Shareholders,**

Samsung Electronics went through many difficulties last year, such as intensified competitions over our core products amid global economic recession. We expect that 2016 will also be a tough year.

However, since the foundation of the company in 1969, we have many times turned crises into opportunities by overcoming difficulties such as the Asian financial crisis and the global financial crisis through changes and innovation. Therefore, we promise you that we will again overcome the crisis based on what we have accumulated so far.

I would like to once again wish all of you and your family the best of health and happiness in 2016. Thank you.

Respectfully yours,



Oh-Hyun Kwon  
Vice Chairman & CEO  
Samsung Electronics Co., Ltd

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**Samsung Electronics Co., Ltd. and Subsidiaries**  
 (Seocho-dong) 11, 74-gil  
 Seochodaero Seocho-gu, Seoul 137-965, Korea

Dear Shareholders of Samsung Electronics,

Notice is hereby given that the 2016 annual meeting of shareholders (the “AGM”) of Samsung Electronics Co., Ltd. will be held on Friday, March 11, 2016 at 9:00 a.m. Korea Standard Time, in a multifunctional hall, on the fifth floor of Samsung Electronics building located at the address shown above for the following agenda (more details of agenda are described in accompanying proxy material document):

**Notice of 2016 Annual General Meeting of Shareholders**

**Date:** March 11, 2016  
**Time:** 9:00 a.m. Korea Standard Time  
**Place:** (Seocho-dong) 11, 74-gil  
 Seochodaero Seocho-gu, Seoul 137-965, Korea

**Record date:** December 31, 2015  
 Only common shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual General Shareholder Meeting.

**Proxy voting:** Please vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting.

**Items of business:** 1. Approval of Audited Financial Statements for FY 2015 (From Jan 1, 2015 to Dec 31, 2015)  
 - Approval of Statements of Financial Position, Income, and Cash Flow, etc.  
 - The total dividend per share in 2015 is KRW 21,000 for common and KRW 21,050 for preferred shares, including interim dividend of KRW 1,000 per share paid in August 2015.

2. Election of Directors

- Independent Director Nominees
  - Re-nominated : In-Ho Lee, Kwang-Soo Song
  - Newly nominated : Jae-Wan Park
- Executive Director Nominees
  - Re-nominated : Boo-Keun Yoon, Jong-Kyun Shin, Sang-Hoon Lee
- Audit Committee Member Nominees
  - Re-nominated : In-Ho Lee, Kwang-Soo Song

3. Approval of the Remuneration Limit for the Directors for FY 2016

|                           | FY 2016        | FY 2015        |                |
|---------------------------|----------------|----------------|----------------|
|                           | Proposed       | Approved       | Actual         |
| <b>Total Remuneration</b> | KRW 39 Billion | KRW 39 Billion | KRW 32 Billion |
| - General Compensation    | KRW 30 Billion | KRW 30 Billion | KRW 24 Billion |
| - Long-Term Incentive     | KRW 9 Billion  | KRW 9 Billion  | KRW 8 Billion  |

4. Approval of amendments to the Articles of Incorporation

# PROXY SUMMARY

This summary highlights information contained in the accompanying Proxy Material.

## Agenda 1. Approval of Audited Financial Statement for FY 2015

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### *Key Voting Items*

- Statements of Financial Position, Income, and Cash Flow including KRW 3.1 trillion of annual dividends, etc.
- The audit on financial statements is not yet complete, but we have attached a letter from independent auditor confirming that nothing has come to their attention so far. The final version of consolidated financial statements with the independent auditor's opinion is scheduled to be disclosed on February 26<sup>th</sup>.

### *Business highlights*

In FY 2015, despite a slowdown in smartphone demand, we achieved solid earnings based on improved earnings of the component businesses, including semiconductor and display.

- KRW 200.7 trillion in revenue, a decrease of 2.7% from FY 2014
- KRW 26.4 trillion in operating profit, an increase of 5.5% from FY 2014

### *We delivered these results while preparing for the year ahead, including*

- Invested KRW 25.5 trillion in capital expenditures (KRW 14.7 trillion in Semiconductor and KRW 4.7 trillion in Display)
- Invested KRW 13.7 trillion in R&D

### *We implemented proactive shareholder return policies to enhance shareholder value.*

- Announced a special buyback and cancellation program and a shareholder return plan for the three years (2015-2017)
- Of the total KRW 11.3 trillion special buyback program, we repurchased and cancelled KRW 4.25 trillion of outstanding shares so far in the first phase. Currently, we are repurchasing approximately KRW 3 trillion of outstanding shares in the second phase of the program.
- The company will return 30~50% of annual FCF to shareholders for the three years.(2015-2017)  
The 2015 annual dividend per share increased from the previous year to KRW 21,000 for common shares and 21,050 for preferred shares, including the interim dividend of KRW 1,000 per share, and the total dividend amount is KRW 3.1 trillion.
- Through this proactive shareholder return policy, payout ratio including share buyback increased. (FY2014 23% → FY2015 38%)

## Agenda 2. Election of Directors

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The Board and the Committee on Independent Director Nomination believe that the combination of the various qualifications and experiences of the Director nominees would contribute to an effective and well-functioning Board. In addition, the Director nominee as a member of the Audit Committee possess the necessary qualifications to provide effective oversights of the company's financial management and advice and counsel to the company's management.

### *Key Voting Items*

- Independent Director Nominees
  - Re-nominated : In-Ho Lee, Kwang-Soo Song
  - Newly nominated : Jae-Wan Park
- Executive Director Nominees
  - Re-nominated : Boo-Keun Yoon, Jong-Kyun Shin, Sang-Hoon Lee
- Audit Committee Member Nominees
  - Re-nominated : In-Ho Lee, Kwang-Soo Song



## Agenda 3. Approval of the Remuneration Limit for the Directors for FY 2016

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\* In FY 2015, we paid KRW 32 billion for total remuneration for Directors: KRW 24 billion general compensation and KRW 8 billion Long-Term Incentive (LTI)

### *Key Voting Items*

- Total Remuneration Limit for FY 2016: KRW 39 billion (General Compensation KRW 30 billion and Long-Term Incentive KRW 9 billion)
  - Same as FY 2015

## Agenda 4. Approval of Amendments to the Articles of Incorporation

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The Company determined that the Articles of Incorporation (“AOI”) need to be updated at this point as some of the applicable laws have changed. In addition, we want to implement a new method for improving shareholder return and corporate governance.

### *Key Voting Items*

- Amendments to the Articles of Incorporation

### *Main Details*

- Reflect changes in applicable and relevant law(s)
  - The Securities and Exchange Act was replaced by the Financial Investment Services and Capital Markets Act; applicable provisions were revised to reflect this change.
- Reduce the issuance limit of subscription rights and new shares for public subscriptions (30% → 20%)
- Add new language regarding issuance of quarterly dividends
- Amend applicable provisions to allow directors other than the CEO to serve as the chairman of the Board of Directors

# 1

# AGENDA 1

## APPROVAL OF AUDITED FINANCIAL STATEMENTS FOR FY 2015

### Overview

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The Board of Directors is seeking your approval of the following audited financial statements for FY 2015 beginning on January 1, 2015 and ending on December 31, 2015. In addition, we are reporting the total dividend per share in 2015 is KRW 21,000 for Common Shares and KRW 21,050 for Preferred Shares, including interim dividend of KRW 1,000 per share paid in August 2015.

- Statements of Financial Position
- Statements of Income
- Statements of Comprehensive Income
- Statements of Change in Equity
- Statements of Cash Flows
- Separate Statements of Appropriation of Retained Earnings (Parent)

The audit on financial statements is not yet complete, but we have attached a letter from independent auditor confirming that nothing has come to their attention so far. The final version of consolidated financial statements with the independent auditor's opinion is scheduled to be disclosed on February 26<sup>th</sup>.

### Business Performance

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The global economic environment was challenging throughout 2015 due to the changes in the monetary policy of the U.S., an increase in volatility of emerging stock markets and exchange rates, and a sharp fall in the global oil prices. Amid global uncertainties, South Korea's economy also remained weak. For Samsung Electronics, we continued to face a challenging business environment as the growth of smartphone market slowed down and competition of major products intensified.

Under these circumstances, the total revenue slightly declined from the previous year to KRW 201 trillion, but our operating profit and net profit were solid at KRW 26 trillion and KRW 19 trillion, respectively.

Despite tough business circumstances, we delivered solid performance in terms of technologies and products with our effort to reinforce core competitiveness through investments in R&D and facilities.

**For our component business**, we were able to widen the gap of technological competitiveness with others as we led the 3D memory era by mass producing the world's first ultra-high density 128GB DRAM module with 3D TSV additive manufacturing technology as well as the 3rd generation V-NAND. And for our S.LSI business, we commercialize 14nm process as the first in the industry, strengthening SoC and foundry business competitiveness.

**Moving onto our set business**, for the IM, we improved usability of smartphones through the release of Galaxy S6 Edge with flexible OLED and the successful launch of Samsung Pay. Also, we solidified our business foundation in the wearable market by launching round design Gear S2 and follow-up models of Gear VR. For our TV business, we reinforced our premium product leadership by launching the only SUHD TV with eco-friendly Quantum Dot technology in the world.

In 2016, along with our efforts to secure profitability of each business in 2016, we will also focus on reinforcing mid to long-term business competitiveness, including new business areas.

For DRAM, as adoption of high-density/high value-added products such as DDR4/LPDDR4 in major applications increases, we plan to focus on reinforcing the differentiated profit structure based on our successful 20nm process. In addition, we will further solidify the dominant position in DRAM technology through the introduction of 10nm-class process. For NAND, we will extend our superior product competitiveness and technological leadership by expanding mass production of the 3rd generation V-NAND, as the only company in the industry. We will also lead the growth of high-density storage market to strengthen the foundation for the mid to long-term growth.

For System LSI, we will secure a stable profit foundation by diversifying foundry customer base and by expanding SoC product line ups based on our 14nm process competitiveness. We will continue to stay on leadership path on technologies by bring 10nm process within this year. In addition we will continue to strengthen competitiveness of LSI products such as bio-processor and CIS.

For the OLED business, we expect to secure mid to long-term growth capabilities in 2016 by enhancing technology level and productivity of flexible display and by expanding new applications including transparent, mirror, HMD, automotive, and OLED for PC.

For our IM business, going beyond differentiation of hardware, we will focus on reinforcing software competitiveness with the new R&D organization dedicated to the development of software and services. In addition, we will continue to focus on strengthening our wearable products, such as Gear S2 and VR.

For our TV business, we will reinforce our premium market leadership with our SUHD-TV, which is the only TV with eco-friendly Quantum Dot technology in the world. And we plan to lead the era of Smart Home through our Smart TV with Smart Hub that provides connectivity with other devices with controlling/monitoring functions.

For IoT, We not only have a portfolio of cutting-edge devices that covers the whole spectrum of mobile, IT, TV, and consumer electronics, but also have innovative components such as Flexible OLED and IoT-exclusive chip solution ARTIK, as well as a powerful IoT platform such as SmartThings. Based on our competitiveness of the overall ecosystem, we plan to focus initially on Smart Home and Smart Health, which have high growth potential.

#### □ Summary of key financial metrics by Business Division (FY 2013 – FY 2015)

(Unit: KRW Trillion)

| Division Name        | Category         | FY2013 | FY2014 | FY2015        |
|----------------------|------------------|--------|--------|---------------|
| <b>Semiconductor</b> | Revenue          | 37.44  | 39.73  | <b>47.59</b>  |
|                      | Operating profit | 6.89   | 8.78   | <b>12.79</b>  |
|                      | Margin (%)       | 18%    | 22%    | <b>27%</b>    |
| <b>DP</b>            | Revenue          | 29.84  | 25.73  | <b>27.49</b>  |
|                      | Operating profit | 2.98   | 0.66   | <b>2.30</b>   |
|                      | Margin (%)       | 10%    | 3%     | <b>8%</b>     |
| <b>CE</b>            | Revenue          | 50.33  | 50.18  | <b>46.90</b>  |
|                      | Operating profit | 1.67   | 1.18   | <b>1.25</b>   |
|                      | Margin (%)       | 3%     | 2%     | <b>3%</b>     |
| <b>IM</b>            | Revenue          | 138.82 | 111.76 | <b>103.55</b> |
|                      | Operating profit | 24.96  | 14.56  | <b>10.14</b>  |
|                      | Margin (%)       | 18%    | 13%    | <b>10%</b>    |
| <b>Total</b>         | Revenue          | 228.69 | 206.21 | <b>200.65</b> |
|                      | Operating Profit | 36.79  | 25.03  | <b>26.41</b>  |
|                      | Margin (%)       | 16%    | 12%    | <b>13%</b>    |

※ On a consolidated basis

## Capital Expenditures and Other Investments

In 2015, we invested KRW 25.5 trillion in capital expenditures. Looking at the expenditures by business segment, we invested about KRW 14.7 trillion in Semiconductor and about KRW 4.7 trillion in Display. The rest was used for the smartphone production line and the CE complex in Vietnam, as well as the R&D Campus in Umyeon-dong, Seoul. The CAPEX in display business was lowered compared to the plan due to the timing of investments. We cannot provide a guideline for 2016 CAPEX as it has not been confirmed yet. We are reviewing various investment opportunities to achieve sustained growth and to enhance competitiveness.

For R&D, we invested KRW 13.7 trillion, or 7% of total revenue, in 2015. This is a decrease of KRW 0.7 trillion from the previous year. Our global R&D strategic priority is focused on creating a sustainable competitiveness for long-term growth through technology and innovation. For Advertising and Sales & Promotion expenses, we invested KRW 11.0 trillion in 2015. Over the years, we have increased our brand value through various high profile marketing and advertisement activities. As a result, we remain top smartphone and TV brands according to various consumer brand surveys. Going forward, we are going to manage our investments on high ROI areas and further improve efficiency across all investment areas.

We are continuing to pursue M&A opportunities in new technologies, such as software development, as a strategic priority to reinforce our future competitiveness and to secure top talents to further enhance our capabilities. We provided a differentiated mobile payment service by acquiring LoopPay, an MST-based mobile payment solution company. We plan to actively search for M&A opportunities going forward in order to optimize business portfolio and to maximize valuation.

The following table presents Capex, R&D, Advertising and Sales Promotion investments for the past three years.

### □ Capex, R&D, Advertising & Sales Promotion Investments (FY 2013 – FY 2015)

(Unit: KRW Trillion)

| Category                                        | FY2013                         | FY2014                         | FY2015                         |
|-------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Capex<br>(% to Revenue)                         | 23.76<br>(10.4%)               | 23.44<br>(11.4%)               | <b>25.52</b><br><b>(12.7%)</b> |
| R&D<br>(% to Revenue)                           | 14.32<br>(6.3%)                | 14.39<br>(7.0%)                | <b>13.71</b><br><b>(6.8%)</b>  |
| Advertising & Sales Promotion<br>(% to Revenue) | 12.18<br>(5.3%)                | 11.53<br>(5.6%)                | <b>10.95</b><br><b>(5.5%)</b>  |
| <b>Total</b><br><b>(% to Revenue)</b>           | <b>50.26</b><br><b>(22.0%)</b> | <b>49.35</b><br><b>(23.9%)</b> | <b>50.18</b><br><b>(25.0%)</b> |

## Return to Shareholders

### □ Announcement and implementation of mid to long-term shareholder return policy to enhance shareholder value

In Oct 2015, after a long consideration, the Company announced a large-scale special buyback/cancellation program and a three-year ('15~'17) shareholder return policy.

#### Special buyback/cancellation program

The program is total KRW 11.3 trillion in amount. Of this, we repurchased and cancelled KRW 4.3 trillion of outstanding shares in the 1st phase as of Jan 12. In particular, by increasing the proportion of preferred shares relative to the outstanding share ratio, we were able to repurchase more number of shares with the same amount of budget as preferred share is traded at a discount to common shares. This led to an increase in per share value and per share dividend of both common and preferred shares. Currently, we are in the 2nd phase of the program, which amounts to KRW 3 trillion in total. The special buyback/cancellation program will be carried out in 3-4 phases, and we expect it to be completed within 2016.

- 1st phase(Oct '15~Jan '16) : 2.23 million common shares, 1.24 million preferred shares
- 2nd phase(Feb '16~Apr '16) : 2.10 million common shares, 0.53 million preferred shares

#### Three-year('15~'17) shareholder return policy

Separate from the above program, the Company will utilize 30~50% of annual FCF for shareholder return for three years('15~'17), in the forms of dividends and buyback.

- The 2015 annual dividend is KRW 3.1 trillion, which is the same level as that of 2014 including the special dividend. The annual dividend per share is KRW 21,000 for common shares(KRW 21,050 for preferred shares), a 5% increase from the previous year due to a reduction in total number of outstanding shares, resulting from the 1st phase of the special buyback program.
- With various CAPEX opportunities to consider in 2016, we will review the ways to provide additional shareholder returns when we can get more visibility of 2016 FCF.

### □ Shareholder returns and TSR over the Past 3 Fiscal Years

The following table highlights our shareholder returns for the past three years. For the past three years, the Company continued to increase the amount of dividend and the size of buyback. As a result, shareholder return as a percentage of net income reached 38%. Accordingly, despite a fall in our stock price amid a slowdown of the IT industry, dividend yield and share buyback ratio continued to improve and TSR decline was limited.

(Unit: KRW billion)

| Category                              | FY 2013 | FY 2014 | FY 2015       |
|---------------------------------------|---------|---------|---------------|
| <b>Net profit</b>                     | 30,475  | 23,394  | <b>19,060</b> |
| <b>Shareholder returns</b>            | 2,157   | 5,446   | <b>7,322</b>  |
| <b>Dividends</b>                      | 2,157   | 3,000   | <b>3,069</b>  |
| <b>Share Buyback</b>                  | -       | 2,446   | <b>4,253</b>  |
| <b>Shareholder returns/Net profit</b> | 7%      | 23%     | <b>38%</b>    |
| <b>Dividends/Net profit</b>           | 7%      | 13%     | <b>16%</b>    |

| Category                                | FY 2013   | FY 2014   | FY 2015          |
|-----------------------------------------|-----------|-----------|------------------|
| <b>Annual TSR<sup>※</sup></b>           | -9%       | -1%       | <b>-2%</b>       |
| <b>Year-end stock price (KRW)</b>       | 1,372,000 | 1,327,000 | <b>1,260,000</b> |
| <b>Dividends per common share (KRW)</b> | 14,300    | 20,000    | <b>21,000</b>    |
| <b>(Dividend yield)</b>                 | (1.0%)    | (1.5%)    | <b>(1.7%)</b>    |
| <b>Share Buyback ratio<sup>※</sup></b>  | -         | 1.1%      | <b>1.9%</b>      |

※ TSR (Total Shareholder Return)=[(Year End Stock Price – Beginning Year Stock Price) + Dividend] ÷ Beginning Year Stock Price + Share Buyback Ratio

※ Share Buyback Ratio = Total Share Buyback / Beginning Market Cap

### □ Stock Price and EPS over the Past 3 Fiscal Years

The following table presents our stock performance and EPS for the past three years.

(Unit: KRW)

|                         | FY 2013             | FY 2014            | FY 2015                          |
|-------------------------|---------------------|--------------------|----------------------------------|
| Stock Price<br>(Change) | 1,372,000<br>(-10%) | 1,327,000<br>(-3%) | <b>1,260,000</b><br><b>(-5%)</b> |
| EPS<br>(Change)         | 197,841<br>(28%)    | 153,105<br>(-23%)  | <b>126,305</b><br><b>(-18%)</b>  |

### □ Share Buyback executed over the Past 3 Fiscal Years

The following table presents the total share buyback executed in 2015

(Unit: Shares, KRW Billion)

|                     |                     | 2013 | 2014      | 2015*            |
|---------------------|---------------------|------|-----------|------------------|
| Number of<br>Shares | Common<br>Shares    | -    | 1,650,000 | <b>2,230,000</b> |
|                     | Preferred<br>Shares | -    | 250,000   | <b>1,240,000</b> |
|                     | Total               | -    | 1,900,000 | <b>3,470,000</b> |
| Total Amount        | Common<br>Shares    | -    | 2,189     | <b>2,876</b>     |
|                     | Preferred<br>Shares | -    | 257       | <b>1,376</b>     |
|                     | Total               | -    | 2,446     | <b>4,253</b>     |

※ Share buyback period

- 2014 : November 27, 2014 to January 26, 2015

- 2015 : October 30, 2015 to January 12, 2016

※ 2015 corresponds to the 1<sup>st</sup> phase of the KRW 11.3 trillion special buyback/cancellation program.

# 2

## AGENDA 2 ELECTION OF DIRECTORS

### Overview

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The Board is elected by the shareholders to oversee their interest in the long-term health and the overall success of the company's business and its financial strength. The Board serves as the ultimate decision-making body of the company, except for those matters reserved to or shared with our shareholders. The Independent Director Nomination Committee and the Board has renominated the following candidates as 2016 nominees for Directors.

- Agenda 2.1.1 Independent Director: Mr. In-Ho Lee
- Agenda 2.1.2 Independent Director: Mr. Kwang-Soo Song
- Agenda 2.1.3 Independent Director: Dr. Jae-Wan Park
- Agenda 2.2.1 Executive Director: Mr. Boo-Keun Yoon
- Agenda 2.2.2 Executive Director: Mr. Jong-Kyun Shin
- Agenda 2.2.3 Executive Director: Mr. Sang-Hoon Lee
- Agenda 2.3.1 Audit Committee Member: Mr. In-Ho Lee
- Agenda 2.3.2 Audit Committee Member: Mr. Kwang-Soo Song

In 2012, under uncertain global economic circumstances such as continued slowdown in growth, Samsung Electronics expanded areas of expertise of independent directors to legal, economics/business, engineering, and new growth engines to proactively prepare for the future. As a result, the Company's independent directors are composed of five experts of each sector.

: Legal expert director Kwang-soo Song, economics/business expert director In-ho Lee, engineering expert director Byeong-gi Lee, new growth businesses (medical devices/service) expert director Han-Joong Kim, and international relations expert director Eun-mi Kim.

Among five independent directors (Kwang-soo Song, In-ho Lee, Byeong-gi Lee, Han-joong Kim, Eun-mee Kim), Kwang-soo Song, In-ho Lee, and Eun-mee Kim's terms have expired. We seek to reappoint directors Kwang-soo Song and In-ho Lee. As director Eun-Mee Kim expressed her intention to resign, we newly recommend candidate Jae-wan Park.

For executive directors, we have an expert for each business division to strengthen expertise

: Oh-hyun Kwon for the DS division, Boo-keun Yoon for the CE division, Jong-kyun Shin for the IM division, and CFO Sang-hoon Lee.

We seek to reappoint Boo-Keun Yoon, Jong-Kyun Shin, Sang-Hoon Lee as their terms have expired.

## Independent Director Nominees

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**(Re-Nominated)**

**In-Ho Lee**

Birth: November 2, 1943

Director since 2010  
(Re-elected in 2013)

Mr. In-Ho Lee served as CEO of Shinhan Financial Group from 2005 to 2009. He was Vice Chairman of Shinhan Bank from 1999 to 2003. Prior to joining Shinhan Bank in 1982, he worked for Daegu Bank. Mr. Lee holds B.A. degree in Economics from Yonsei University.

**Career:**

- Independent Director (2010-Present)
- Corporate Advisor, Shinhan Bank (2009-11)
- Chief Executive Officer, Shinhan Financial Group (2005-09)
- President & CEO, Shinhan Bank (1999-2003)

**Major Achievements**

- In 2012, Samsung Electronics expanded the areas of expertise of independent directors to legal, economics/business, engineering, and new growth businesses in order to actively prepare for the future amid uncertainties of the global economy. Director Lee played a role of an economics/business expert.
- Based on his long experience as an executive in the financial industry, he contributed to enhancing efficiency of the overall business management by reinforcing risk and credit management.
- As the head of the audit committee, he enhanced company value by implementing appropriate check and balance. And as the head of the related-party transactions committee, he reinforced transparency by thoroughly inspecting transactions among affiliates.





**(Re-Nominated)**

**Kwang-Soo Song**

Birth: January 4, 1950

Director since 2013

Mr. Kwang-Soo Song is an advisor at Kim & Chang Law office. Before joining the firm in 2007, Mr. Song was a Senior Prosecutor at Ministry of Justice from 2001 to 2002, Chief Prosecutor at Daegu High Prosecutors' office from 2002 to 2003, and Prosecutor General at Supreme Prosecutors' Office from 2003 to 2005.

Mr. Song received B.A. in Law from Seoul National University.

#### **Career:**

- Independent Director (2013-Present)
- Advisor, Kim & Chang Law Office (2007-Present)
- Prosecutor General, Supreme Prosecutors' Office (2003-05)
- Chief Prosecutor, Daegu High Prosecutors' Office (2002-03)

#### **Major Achievements**

- In 2012, Samsung Electronics expanded the areas of expertise of independent directors to legal, economics/business, engineering, and new growth businesses in order to actively prepare for the future amid uncertainties of the global economy. Director Song played a role of a legal expert.
- He appropriately responded to increased legal risks from an increase in the number of lawsuits at home and abroad. Also he contributed significantly to reinforcing compliance.
- As the head of the compensation committee, he secured objectivity and transparency of the process of making decisions on director compensation. He also faithfully fulfilled his role as a member of the audit committee and the related-party transactions committee.

#### **Regarding relationship with Kim & Chang Law Office**

- The company receives legal services from Kim & Chang Law Office for short-term projects from time to time, but we do not have a contract for regular consultation. The service fee is also not significant.



**(Newly nominated)**

**Jae-Wan Park**

Birth: January 24, 1955

Dr. Jae-Wan Park is Dean and Professor of Graduate School of Governance at Sungkyunkwan University. He served as a Minister of Employment and Labor from 2010 to 2011, and Minister of Strategy and Finance from 2011 to 2013.

Dr. Park earned B.A. in Economics from Seoul National University and Ph.D. in Public Policy from Harvard University.

#### **Career:**

- Dean, Graduate School of Governance, Sungkyunkwan University (2015-Present)
- President, Hansun Foundation for Peace & Prosperity of the Korean Peninsula (2014-Present)
- Professor, Graduate School of Governance, Sungkyunkwan University (1996-Present)
- Minister of Strategy and Finance (2011-2013)
- Minister of Employment and Labor (2010-2011)
- Senior Secretary to the President for National Vision, Agenda & Strategy (2008-2010)
- Member of the 17th National Assembly (2004-2008)
- Chairman, Policy Coordination Committee, Citizen's Coalition for Economic Justice (2004)

#### **Reasons for recommendation**

- The Company expects Dr. Park will be able to contribute to the Company in the areas of economics/business, and new growth engine.
- First of all, the nominee is an expert of economics and business who has served as a minister of Strategy and Finance as well as Employment and Labor based on his academic majors of economics and finance. With his macroscopic perspectives, we expect him to play a major role in helping the Company to respond efficiently and preemptively to macroeconomic changes as well as to find directions for the future growth amid continued uncertainties of the economic environment at home and abroad.
- In addition, we expect him to contribute to CSR activities of the Company as he has a rich relevant experience; he worked for the public interest as a chairman of the Hansun Foundation for Peace & Prosperity of the Korean Peninsula, a think tank that studies policies for improvement of the nation, and also a head of the Policy Coordination Committee of the Citizen's Coalition for Economic Justice that study responsibilities of corporate as a member of society.

## Executive Director Nominees

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(Re-Nominated)

**Boo-Keun Yoon**

Birth: February 6, 1953

Director since 2013

Mr. Boo-Keun Yoon is Co-Chief Executive Officer of Samsung Electronics Co. and leads the Consumer Electronics division. Mr. Yoon served as the Head of R&D Team of Visual Display Business from 2003 to 2007. He was the Head of Visual Display Business from 2007 to 2011. He served as the Head of Consumer Electronics Division from 2011 to 2012. He was appointed as the President and the Head of Consumer Electronics of Samsung Electronics in 2012. Mr. Yoon holds B.S. degree in Electronic Engineering from Hanyang University.

### Career:

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, Consumer Electronics (2012-Present)
- Head, Consumer Electronics Division (2011-12)
- Head, Visual Display Business (2007-11)
- Head, R&D Team, Visual Display Business (2003-07)

### Major Achievements

- He led the global TV market by developing new technologies and innovating design. He launched the world's first Curved/Quantum Dot TV.  
He contributed to achieving No.1 in the TV market for tenth consecutive year.
- In addition, he also led the consumer electronics business, improving its fundamentals to enhance profitability by launching innovative products such as smart appliances and by reinforcing premium marketing.
- Based on his success as the head of the CE division, he is now in charge of the IoT business, which is expected to be the new next-generation growth engine. He plans to focus on the big picture of mid to long-term business strategies.



**(Re-Nominated)**

**Jong-Kyun Shin**

Birth: January 16, 1956

Director since 2013

Mr. Jong-Kyun Shin is Co-Chief Executive Officer of Samsung Electronics Co. and leads the IT and Mobile Communications Division.

Mr. Shin served as the Head of R&D Team of Mobile Communications Business of Samsung Electronics from 2006 to 2009. He was the Head of Mobile Communication Business from 2009 to 2011, and Head of IT and Mobile Communications Division from 2011 to 2012. Mr. Shin was appointed as the President and Head of IT&Mobile Communications Business in 2012.

Mr. Shin holds B.S. degree in Electronic Engineering from Kwangwoon University.

#### **Career:**

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, IT & Mobile Communications (2012-Present)
- Head, IT & Mobile Communications Division (2011-12)
- Head, Mobile Communications Business (2009-11)
- Head, R&D Team, Mobile Communications Business (2006-09)

#### **Major Achievements**

- He changed the paradigm of the Company's mobile phone business from feature phones to smartphones. As a result, revenue grew 51% on average annually for three years after 2010 and operating profit reached KRW 25 trillion in 2013, laying the foundation for becoming the global No.1 smartphone company.
- Recently, he led another change of paradigm from H/W-oriented to S/W and service-oriented, and successfully launched Samsung Pay and wearable devices(Gear VR and Gear S).
- At the time that the Company is planning to take another leap forward through contents, services, and IoT, the Company will be able to benefit from his past record of successes and know-how.



**(Re-Nominated)**

**Sang-Hoon Lee**

Birth: June 15, 1955

Director since 2013

Mr. Lee is CFO of Samsung Electronics Co. and President of Corporate Management Office of Samsung Electronics.

Mr. Sang-Hoon Lee served as the Head of Strategy and Planning Office of Samsung Electronics from 2006 to 2008, and the Head of Corporate Management Support Team of Samsung Electronics from 2008 to 2010. He was the Head of Strategy Team 1 of Samsung Corporate Strategy Office of Samsung Group from 2010 to 2012.

Mr. Lee was appointed as the President & CFO of Corporate Management Office of Samsung Electronics in 2012.

Mr. Lee holds B.A. in Economics from Kyungpook University.

#### **Career:**

- President & CFO, Corporate Management Office (2012-Present)
- Head, Strategy Team 1, Samsung Corporate Strategy Office (2010-12)
- Head, Corporate Management Support Team (2008-10)
- Strategy & Planning Office (2006-08)

#### **Major Achievements**

- As an expert of finance/planning with a long experience of business management, he improved the management processes of the Company, stably managed risks, and reinforced fundamentals.
- After he was appointed as a CFO in Dec '12, the Company achieved record-high earnings in '13, reinforcing our leadership in the global electronics industry.
- He contributed to enhancing shareholder value in terms of shareholder return by announcing a comprehensive shareholder return policy in Oct '15.
- He successfully carried out M&A deals that are focused on reinforcing software competitiveness such as IoT, B2B solution, and mobile payment, contributing to securing the foundation for growth.
- He improved the Company's CSR activities ; for example, the Company received the highest DJSI score in '15 in the industry.

## Audit Committee Member Nominees

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**(Re-Nominated)**

**In-Ho Lee**

Birth: November 2, 1943

Director since 2010  
(Re-elected in 2013)

Mr. In-Ho Lee served as CEO of Shinhan Financial Group from 2005 to 2009. He was Vice Chairman of Shinhan Bank from 1999 to 2003. Prior to joining Shinhan Bank in 1982, he worked for Daegu Bank. Mr. Lee holds B.A. degree in Economics from Yonsei University.



**(Re-Nominated)**

**Kwang-Soo Song**

Birth: January 4, 1950

Director since 2013

Mr. Kwang-Soo Song is an advisor at Kim & Chang law office. Before joining the firm in 2007, Mr. Song was a Senior Prosecutor at Ministry of Justice from 2001 to 2002, Chief Prosecutor at Daegu High Prosecutors' office from 2002 to 2003, and Prosecutor General at Supreme Prosecutors' Office from 2003 to 2005.

Mr. Song received B.A. in Law from Seoul National University.

### Reasons for recommendation

As members of the audit committee, both candidates faithfully fulfilled their duty to establish an efficient audit process and to supervise the executives so that they can maximize the Company's value. They also helped to deliver information to investors in a swift manner. As such, they contributed to reinforcing expertise and independence of the audit committee.

# 3

## AGENDA 3

# APPROVAL OF THE REMUNERATION LIMIT FOR THE DIRECTORS FOR FY 2016

### Overview

The Board of Directors is seeking your approval of the total remuneration limit for the fiscal year 2016.

- **Total Remuneration Limit:** **KRW 39 Billion**
- Limit on General Compensation: KRW 30 Billion
- Limit on Long-Term Incentive: KRW 9 Billion

### Director Remuneration Structure

Our Director Remuneration practices are designed specifically to put strong emphasis on the link between performance and pay. The Director Remuneration plan consists of two elements: 1) General Compensation and 2) 3 Year Long-Term Incentives (LTI). The General Compensation includes base salary and annual incentives that reflect actions and results over 12 months. LTI awards the three year performance results to be paid over subsequent three year period.

### Compensation Committee

We established “Compensation Committee” in 2009 consisting 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 next fiscal year limit on director compensation, which will be approved by the shareholders at the Annual General Shareholders meeting.

### FY 2015 Remuneration (Actual)

Total limit on the remuneration for FY 2015 was KRW 39 billion (KRW 30 billion, general compensation and KRW 9 billion, LTI). The actual amount paid during FY 2015 was KRW 31.5 billion (KRW 23.7 billion, general compensation and KRW 7.8 billion, LTI).

### □ Directors Remuneration Paid in FY 2014 and FY 2015

(Unit: KRW billion)

|                                  | FY 2014  |        | FY 2015  |        |
|----------------------------------|----------|--------|----------|--------|
|                                  | Approved | Actual | Approved | Actual |
| General Compensation             | 30       | 27     | 30       | 23.7   |
| Long-term Incentive <sup>※</sup> | 18       | 16     | 9        | 7.8    |
| Total                            | 48       | 43     | 39       | 31.5   |

※ Includes retired directors' Long-term incentive paid.

Composition of the general compensation paid in FY2015 including salary did not change significantly from FY 2014, but the total amount decreased as the amount of bonus paid in FY 2015 decreased.

Long-term incentive paid in FY2015 decreased since we paid out 25% of the 2014~2016 total incentive. 2011~2013 performance incentive will be paid throughout 2014~2016 at 50%, 25%, 25%.

## □ The Global Peer Comparison

The actual remuneration amount is substantially below those of global peer IT companies.

(Unit: \$ Million, %)

|                        | SEC         | IBM         | Intel       | MS           | Google       | Apple        | HP          |
|------------------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|
| <b>Total</b>           | <b>31.7</b> | <b>43.7</b> | <b>35.1</b> | <b>141.1</b> | <b>326.6</b> | <b>136.2</b> | <b>50.0</b> |
| <b>Per person</b>      | <b>7.9</b>  | <b>10.9</b> | <b>8.8</b>  | <b>35.3</b>  | <b>81.7</b>  | <b>34.1</b>  | <b>12.5</b> |
| <b>% of Net Profit</b> | <b>0.1%</b> | 0.4%        | 0.3%        | 0.6%         | 2.3%         | 0.3%         | 1.0%        |

※ Figures shown above represent comparison between SEC's four executive directors' remuneration and Global Peers' top four executives.  
Please note remuneration figures are based on FY 2014 data from their proxy statements.

## □ Remuneration for Individual Executive Directors in FY 2014 and FY 2015 3Q cumulative

In accordance with Korean regulation change, we began reporting remuneration for individual executive directors starting March of 2014. Total amount of compensation for each individual is a sum of earned, retirement, and other related incomes.

(Unit: KRW billion)

|         | FY 2014 |              |       | FY 2015 3Q Cumulative |              |            |
|---------|---------|--------------|-------|-----------------------|--------------|------------|
|         | Salary  | Bonus/Others | Total | Salary                | Bonus/Others | Total      |
| OH Kwon | 2.1     | 7.3          | 9.4   | <b>1.6</b>            | <b>2.3</b>   | <b>3.8</b> |
| BK Yoon | 1.7     | 3.8          | 5.5   | <b>1.3</b>            | <b>1.0</b>   | <b>2.3</b> |
| JK Shin | 1.7     | 12.8         | 14.6  | <b>1.3</b>            | <b>1.0</b>   | <b>2.3</b> |
| SH Lee  | 1.1     | 2.7          | 3.9   | <b>0.8</b>            | <b>0.7</b>   | <b>1.6</b> |

※ In accordance with the related laws, FY2015 individual annual remuneration should be disclosed by the end of March in the business report.  
※ Bonus/Others include New Year/Thanksgiving bonus, Target Achievement Incentive, and Performance Incentive, and Long-term Incentive.



## FY 2016 Remuneration (To Be Approved)

The Board recommends KRW 39 billion for FY 2016's the total remuneration limit (KRW 30 billion for general compensation and KRW 9 billion for LTI).

### □ Directors Remuneration for FY2015 - FY2016

(Unit: KRW billion)

| Category             | FY 2015   |             | FY 2016   |
|----------------------|-----------|-------------|-----------|
|                      | Approved  | Actual      | Proposed  |
| General Compensation | 30        | 23.7        | <b>30</b> |
| Long-term Incentive  | 9         | 7.8         | <b>9</b>  |
| <b>Total</b>         | <b>39</b> | <b>31.5</b> | <b>39</b> |

### □ 3 year LTI Comparison

(Unit: KRW billion/Year)

| Category          | Previous Term  | Current Term                 |
|-------------------|----------------|------------------------------|
| Evaluation Period | 2008-2010      | <b>2011-2013</b>             |
| Payment Period    | 2011-2013      | <b>2014-2016</b>             |
| LTI Limit         | 31<br>(15/8/8) | <b>36</b><br><b>(18/9/9)</b> |

### Analysis

The Compensation Committee took the following considerations in assessing the remuneration limit of Directors in fiscal year 2016.

#### - General Compensation

- The general compensation limit remained at the same level that of the previous fiscal year.

#### - Long-Term Incentive

- The proposed FY 2016 LTI limit of KRW 9 billion represents 25% (year 3) of the KRW 36 billion.
- KRW 36 billion is LTI of the evaluation period of 2011-2013, and will be paid out over 2014-2016 at 50%, 25%, and 25%, respectively.

Details of LTI plan is described below.

## Long-Term Incentive Plan (LTI)

The Company adopted the "Long-Term Performance Incentive Plan (LTI)" in 2005. Under our LTI plan, a performance evaluation on three criteria is conducted at a three-year interval and payments are made over subsequent three years at Year 1 (50%), Year 2 (25%), and Year 3(25%).

|                        | Term 1      | Term2       | Term 3      |
|------------------------|-------------|-------------|-------------|
| The evaluation period: | 2005 – 2007 | 2008 – 2010 | 2011 – 2013 |
| The payment period:    | 2008        | 2011 – 2013 | 2014 – 2016 |

### The evaluation criteria for the LTI plan are as follows:

Comparison of 3-year ROE (40%), Stock Performance (30%), EBIT Margin (30%)

- The comparison companies:

1. ROE and EBIT Margin: Global peer IT companies in each business segment
2. Stock Performance: KOSPI and Global peer IT companies in each business segment

### Clawback Policy (Recovery Plan)

Our LTI plan features a Clawback policy (i.e., recovery plan), which is designed to enhance the management responsibility by deferring payment of long-term incentives. Directors' awarded LTI may be reduced accordingly if any financial losses, such as contingent liabilities, are found afterwards. As such, payments are made in deferred method with 50% of total LTI paid in the first year and the remaining 50% during the second and third year (25% each year).

## Remuneration for Independent Directors

### □ Independent Director Remunerations for FY 2013 - FY 2015

(Unit: KRW Million, Person)

|                      | FY 2013 | FY 2014 | FY 2015 |
|----------------------|---------|---------|---------|
| Number of Directors  | 5       | 5       | 5       |
| Total Amount         | 458     | 438     | 438     |
| Average (per person) | 91.6    | 87.6    | 87.6    |

# 4

## AGENDA 4

# APPROVAL OF AMENDMENTS TO THE ARTICLES OF INCORPORATION

### Overview

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In light of the ever-changing business environment, the Company decided to add to this year's AGM agenda the task of updating the Articles of Incorporation in order to reflect recent changes in applicable laws as well as other changes to clarify the overall language. In addition, changes were made to adjust issuance limits to improve shareholders rights, introduce new language regarding issuance of quarterly dividends, and amend the conditions and requirements for appointing the chairman of the Board of Directors.

### Main Details

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#### □ Changes in the applicable laws

- The Securities and Exchange Act was replaced by the Financial Investment Services and Capital Markets Act; applicable provisions were revised to reflect this change.
  - ※ Relevant provisions: Article 11, 11-3, 11-4, 15-2, 16, 16-2, 17-3, 40

#### □ Adjustment of issuance limits to improve shareholder rights

- The issuance limits for subscription rights and new shares for public subscription were lowered in order to reduce the possibility of diluting existing shareholders' rights following a large-scale issuance of shares.
- Amendment: Issuance limit  
(Original) within 30% of the total number of issued and outstanding shares  
(Revised) within 20% of the total number of issued and outstanding shares
  - ※ Relevant provisions: Article 11, 11-3

#### □ Introduction of quarterly dividends

- The Company is reviewing the possibility of introducing quarterly dividends to enhance shareholder return. The timing of this introduction will depend on business conditions and cash flow. In order to allow for the possibility of issuing quarterly dividends, applicable provisions in the AOI needed to be amended.
- Amendment: Interim Dividend dates (No changes for Year-end Dividend)  
(Original) Jun 30 of each fiscal year  
(Revised) the last day of the third, sixth, and ninth month from the beginning of each fiscal year
  - ※ Relevant provisions: Article 8-2, 16, 16-2, 39

## □ Changes in appointment of the chairman of the Board

- Under the original language in the AOI, only the representative director could serve as the chairman of the Board of Directors. The new language is amended to expand the candidate pool to all board directors.
- Expanding the candidate pool to include both qualified executive and independent directors will allow the Board of Directors to operate more flexibly and further reinforce its responsibilities by laying the foundation for building a governance system that is in keeping with our status as a leading company.
- Amendment  
(Original) The representative director shall preside over the meeting of the Board of Directors.  
(Revised) The chairman of the Board shall be appointed from among the directors by a resolution of the Board.  
※ Relevant provisions: Article 29

## □ Others

- Removed language listing out specific factors for disqualification of independent directors and replaced with more general language.  
※ Relevant provisions: Article 24
- Reflected amendments to the Commercial Code  
※ Relevant provisions: Article 31
- Changed language expressed in Chinese characters into Korean characters to improve readability.

## Amendments

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### □ Changes in the applicable laws

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 11. (Preemptive Rights)</b></p> <p>1. New shares to be issued by the Company shall be allocated to the shareholders in proportion to their respective share holdings in accordance with Paragraph 6, Article 8. If shares are not subscribed for as a result of waiver or loss of the preemptive right of the shareholders to subscribe for new shares, or if fractional shares remain at the time of allocation of new shares, such shares may be disposed of by a resolution of the Board of Directors.</p> <p>2. Notwithstanding the above Paragraph 1, new shares may be allocated to persons other than shareholders in the following cases:</p> <p>a. If the Company issues new shares or causes underwriters to underwrite new shares by a resolution of the Board of Directors in accordance with applicable laws and regulations including the Securities and Exchange Act ("SEA");</p> | <p><b>Article 11. (Preemptive Rights)</b></p> <p>1. New shares to be issued by the Company shall be allocated to the shareholders in proportion to their respective share holdings in accordance with Paragraph 6, Article 8. If shares are not subscribed for as a result of waiver or loss of the preemptive right of the shareholders to subscribe for new shares, or if fractional shares remain at the time of allocation of new shares, such shares may be disposed of by a resolution of the Board of Directors <u>in accordance with applicable laws and regulations.</u></p> <p>2. Notwithstanding the above Paragraph 1, new shares may be allocated to persons other than shareholders in the following cases:</p> <p>a. If the Company issues new shares or causes underwriters to underwrite new shares by a resolution of the Board of Directors in accordance with applicable laws and regulations including the <u>Financial Investment Services and Capital Markets Act;</u></p> |

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>b. If the Company allocates new shares preferentially to members of the Employee Stock Ownership Association by a resolution of the Board of Directors in accordance with applicable laws and regulations including SEA;</p> <p>c. If the Company issues new shares for the issuance of depositary receipts (DR) by a resolution of the Board of Directors in accordance with the applicable laws and regulations including SEA;</p> <p>f. If the Company issues new shares to the extent of 30% of the total issued and outstanding shares to domestic or foreign financial institutions for the purpose of obtaining financing urgently or to the relevant partner company for the purpose of inducing technology therefrom, etc., by a resolution of the Board of Directors; <i>provided</i> that the issue price of the new shares shall not be less than the price prescribed by Article 84-5 of the Enforcement Decree of SEA</p> | <p>b. If the Company allocates new shares preferentially to members of the Employee Stock Ownership Association by a resolution of the Board of Directors in accordance with applicable laws and regulations including <u>the Financial Investment Services and Capital Markets Act</u>;</p> <p>c. If the Company issues new shares for the issuance of depositary receipts (DR) by a resolution of the Board of Directors in accordance with the applicable laws and regulations including <u>the Financial Investment Services and Capital Markets Act</u>;</p> <p>f. If the Company issues new shares to the extent of <b>20%</b> of the total issued and outstanding shares to domestic or foreign financial institutions for the purpose of obtaining financing urgently or to the relevant partner company for the purpose of inducing technology therefrom, etc., by a resolution of the Board of Directors; <i>provided</i> that the issue price of the new shares shall not be less than the price prescribed by <u>the Financial Investment Services and Capital Markets Act and other applicable laws and regulations</u>.</p> |
| <p><b>Article 11-3. (Public Offering)</b></p> <p>1. The Company may issue new shares by public offering to the extent that the new shares do not exceed 30% of the total number of issued and outstanding shares by a resolution of the Board of Directors, pursuant to Article 189-3 of the SEA.</p> <p>2. If the Company issues new shares by public offering, the type, quantity and issue price of the shares to be newly issued shall be determined by a resolution of the Board of Directors; <i>provided</i> that the issue price of such new shares shall not be less than the price prescribed by Article 84-5 of the Enforcement Decree of the SEA.</p>                                                                                                                                                                                                                                                                          | <p><b>Article 11-3. (Public Offering)</b></p> <p>1. The Company may issue new shares by public offering to the extent that the new shares do not exceed <b>20%</b> of the total number of issued and outstanding shares by a resolution of the Board of Directors, pursuant to <u>Article 165-6, Paragraph 1, Item 3 of the Financial Investment Services and Capital Markets Act</u>.</p> <p>2. If the Company issues new shares by public offering, the type, quantity and issue price of the shares to be newly issued shall be determined by a resolution of the Board of Directors; <i>provided</i> that the issue price of such new shares shall not be less than the price prescribed by <u>the Financial Investment Services and Capital Markets Act and other applicable laws and regulations</u>.</p>                                                                                                                                                                                                                                                                                                                           |
| <p><b>Article 11-4. (Stock Options)</b></p> <p>1. The Company may grant stock options to its officers and employees (including officers and employees of the related companies as set forth in Article 189-4, Paragraph 1 of the SEA; the same shall apply for the purpose of this Article) by a special resolution of the general meeting of shareholders pursuant to Article 189-4 of the SEA, to the extent permitted by the SEA; <i>provided, however</i>, that the Company may grant the stock options to its officers and employees (except for the directors of the Company) by a resolution of the Board of Directors to the extent determined by the relevant laws and regulations.&lt;Amended, Feb. 28, 2002&gt;</p>                                                                                                                                                                                                             | <p><b>Article 11-4. (Stock Options)</b></p> <p>1. The Company may grant stock options to its officers and employees (including officers and employees of the related companies as set forth in <u>Article 542-3, Paragraph 1 of the Commercial Code</u>; the same shall apply for the purpose of this Article) by a special resolution of the general meeting of shareholders pursuant to <u>Article 542-3 of the Commercial Code</u>; <i>provided, however</i>, that the Company may grant the stock options to its officers and employees (except for the directors of the Company) by a resolution of the Board of Directors to the extent determined by the relevant laws and regulations.&lt;Amended, Feb. 28, 2002&gt;</p>                                                                                                                                                                                                                                                                                                                                                                                                          |

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 15-2. (Protection of Minority Shareholders)</b></p> <p>2. A shareholder set forth in the provisions of Article 466, Paragraph (1) of the Commercial Code or the Article 191-13, Paragraph (3) of the SEA may demand in writing specifying the cause therefor the Company to explain the execution of duties by the directors, financial condition and other material matters concerning the management of the Company, and the Company shall reply in writing and provide the relevant information to the shareholder within fifteen (15) days thereof unless there is a concern that the explanation by the Company would materially impair the interests of the Company or the common interests of the shareholders or that confidential information of the Company could be disclosed thereby.</p>                                                                                                                                                                                                                                                                                    | <p><b>Article 15-2. (Protection of Minority Shareholders)</b></p> <p>2. A shareholder set forth in the provisions of Article 466, Paragraph (1) of the Commercial Code or <u>Article 542-6, Paragraph 4 of the Commercial Code</u> may demand in writing specifying the cause therefor the Company to explain the execution of duties by the directors, financial condition and other material matters concerning the management of the Company, and the Company shall reply in writing and provide the relevant information to the shareholder within fifteen (15) days thereof unless there is a concern that the explanation by the Company would materially impair the interests of the Company or the common interests of the shareholders or that confidential information of the Company could be disclosed thereby.</p>                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>Article 16. (Issuance of Convertible Bonds)</b></p> <p>1. The convertible bonds to be issued by the Company shall be allotted to the shareholders in proportion to their respective shareholding in accordance with the provisions of Article 8, Paragraph (6), and in case a shareholder waives or loses the right to subscribe for such convertible bonds and/or if any fraction of such convertible bonds occurs, the disposition or allotment thereof shall be made in accordance with the resolution of the Board of Directors; <i>provided, however,</i> that if and only if the Company has a need for urgent funding, overseas issuance of convertible bonds or strategic alliance etc. which justifies restriction on the said pre-emptive rights of the shareholders, the Company may issue convertible bonds to persons other than the shareholders of the Company by resolution of the Board of Directors in accordance with the relevant regulations such as the SEA to the extent that the total face amount of such convertible bonds shall not exceed four (4) trillion Won.</p> | <p><b>Article 16. (Issuance of Convertible Bonds)</b></p> <p>1. The convertible bonds to be issued by the Company shall be allotted to the shareholders in proportion to their respective shareholding in accordance with the provisions of Article 8, Paragraph (6), and in case a shareholder waives or loses the right to subscribe for such convertible bonds and/or if any fraction of such convertible bonds occurs, the disposition or allotment thereof shall be made in accordance with the resolution of the Board of Directors <u>in accordance with applicable laws and regulations</u>; <i>provided, however,</i> that if and only if the Company has a need for urgent funding, overseas issuance of convertible bonds or strategic alliance etc. which justifies restriction on the said pre-emptive rights of the shareholders, the Company may issue convertible bonds to persons other than the shareholders of the Company by resolution of the Board of Directors in accordance with <u>applicable laws and regulations</u> such as the <u>Financial Investment Services and Capital Markets Act</u> to the extent that the total face amount of such convertible bonds shall not exceed four (4) trillion Won.</p> |
| <p><b>Article 16-2. (Issuance of Bonds with Warrants)</b></p> <p>1. The bonds with warrant to be issued by the Company shall be allotted to the shareholders in proportion to their respective shareholding in accordance with the provisions of Article 8, Paragraph (6), and in case a shareholder waives or loses the right to subscribe for such bonds with warrant and/or if any fraction of such bonds with warrant occurs, the disposition or allotment thereof shall be made in accordance with the resolution of the Board of Directors; <i>provided</i> that, if and only if the Company has a need for urgent funding, overseas issuance of bonds with warrant or strategic alliance etc. which justifies restriction on the said pre-emptive rights of the shareholders, the Company may issue bonds with warrant to persons other than the shareholders of the Company by resolution of the Board of Directors in accordance with the relevant regulations such as the SEA to the extent that the total face amount of such convertible bonds shall not exceed two (2) trillion Won.</p>  | <p><b>Article 16-2. (Issuance of Bonds with Warrants)</b></p> <p>1. The bonds with warrant to be issued by the Company shall be allotted to the shareholders in proportion to their respective shareholding in accordance with the provisions of Article 8, Paragraph (6), and in case a shareholder waives or loses the right to subscribe for such bonds with warrant and/or if any fraction of such bonds with warrant occurs, the disposition or allotment thereof shall be made in accordance with the resolution of the Board of Directors <u>in accordance with applicable laws and regulations</u>; <i>provided</i> that, if and only if the Company has a need for urgent funding, overseas issuance of bonds with warrant or strategic alliance etc. which justifies restriction on the said pre-emptive rights of the shareholders, the Company may issue bonds with warrant to persons other than the shareholders of the Company by resolution of the Board of Directors in accordance with the <u>Financial Investment Services and Capital Markets Act and other applicable laws and regulations</u> to the extent that the total face amount of such convertible bonds shall not exceed two (2) trillion Won.</p>       |

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 17-3. (Notice and Public Notice of Convening of General Meeting)</b></p> <p>2. The written notice of convening general meeting of shareholders to shareholders holding not more than certain percentage specified by the SEA may be replaced by public notices given at least twice in "Joong-Ang Daily News" and "Naewae Economic Daily", two (2) weeks prior to the meeting. The Public notice of meeting shall include the statement that a general meeting will be held and the agenda of the meeting.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p><b>Article 17-3. (Notice and Public Notice of Convening of General Meeting)</b></p> <p>2. The written notice of convening general meeting of shareholders to shareholders holding not more than certain percentage specified by <u>Article 542-4, Paragraph 1 of the Commercial Code</u> may be replaced by public notices given at least twice in "Joong-Ang Daily News" and "<u>The Herald Business</u>" or on the <u>Electronic Public Notice System of the Financial Supervisory Service or the Korea Exchange</u>, two (2) weeks prior to the meeting. The Public notice of meeting shall include the statement that a general meeting will be held and the agenda of the meeting.</p>                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>Article 40. (Approval of Transaction with Specially Related Parties, etc.)</b></p> <p>1. The Company shall obtain the approval from the Board of Directors in order to enter into the following transaction:</p> <p>b. Transactions as prescribed in Article 191-19, Paragraph 1 of SEA with the Company's Largest Shareholder (including his/her Specially Related Person as under SEA, "Specially Related Person") or his/her Specially Related Person; <i>provided, however</i>, that if the approval of the Board of Directors is obtained with regard to the aggregate amount of the series of transactions pursuant to Article 191-19, Paragraph 2, Item 2, no approval of the Board of Directors is required for the individual transactions within the limit of such aggregate amount.</p> <p>2. The Board of Directors shall exercise its reasonable management judgment in approving transactions as set forth in Paragraph 1 above, considering the spirit of the relevant laws and regulations.[Entire article amended, Feb. 28, 2002]</p> | <p><b>Article 40. (Approval of Transaction with Specially Related Parties, etc.)</b></p> <p>1. The Company shall obtain the approval from the Board of Directors in order to enter into the following transaction:</p> <p>b. Transactions as prescribed in <u>Article 542-9, Paragraph 3 of the Commercial Code</u> with the Company's Largest Shareholder (including his/her Specially Related Person as under <u>the Commercial Code</u>) or his/her Specially Related Person; <i>provided, however</i>, that if the approval of the Board of Directors is obtained with regard to the aggregate amount of the series of transactions pursuant to <u>Article 542-9, Paragraph 5, Item 2</u>, no approval of the Board of Directors is required for the individual transactions within the limit of such aggregate amount.</p> <p>2. The Board of Directors shall exercise its reasonable management judgment in approving transactions as set forth in Paragraph 1 above, considering the spirit of the <u>applicable</u> laws and regulations.[Entire article amended, Feb. 28, 2002]</p> |

**□ Adjustment of issuance limits to improve shareholder rights**

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 11. (Preemptive Rights)</b></p> <p>1. New shares to be issued by the Company shall be allocated to the shareholders in proportion to their respective share holdings in accordance with Paragraph 6, Article 8. If shares are not subscribed for as a result of waiver or loss of the preemptive right of the shareholders to subscribe for new shares, or if fractional shares remain at the time of allocation of new shares, such shares may be disposed of by a resolution of the Board of Directors.</p> | <p><b>Article 11. (Preemptive Rights)</b></p> <p>1. New shares to be issued by the Company shall be allocated to the shareholders in proportion to their respective share holdings in accordance with Paragraph 6, Article 8. If shares are not subscribed for as a result of waiver or loss of the preemptive right of the shareholders to subscribe for new shares, or if fractional shares remain at the time of allocation of new shares, such shares may be disposed of by a resolution of the Board of Directors <u>in accordance with applicable laws and regulations.</u></p> |

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>2. Notwithstanding the above Paragraph 1, new shares may be allocated to persons other than shareholders in the following cases:</p> <p>a. If the Company issues new shares or causes underwriters to underwrite new shares by a resolution of the Board of Directors in accordance with applicable laws and regulations including the Securities and Exchange Act ("SEA");</p> <p>b. If the Company allocates new shares preferentially to members of the Employee Stock Ownership Association by a resolution of the Board of Directors in accordance with applicable laws and regulations including SEA;</p> <p>c. If the Company issues new shares for the issuance of depositary receipts (DR) by a resolution of the Board of Directors in accordance with the applicable laws and regulations including SEA;</p> <p>f. If the Company issues new shares to the extent of 30% of the total issued and outstanding shares to domestic or foreign financial institutions for the purpose of obtaining financing urgently or to the relevant partner company for the purpose of inducing technology therefrom, etc., by a resolution of the Board of Directors; <i>provided</i> that the issue price of the new shares shall not be less than the price prescribed by Article 84-5 of the Enforcement Decree of SEA.</p> | <p>2. Notwithstanding the above Paragraph 1, new shares may be allocated to persons other than shareholders in the following cases:</p> <p>a. If the Company issues new shares or causes underwriters to underwrite new shares by a resolution of the Board of Directors in accordance with applicable laws and regulations including the <u>Financial Investment Services and Capital Markets Act</u>;</p> <p>b. If the Company allocates new shares preferentially to members of the Employee Stock Ownership Association by a resolution of the Board of Directors in accordance with applicable laws and regulations including <u>the Financial Investment Services and Capital Markets Act</u>;</p> <p>c. If the Company issues new shares for the issuance of depositary receipts (DR) by a resolution of the Board of Directors in accordance with the applicable laws and regulations including <u>the Financial Investment Services and Capital Markets Act</u>;</p> <p>f. If the Company issues new shares to the extent of <b>20%</b> of the total issued and outstanding shares to domestic or foreign financial institutions for the purpose of obtaining financing urgently or to the relevant partner company for the purpose of inducing technology therefrom, etc., by a resolution of the Board of Directors; <i>provided</i> that the issue price of the new shares shall not be less than the price prescribed by <u>the Financial Investment Services and Capital Markets Act and other applicable laws and regulations</u>.</p> |
| <p><b>Article 11-3. (Public Offering)</b></p> <p>1. The Company may issue new shares by public offering to the extent that the new shares do not exceed 30% of the total number of issued and outstanding shares by a resolution of the Board of Directors, pursuant to Article 189-3 of the SEA.</p> <p>2. If the Company issues new shares by public offering, the type, quantity and issue price of the shares to be newly issued shall be determined by a resolution of the Board of Directors; <i>provided</i> that the issue price of such new shares shall not be less than the price prescribed by Article 84-5 of the Enforcement Decree of the SEA.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p><b>Article 11-3. (Public Offering)</b></p> <p>1. The Company may issue new shares by public offering to the extent that the new shares do not exceed <b>20%</b> of the total number of issued and outstanding shares by a resolution of the Board of Directors, pursuant to <u>Article 165-6, Paragraph 1, Item 3 of the Financial Investment Services and Capital Markets Act</u>.</p> <p>2. If the Company issues new shares by public offering, the type, quantity and issue price of the shares to be newly issued shall be determined by a resolution of the Board of Directors; <i>provided</i> that the issue price of such new shares shall not be less than the price prescribed by <u>the Financial Investment Services and Capital Markets Act and other applicable laws and regulations</u>.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |



## □ Introduction of quarterly dividends

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 8-2. (Base Date for Calculation of Dividends for New Shares)</b></p> <p>When the Company issues new shares by rights issue, bonus issue or stock dividend, with respect to the distribution of dividends on the new shares, the new shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year in which the new shares are issued; <i>provided</i>, however, that with respect to the interim dividend on new shares issued by rights issue, bonus issue or stock dividend after the record date for interim dividend under Article 39, Paragraph (3), the new shares shall be deemed to be issued immediately after the record date for interim dividend.</p> | <p><b>Article 8-2. (Base Date for Calculation of Dividends for New Shares)</b></p> <p>When the Company issues new shares by rights issue, bonus issue or stock dividend, with respect to the distribution of dividends on the new shares, the new shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year in which the new shares are issued.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>Article 16. (Issuance of Convertible Bonds)</b></p> <p>5. For the purposes of any distribution of dividends or interest on the shares issued upon conversion, the convertible bonds shall be deemed to have been converted into shares at the end of the fiscal year immediately preceding the fiscal year during which the relevant conversion rights are exercised; <i>provided</i> that, with respect to the interim dividend on new shares issued upon conversion after the record date for interim dividend under Article 39, Paragraph (3), the new shares shall be deemed to be issued immediately after the record date for interim dividend.</p>                                                                  | <p><b>Article 16. (Issuance of Convertible Bonds)</b></p> <p>5. For the purposes of any distribution of dividends on the shares issued upon conversion, <u>the provision of Article 8-2 shall apply <i>mutatis mutandis</i>.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>Article 16-2. (Issuance of Bonds with Warrants)</b></p> <p>5. For the purposes of any distribution of dividends or interest on the shares issued upon any exercise of warrants, such shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year during which the relevant subscription money is fully paid; <i>provided</i> that, with respect to the interim dividend on new shares issued upon exercise of the pre-emptive right after the record date for interim dividend under Article 39, Paragraph (3), the new shares shall be deemed to be issued immediately after the record date for interim dividend.</p>                                                 | <p><b>Article 16-2. (Issuance of Bonds with Warrants)</b></p> <p>5. For the purposes of any distribution of dividends on the shares issued upon any exercise of warrants, <u>the provision of Article 8-2 shall apply <i>mutatis mutandis</i>.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Article 39. (Dividends of Profits)</b></p> <p>3. Dividends of profits may be paid by the Company in cash on June 30 of each fiscal year (the "record date for interim dividend") by a resolution of Board of Directors.</p> <p>4. Dividends mentioned in Paragraphs (1) and (3) shall be paid to the shareholders entered in and the pledgees registered with the Register of Shareholders of the Company as of the last day of each fiscal year or the record date for interim dividend.</p>                                                                                                                                                                                                                              | <p><b>Article 39. (Dividends of Profits and Quarterly Dividends)</b></p> <p>3. Dividends of profits may be paid by the Company in cash on <u>the last day of the third, sixth, and ninth month from the beginning of each fiscal year</u>(the "record date for <u>quarterly</u> dividend") by a resolution of Board of Directors.</p> <p>4. Dividends mentioned in Paragraphs (1) and (3) shall be paid to the shareholders entered in and the pledgees registered with the Register of Shareholders of the Company as of the last day of each fiscal year or the record date for <u>quarterly</u> dividend.</p> <p>5. <u>After the beginning of the fiscal year, with respect to the distribution of quarterly dividends on the new shares (including bonus issue, stock dividend, requesting the conversion of convertible bonds, exercise of warrants on bonds with warrants) issued before the record date for quarterly dividend, the new shares shall be deemed to have been issued at the end of the quarter immediately preceding the quarter in which the new shares are issued.</u></p> |

## □ Changes in appointment of the chairman of the Board

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                    | Revised Language (2016)                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 29. (Chairman of the Board Directors)</b></p> <p>The representative director shall preside over the meeting of the Board of Directors. In the event that number of the representative director is more than one (1) or the representative director is unable to perform his/her duties, the next person in the order of priority as determined by the Board of Directors shall act as the representative director.</p> | <p><b>Article 29. (Chairman of the Board Directors)</b></p> <p>The <u>chairman</u> of the Board of Directors shall be appointed <u>from among the directors by a resolution of the Board of Directors</u>.</p> |

## □ Others

| Original Language                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Revised Language (2016)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Article 24. (Election of directors)</b></p> <p>5. The outside director shall be a person who has ample expert knowledge of, or experience in, management, economics, accounting, laws or relevant technology, and who has satisfied the qualification requirements specified in other applicable laws and regulations; <i>provided</i> that any person who is, or was in the past two (2) years, an officer or employee of the Company or the affiliated company (an affiliated company means any affiliated company under the Monopoly Regulation and Fair Trade Act), or the major shareholder of the Company or a person related to them by blood may not be an outside director of the Company.</p> | <p><b>Article 24. (Election of directors)</b></p> <p>5. The outside director shall be a person who has ample expert knowledge of, or experience in, management, economics, accounting, laws or relevant technology, and who has satisfied the qualification requirements specified in <u>the Commercial Code and</u> other applicable laws and regulations.</p>                                                                                                                                               |
| <p><b>Article 31. (Resolution of the Board of Directors)</b></p> <p>The presence of the majority of all Directors shall constitute a quorum for a meeting of the Board of Directors and the resolutions of the Board of Directors shall be adopted by a majority of the votes of the directors attending the meeting; <i>provided</i> that a Director having a special interest with respect to the resolution shall not exercise his voting right.</p>                                                                                                                                                                                                                                                       | <p><b>Article 31. (Resolution of the Board of Directors)</b></p> <p>The presence of the majority of all Directors shall constitute a quorum for a meeting of the Board of Directors and the resolutions of the Board of Directors shall be adopted by a majority of the votes of the directors attending the meeting <u>unless otherwise directed under applicable law</u>; <i>provided</i> that a Director having a special interest with respect to the resolution shall not exercise his voting right.</p> |

**CONSOLIDATED FINANCIAL STATEMENTS OF  
SAMSUNG ELECTRONICS CO., LTD. AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS**

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※ The final version of consolidated financial statements with the independent auditor's opinion is scheduled to be disclosed on February 26<sup>th</sup>.



To the Shareholders of

Samsung Electronics Co., Ltd.

We confirm receipt of the attached consolidated statements of financial position of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2015 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows, for the year then ended from Samsung Electronics management, for the purpose of our audit on January 28, 2016. We understand these consolidated financial statements were approved by the board of directors in accordance with the Commercial Law in Republic of Korea, and were filed with the Securities and Futures Commission of Republic of Korea on the same day.

Our audit procedures, performed in accordance with Auditing Standards generally accepted in the Republic of Korea, are not complete as of the date of this letter, and accordingly, we are not able to and do not express an audit opinion as at the date of this letter. Based on our audit procedures performed up to the date of this letter, nothing has come to our attention that causes us to believe that material modifications should be made to the Company's consolidated financial statements in accordance with generally accepted accounting principles. Our audit opinion with respect to the final consolidated financial statements will be included in the Company's statutory filing in accordance with the Financial Investment Services and Capital Markets Act in the Republic of Korea.

2016-02-12

Samil PricewaterhouseCoopers

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars)*

|                                                   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                                   | KRW                          | KRW                          | USD                          | USD                          |
| <b>Assets</b>                                     |                              |                              |                              |                              |
| <b>Current assets</b>                             |                              |                              |                              |                              |
| Cash and cash equivalents                         | 22,636,744                   | 16,840,766                   | 20,009,498                   | 14,886,208                   |
| Short-term financial instruments                  | 44,228,800                   | 41,689,776                   | 39,095,554                   | 36,851,212                   |
| Short-term available-for-sale<br>financial assets | 4,627,530                    | 3,286,798                    | 4,090,453                    | 2,905,328                    |
| Trade receivables                                 | 25,168,026                   | 24,694,610                   | 22,246,995                   | 21,828,525                   |
| Non-trade receivables                             | 3,352,663                    | 3,539,875                    | 2,963,549                    | 3,129,033                    |
| Advances                                          | 1,706,003                    | 1,989,470                    | 1,508,002                    | 1,758,570                    |
| Prepaid expenses                                  | 3,170,632                    | 3,346,593                    | 2,802,645                    | 2,958,184                    |
| Inventories                                       | 18,811,794                   | 17,317,504                   | 16,628,475                   | 15,307,614                   |
| Other current assets                              | 1,035,460                    | 1,795,143                    | 915,283                      | 1,586,797                    |
| Assets held-for-sale                              | 77,073                       | 645,491                      | 68,128                       | 570,575                      |
| <b>Total current assets</b>                       | <b>124,814,725</b>           | <b>115,146,026</b>           | <b>110,328,582</b>           | <b>101,782,046</b>           |
| <b>Non-current assets</b>                         |                              |                              |                              |                              |
| Long-term available-for-sale<br>financial assets  | 8,332,480                    | 12,667,509                   | 7,365,403                    | 11,197,303                   |
| Investment in associates and joint<br>ventures    | 5,276,348                    | 5,232,461                    | 4,663,969                    | 4,625,175                    |
| Property, plant and equipment                     | 86,477,110                   | 80,872,950                   | 76,440,476                   | 71,486,741                   |
| Intangible assets                                 | 5,396,311                    | 4,785,473                    | 4,770,009                    | 4,230,065                    |
| Long-term prepaid expenses                        | 4,294,401                    | 4,857,126                    | 3,795,988                    | 4,293,402                    |
| Deferred income tax assets                        | 5,589,108                    | 4,526,595                    | 4,940,430                    | 4,001,233                    |
| Other non-current assets                          | 1,999,038                    | 2,334,818                    | 1,767,028                    | 2,063,835                    |
| <b>Total assets</b>                               | <b>242,179,521</b>           | <b>230,422,958</b>           | <b>214,071,885</b>           | <b>203,679,800</b>           |

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars)*

|                                          | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                          | KRW                          | KRW                          | USD                          | USD                          |
| <b>Liabilities and Equity</b>            |                              |                              |                              |                              |
| <b>Current liabilities</b>               |                              |                              |                              |                              |
| Trade and other payables                 | 6,187,291                    | 7,914,704                    | 5,469,187                    | 6,996,114                    |
| Short-term borrowings                    | 11,155,425                   | 8,029,299                    | 9,860,713                    | 7,097,409                    |
| Other payables                           | 8,864,378                    | 10,318,407                   | 7,835,568                    | 9,120,841                    |
| Advances received                        | 1,343,432                    | 1,427,230                    | 1,187,512                    | 1,261,584                    |
| Withholdings                             | 992,733                      | 1,161,635                    | 877,515                      | 1,026,814                    |
| Accrued expenses                         | 11,628,739                   | 12,876,777                   | 10,279,094                   | 11,382,283                   |
| Income tax payable                       | 3,401,625                    | 2,161,109                    | 3,006,828                    | 1,910,288                    |
| Current portion of long-term liabilities | 221,548                      | 1,778,667                    | 195,835                      | 1,572,233                    |
| Provisions                               | 6,420,603                    | 5,991,510                    | 5,675,420                    | 5,296,128                    |
| Other current liabilities                | 287,135                      | 326,259                      | 253,810                      | 288,393                      |
| Liabilities held-for-sale                | -                            | 28,316                       | -                            | 25,030                       |
| <b>Total current liabilities</b>         | <b>50,502,909</b>            | <b>52,013,913</b>            | <b>44,641,482</b>            | <b>45,977,117</b>            |
| <b>Non-current liabilities</b>           |                              |                              |                              |                              |
| Debentures                               | 1,230,448                    | 1,355,882                    | 1,087,641                    | 1,198,517                    |
| Long-term borrowings                     | 266,542                      | 101,671                      | 235,607                      | 89,871                       |
| Long-term other payables                 | 3,041,687                    | 2,562,271                    | 2,688,665                    | 2,264,891                    |
| Net defined benefit liabilities          | 358,820                      | 201,342                      | 317,175                      | 177,974                      |
| Deferred income tax liabilities          | 5,154,792                    | 4,097,811                    | 4,556,521                    | 3,622,214                    |
| Provisions                               | 522,378                      | 499,290                      | 461,750                      | 441,342                      |
| Other non-current liabilities            | 2,042,140                    | 1,502,590                    | 1,805,127                    | 1,328,198                    |
| <b>Total liabilities</b>                 | <b>63,119,716</b>            | <b>62,334,770</b>            | <b>55,793,968</b>            | <b>55,100,124</b>            |

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars )*

|                                                                                    | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|------------------------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                                                                    | KRW                          | KRW                          | USD                          | USD                          |
| <b>Equity attributable to owners<br/>of the parent</b>                             |                              |                              |                              |                              |
| Preferred stock                                                                    | 119,467                      | 119,467                      | 105,602                      | 105,602                      |
| Common stock                                                                       | 778,047                      | 778,047                      | 687,746                      | 687,746                      |
| Share premium                                                                      | 4,403,893                    | 4,403,893                    | 3,892,772                    | 3,892,772                    |
| Retained earnings                                                                  | 185,132,014                  | 169,529,604                  | 163,645,377                  | 149,853,800                  |
| Other components of equity                                                         | (17,580,451)                 | (12,729,387)                 | (15,540,042)                 | (11,252,000)                 |
| Accumulated other comprehensive<br>income attributable to assets held-<br>for-sale | 23,797                       | 80,101                       | 21,035                       | 70,804                       |
|                                                                                    | <u>172,876,767</u>           | <u>162,181,725</u>           | <u>152,812,490</u>           | <u>143,358,724</u>           |
| <b>Non-controlling interests</b>                                                   | 6,183,038                    | 5,906,463                    | 5,465,427                    | 5,220,952                    |
| <b>Total equity</b>                                                                | <u>179,059,805</u>           | <u>168,088,188</u>           | <u>158,277,917</u>           | <u>148,579,676</u>           |
| <b>Total liabilities and equity</b>                                                | <u>242,179,521</u>           | <u>230,422,958</u>           | <u>214,071,885</u>           | <u>203,679,800</u>           |

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF INCOME**

*(In millions of Korean won, in thousands of US dollars )*

|                                                                                                         | <b>For the year ended December 31,</b> |             |             |             |
|---------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|-------------|-------------|
|                                                                                                         | <b>2015</b>                            | <b>2014</b> | <b>2015</b> | <b>2014</b> |
|                                                                                                         | KRW                                    | KRW         | USD         | USD         |
| <b>Revenue</b>                                                                                          | 200,653,482                            | 206,205,987 | 177,365,404 | 182,273,479 |
| <b>Cost of sales</b>                                                                                    | 123,482,118                            | 128,278,800 | 109,150,639 | 113,390,613 |
| <b>Gross profit</b>                                                                                     | 77,171,364                             | 77,927,187  | 68,214,765  | 68,882,866  |
| Selling and administrative expenses                                                                     | 50,757,922                             | 52,902,116  | 44,866,898  | 46,762,235  |
| <b>Operating profit</b>                                                                                 | 26,413,442                             | 25,025,071  | 23,347,867  | 22,120,631  |
| Other non-operating income                                                                              | 1,685,947                              | 3,801,357   | 1,490,274   | 3,360,167   |
| Other non-operating expense                                                                             | 3,723,434                              | 2,259,737   | 3,291,288   | 1,997,469   |
| Share of profit of associates<br>and joint ventures                                                     | 1,101,932                              | 342,516     | 974,040     | 302,763     |
| Financial income                                                                                        | 10,514,879                             | 8,259,829   | 9,294,510   | 7,301,184   |
| Financial expense                                                                                       | 10,031,771                             | 7,294,002   | 8,867,472   | 6,447,452   |
| <b>Profit before income tax</b>                                                                         | 25,960,995                             | 27,875,034  | 22,947,931  | 24,639,824  |
| Income tax expense                                                                                      | 6,900,851                              | 4,480,676   | 6,099,929   | 3,960,643   |
| <b>Profit for the year</b>                                                                              | 19,060,144                             | 23,394,358  | 16,848,002  | 20,679,181  |
| Profit attributable to owners of the<br>parent                                                          | 18,694,628                             | 23,082,499  | 16,524,908  | 20,403,517  |
| Profit attributable to non-controlling<br>interests                                                     | 365,516                                | 311,859     | 323,094     | 275,664     |
| Earnings per share for profit<br>attributable to owners of the parent<br>(in Korean Won, in US dollars) |                                        |             |             |             |
| - Basic                                                                                                 | 126,305                                | 153,105     | 111.65      | 135.34      |
| - Diluted                                                                                               | 126,303                                | 153,096     | 111.64      | 135.33      |



Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Korean won, in thousands of US dollars )

|                                                                                         | <b>For the year ended December 31,</b> |                    |                   |                    |
|-----------------------------------------------------------------------------------------|----------------------------------------|--------------------|-------------------|--------------------|
|                                                                                         | <b>2015</b>                            | <b>2014</b>        | <b>2015</b>       | <b>2014</b>        |
|                                                                                         | KRW                                    | KRW                | USD               | USD                |
| <b>Profit for the year</b>                                                              | 19,060,144                             | 23,394,358         | 16,848,002        | 20,679,181         |
| <b>Other comprehensive loss</b>                                                         |                                        |                    |                   |                    |
| <b>Items not to be reclassified to profit or loss subsequently:</b>                     |                                        |                    |                   |                    |
| Remeasurement of net defined benefit liabilities, net of tax                            | 263,978                                | (710,318)          | 233,340           | (627,878)          |
| <b>Items to be reclassified to profit or loss subsequently:</b>                         |                                        |                    |                   |                    |
| Changes in value of available-for-sale financial assets, net of tax                     | (414,961)                              | (232,105)          | (366,800)         | (205,167)          |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | (41,261)                               | (128,932)          | (36,472)          | (113,968)          |
| Foreign currency translation, net of tax                                                | 268,315                                | (922,059)          | 237,174           | (815,044)          |
| <b>Other comprehensive loss for the year, net of tax</b>                                | <b>76,071</b>                          | <b>(1,993,414)</b> | <b>67,242</b>     | <b>(1,762,057)</b> |
| <b>Total comprehensive income for the year</b>                                          | <b>19,136,215</b>                      | <b>21,400,944</b>  | <b>16,915,244</b> | <b>18,917,124</b>  |
| <b>Comprehensive income attributable to :</b>                                           |                                        |                    |                   |                    |
| Owners of the parent                                                                    | 18,804,189                             | 20,990,732         | 16,621,753        | 18,554,523         |
| Non-controlling interests                                                               | 332,026                                | 410,212            | 293,491           | 362,601            |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

| 2014 KRW                                                                                      | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held-for-sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------|------------------|----------------------|----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------|-------------|
| <b>Balance as at January 1, 2014</b>                                                          | 119,467            | 778,047         | 4,403,893        | 148,600,282          | (9,459,073)                      | -                                                                                          | 144,442,616                                          | 5,573,394                        | 150,016,010 |
| Profit for the year                                                                           | -                  | -               | -                | 23,082,499           | -                                | -                                                                                          | 23,082,499                                           | 311,859                          | 23,394,358  |
| Changes in value of available-for-sale<br>financial assets, net of tax                        | -                  | -               | -                | -                    | (314,069)                        | -                                                                                          | (314,069)                                            | 81,964                           | (232,105)   |
| Share of other comprehensive income<br>(loss) of associates and joint<br>ventures, net of tax | -                  | -               | -                | -                    | (128,495)                        | -                                                                                          | (128,495)                                            | (437)                            | (128,932)   |
| Foreign currency translation, net of tax                                                      | -                  | -               | -                | -                    | (954,999)                        | -                                                                                          | (954,999)                                            | 32,940                           | (922,059)   |
| Remeasurement of net defined benefit<br>liabilities, net of tax                               | -                  | -               | -                | -                    | (694,204)                        | -                                                                                          | (694,204)                                            | (16,114)                         | (710,318)   |
| Classified as held-for-sale                                                                   | -                  | -               | -                | -                    | (80,101)                         | 80,101                                                                                     | -                                                    | -                                | -           |
| <b>Total comprehensive income (loss)</b>                                                      | -                  | -               | -                | 23,082,499           | (2,171,868)                      | 80,101                                                                                     | 20,990,732                                           | 410,212                          | 21,400,944  |
| Dividends                                                                                     | -                  | -               | -                | (2,157,011)          | -                                | -                                                                                          | (2,157,011)                                          | (74,216)                         | (2,231,227) |
| Capital transaction under common<br>control                                                   | -                  | -               | -                | -                    | (158)                            | -                                                                                          | (158)                                                | 244                              | 86          |
| Changes in consolidated entities                                                              | -                  | -               | -                | -                    | -                                | -                                                                                          | -                                                    | 569                              | 569         |
| Acquisition of treasury stock                                                                 | -                  | -               | -                | -                    | (1,125,322)                      | -                                                                                          | (1,125,322)                                          | -                                | (1,125,322) |
| Disposal of treasury stock                                                                    | -                  | -               | -                | -                    | 32,764                           | -                                                                                          | 32,764                                               | -                                | 32,764      |
| Stock option activities                                                                       | -                  | -               | -                | -                    | (9,436)                          | -                                                                                          | (9,436)                                              | -                                | (9,436)     |
| Others                                                                                        | -                  | -               | -                | 3,834                | 3,706                            | -                                                                                          | 7,540                                                | (3,740)                          | 3,800       |
| <b>Total transactions with owners</b>                                                         | -                  | -               | -                | (2,153,177)          | (1,098,446)                      | -                                                                                          | (3,251,623)                                          | (77,143)                         | (3,328,766) |
| <b>Balance as at December 31, 2014</b>                                                        | 119,467            | 778,047         | 4,403,893        | 169,529,604          | (12,729,387)                     | 80,101                                                                                     | 162,181,725                                          | 5,906,463                        | 168,088,188 |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of US dollars)

| 2014 USD                                                                                      | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held-for-sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------|------------------|----------------------|----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------|-------------|
| <b>Balance as at January 1, 2014</b>                                                          | 105,602            | 687,746         | 3,892,772        | 131,353,560          | (8,361,242)                      | -                                                                                          | 127,678,438                                          | 4,926,539                        | 132,604,977 |
| Profit for the year                                                                           | -                  | -               | -                | 2,0403,517           | -                                | -                                                                                          | 20,403,517                                           | 275,664                          | 20,679,181  |
| Changes in value of available-for-sale<br>financial assets, net of tax                        | -                  | -               | -                | -                    | (277,618)                        | -                                                                                          | (277,618)                                            | 72,451                           | (205,167)   |
| Share of other comprehensive income<br>(loss) of associates and joint<br>ventures, net of tax | -                  | -               | -                | -                    | (113,582)                        | -                                                                                          | (113,582)                                            | (386)                            | (113,968)   |
| Foreign currency translation, net of tax                                                      | -                  | -               | -                | -                    | (844,161)                        | -                                                                                          | (844,161)                                            | 29,117                           | (815,044)   |
| Remeasurement of net defined benefit<br>liabilities, net of tax                               | -                  | -               | -                | -                    | (613,634)                        | -                                                                                          | (613,634)                                            | (14,244)                         | (627,878)   |
| Classified as held-for-sale                                                                   | -                  | -               | -                | -                    | (70,804)                         | 70,804                                                                                     | -                                                    | -                                | -           |
| <b>Total comprehensive income (loss)</b>                                                      | -                  | -               | -                | 20,403,517           | (1,919,799)                      | 70,804                                                                                     | 18,554,522                                           | 362,602                          | 18,917,124  |
| Dividends                                                                                     | -                  | -               | -                | (1,906,666)          | -                                | -                                                                                          | (1,906,666)                                          | (65,602)                         | (1,972,268) |
| Capital transaction under common<br>control                                                   | -                  | -               | -                | -                    | (140)                            | -                                                                                          | (140)                                                | 216                              | 76          |
| Changes in consolidated entities                                                              | -                  | -               | -                | -                    | -                                | -                                                                                          | -                                                    | 503                              | 503         |
| Acquisition of treasury stock                                                                 | -                  | -               | -                | -                    | (994,716)                        | -                                                                                          | (994,716)                                            | -                                | (994,716)   |
| Disposal of treasury stock                                                                    | -                  | -               | -                | -                    | 28,961                           | -                                                                                          | 28,961                                               | -                                | 28,961      |
| Stock option activities                                                                       | -                  | -               | -                | -                    | (8,341)                          | -                                                                                          | (8,341)                                              | -                                | (8,341)     |
| Others                                                                                        | -                  | -               | -                | 3,389                | 3,277                            | -                                                                                          | 6,666                                                | (3,306)                          | 3,360       |
| <b>Total transactions with owners</b>                                                         | -                  | -               | -                | (1,903,277)          | (970,959)                        | -                                                                                          | (2,874,236)                                          | (68,189)                         | (2,942,425) |
| <b>Balance as at December 31, 2014</b>                                                        | 105,602            | 687,746         | 3,892,772        | 149,853,800          | (11,252,000)                     | 70,804                                                                                     | 143,358,724                                          | 5,220,952                        | 148,579,676 |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

| 2015 KRW                                                                                      | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held-for-sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------|------------------|----------------------|----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------|-------------|
| <b>Balance as at January 1, 2015</b>                                                          | 119,467            | 778,047         | 4,403,893        | 169,529,604          | (12,729,387)                     | 80,101                                                                                     | 162,181,725                                          | 5,906,463                        | 168,088,188 |
| Profit for the year                                                                           | -                  | -               | -                | 18,694,628           | -                                | -                                                                                          | 18,694,628                                           | 365,516                          | 19,060,144  |
| Changes in value of available-for-sale<br>financial assets, net of tax                        | -                  | -               | -                | -                    | (348,068)                        | (24,750)                                                                                   | (372,818)                                            | (42,143)                         | (414,961)   |
| Share of other comprehensive income<br>(loss) of associates and joint<br>ventures, net of tax | -                  | -               | -                | -                    | 12,686                           | (54,118)                                                                                   | (41,432)                                             | 171                              | (41,261)    |
| Foreign currency translation, net of tax                                                      | -                  | -               | -                | -                    | 266,061                          | (1,233)                                                                                    | 264,828                                              | 3,487                            | 268,315     |
| Remeasurement of net defined benefit<br>liabilities, net of tax                               | -                  | -               | -                | -                    | 258,983                          | -                                                                                          | 258,983                                              | 4,995                            | 263,978     |
| Classified as held-for-sale                                                                   | -                  | -               | -                | -                    | (23,797)                         | 23,797                                                                                     | -                                                    | -                                | -           |
| <b>Total comprehensive income (loss)</b>                                                      | -                  | -               | -                | 18,694,628           | 165,865                          | (56,304)                                                                                   | 18,804,189                                           | 332,026                          | 19,136,215  |
| Dividends                                                                                     | -                  | -               | -                | (3,073,481)          | -                                | -                                                                                          | (3,073,481)                                          | (54,603)                         | (3,128,084) |
| Capital transaction under common<br>control                                                   | -                  | -               | -                | -                    | (5,314)                          | -                                                                                          | (5,314)                                              | 423                              | (4,891)     |
| Changes in consolidated entities                                                              | -                  | -               | -                | -                    | -                                | -                                                                                          | -                                                    | (152)                            | (152)       |
| Acquisition of treasury stock                                                                 | -                  | -               | -                | -                    | (5,015,112)                      | -                                                                                          | (5,015,112)                                          | -                                | (5,015,112) |
| Disposal of treasury stock                                                                    | -                  | -               | -                | -                    | 3,406                            | -                                                                                          | 3,406                                                | -                                | 3,406       |
| Stock option activities                                                                       | -                  | -               | -                | -                    | (806)                            | -                                                                                          | (806)                                                | -                                | (806)       |
| Others                                                                                        | -                  | -               | -                | (18,737)             | 897                              | -                                                                                          | (17,840)                                             | (1,119)                          | (18,959)    |
| <b>Total transactions with owners</b>                                                         | -                  | -               | -                | (3,092,218)          | (5,016,929)                      | -                                                                                          | (8,109,147)                                          | (55,451)                         | (8,164,598) |
| <b>Balance as at December 31, 2015</b>                                                        | 119,467            | 778,047         | 4,403,893        | 185,132,014          | (17,580,451)                     | 23,797                                                                                     | 172,876,767                                          | 6,183,038                        | 179,059,805 |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of US dollars)

| 2015 USD                                                                                      | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held-for-sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------|------------------|----------------------|----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------|-------------|
| <b>Balance as at January 1, 2015</b>                                                          | 105,602            | 687,746         | 3,892,772        | 149,853,800          | (11,252,000)                     | 70,804                                                                                     | 143,358,724                                          | 5,220,952                        | 148,579,676 |
| Profit for the year                                                                           | -                  | -               | -                | 16,524,908           | -                                | -                                                                                          | 16,524,908                                           | 323,094                          | 16,848,002  |
| Changes in value of available-for-sale<br>financial assets, net of tax                        | -                  | -               | -                | -                    | (307,671)                        | (21,877)                                                                                   | (329,548)                                            | (37,252)                         | (366,800)   |
| Share of other comprehensive income<br>(loss) of associates and joint<br>ventures, net of tax | -                  | -               | -                | -                    | 11,214                           | (47,837)                                                                                   | (36,623)                                             | 151                              | (36,472)    |
| Foreign currency translation, net of tax                                                      | -                  | -               | -                | -                    | 235,182                          | (1,090)                                                                                    | 234,092                                              | 3,082                            | 237,174     |
| Remeasurement of net defined benefit<br>liabilities, net of tax                               | -                  | -               | -                | -                    | 228,925                          | -                                                                                          | 228,925                                              | 4,415                            | 233,340     |
| Classified as held-for-sale                                                                   | -                  | -               | -                | -                    | (21,035)                         | 21,035                                                                                     | -                                                    | -                                | -           |
| <b>Total comprehensive income (loss)</b>                                                      | -                  | -               | -                | 16,524,908           | 146,615                          | (49,769)                                                                                   | 16,621,754                                           | 293,490                          | 16,915,244  |
| Dividends                                                                                     | -                  | -               | -                | (2,716,769)          | -                                | -                                                                                          | (2,716,769)                                          | (48,266)                         | (2,765,035) |
| Capital transaction under common<br>control                                                   | -                  | -               | -                | -                    | (4,697)                          | -                                                                                          | (4,697)                                              | 374                              | (4,323)     |
| Changes in consolidated entities                                                              | -                  | -               | -                | -                    | -                                | -                                                                                          | -                                                    | (134)                            | (134)       |
| Acquisition of treasury stock                                                                 | -                  | -               | -                | -                    | (4,433,052)                      | -                                                                                          | (4,433,052)                                          | -                                | (4,433,052) |
| Disposal of treasury stock                                                                    | -                  | -               | -                | -                    | 3,011                            | -                                                                                          | 3,011                                                | -                                | 3,011       |
| Stock option activities                                                                       | -                  | -               | -                | -                    | (712)                            | -                                                                                          | (712)                                                | -                                | (712)       |
| Others                                                                                        | -                  | -               | -                | (16,562)             | 793                              | -                                                                                          | (15,769)                                             | (989)                            | (16,758)    |
| <b>Total transactions with owners</b>                                                         | -                  | -               | -                | (2,733,331)          | (4,434,657)                      | -                                                                                          | (7,167,988)                                          | (49,015)                         | (7,217,003) |
| <b>Balance as at December 31, 2015</b>                                                        | 105,602            | 687,746         | 3,892,772        | 163,645,377          | (15,540,042)                     | 21,035                                                                                     | 152,812,490                                          | 5,465,427                        | 158,277,917 |

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean Won, in thousands of U.S dollars)*

|                                                                          | <b>For the year ended December 31,</b> |                     |                     |                     |
|--------------------------------------------------------------------------|----------------------------------------|---------------------|---------------------|---------------------|
|                                                                          | <b>2015</b>                            | <b>2014</b>         | <b>2015</b>         | <b>2014</b>         |
| <b>Cash flows from operating activities</b>                              | KRW                                    | KRW                 | USD                 | USD                 |
| Profit for the period                                                    | 19,060,144                             | 23,394,358          | 16,848,002          | 20,679,181          |
| Adjustments                                                              | 29,610,971                             | 22,323,765          | 26,174,287          | 19,732,843          |
| Changes in assets and liabilities arising from operating activities      | (4,682,032)                            | (3,837,136)         | (4,138,630)         | (3,391,794)         |
| <b>Cash flows from operating activities</b>                              | <b>43,989,083</b>                      | <b>41,880,987</b>   | <b>38,883,659</b>   | <b>37,020,230</b>   |
| Interest received                                                        | 2,151,741                              | 1,555,373           | 1,902,007           | 1,374,855           |
| Interest paid                                                            | (748,256)                              | (463,740)           | (661,413)           | (409,918)           |
| Dividend received                                                        | 266,369                                | 1,495,658           | 235,454             | 1,322,070           |
| Income tax paid                                                          | (5,597,176)                            | (7,492,889)         | (4,947,561)         | (6,623,256)         |
| <b>Net cash generated from operating activities</b>                      | <b>40,061,761</b>                      | <b>36,975,389</b>   | <b>35,412,146</b>   | <b>32,683,981</b>   |
| <b>Cash flows from investing activities</b>                              |                                        |                     |                     |                     |
| Net increase in short-term financial instruments                         | (5,762,783)                            | (1,110,842)         | (5,093,948)         | (981,916)           |
| Proceeds from disposal of short-term available-for-sale financial assets | 2,143,384                              | 1,954,158           | 1,894,620           | 1,727,355           |
| Acquisition of short-term available-for-sale financial assets            | (509,349)                              | (2,667,610)         | (450,233)           | (2,358,003)         |
| Proceeds from disposal of long-term financial instruments                | 3,999,710                              | 94,089              | 3,535,499           | 83,169              |
| Acquisition of long-term financial instruments                           | (132,733)                              | (3,248,374)         | (117,328)           | (2,871,364)         |
| Proceeds from disposal of long-term available-for-sale financial assets  | 200,502                                | 202,904             | 177,232             | 179,355             |
| Acquisition of long-term available-for-sale financial assets             | (232,530)                              | (6,212,102)         | (205,542)           | (5,491,118)         |
| Proceeds from disposal of associates and joint ventures                  | 278,009                                | 2,014,430           | 245,743             | 1,780,633           |
| Acquisition of associates and joint ventures                             | (137,917)                              | (719,800)           | (121,910)           | (636,259)           |
| Disposal of property, plant and equipment                                | 357,154                                | 385,610             | 315,702             | 340,856             |
| Purchases of property, plant and equipment                               | (25,880,222)                           | (22,042,943)        | (22,876,533)        | (19,484,613)        |
| Disposal of intangible assets                                            | 1,083                                  | 31,731              | 957                 | 28,048              |
| Purchases of intangible assets                                           | (1,501,881)                            | (1,324,307)         | (1,327,571)         | (1,170,606)         |
| Cash outflows from business combinations                                 | (411,445)                              | (176,625)           | (363,692)           | (156,126)           |
| Others                                                                   | 421,231                                | 13,273              | 372,342             | 11,733              |
| <b>Net cash used in investing activities</b>                             | <b>(27,167,787)</b>                    | <b>(32,806,408)</b> | <b>(24,014,662)</b> | <b>(28,998,856)</b> |

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars)

|                                                              | For the year ended December 31, |                    |                    |                    |
|--------------------------------------------------------------|---------------------------------|--------------------|--------------------|--------------------|
|                                                              | 2015                            | 2014               | 2015               | 2014               |
|                                                              | KRW                             | KRW                | USD                | USD                |
| <b>Cash flows from financing activities</b>                  |                                 |                    |                    |                    |
| Net increase in short-term borrowings                        | 3,202,416                       | 1,833,419          | 2,830,740          | 1,620,630          |
| Acquisition of treasury stock                                | (5,015,112)                     | (1,125,322)        | (4,433,052)        | (994,716)          |
| Disposal of treasury stock                                   | 3,034                           | 27,582             | 2,682              | 24,381             |
| Proceeds from long-term borrowings and debentures            | 192,474                         | 1,740,573          | 170,135            | 1,538,560          |
| Repayment of long-term borrowings and debentures             | (1,801,465)                     | (3,299,595)        | (1,592,385)        | (2,916,640)        |
| Payment of dividends                                         | (3,129,544)                     | (2,233,905)        | (2,766,325)        | (1,974,635)        |
| Net increase in non-controlling interests                    | (25,312)                        | 139                | (22,374)           | 123                |
| <b>Net cash generated(used) in financing activities</b>      | <b>(6,573,509)</b>              | <b>(3,057,109)</b> | <b>(5,810,579)</b> | <b>(2,702,297)</b> |
| Effect of exchange rate changes on cash and cash equivalents | (524,487)                       | (555,886)          | (463,614)          | (491,369)          |
| <b>Net increase(decrease) in cash and cash equivalents</b>   | <b>5,795,978</b>                | <b>555,986</b>     | <b>5,123,290</b>   | <b>491,459</b>     |
| <b>Cash and cash equivalents</b>                             |                                 |                    |                    |                    |
| <b>Beginning of the period</b>                               | <b>16,840,766</b>               | <b>16,284,780</b>  | <b>14,886,208</b>  | <b>14,394,749</b>  |
| <b>End of the period</b>                                     | <b>22,636,744</b>               | <b>16,840,766</b>  | <b>20,009,498</b>  | <b>14,886,208</b>  |

**Samsung Electronics Co., Ltd.**

**SEPARATE STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS**

*(In millions of Korean won, in thousands of US dollars)*

**For the year ended December 31,**

|                                                                                  | <b>2015</b>       | <b>2014</b>       | <b>2015</b>       | <b>2014</b>       |
|----------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                  | KRW               | KRW               | USD               | USD               |
| <b>Retained earnings before appropriations</b>                                   |                   |                   |                   |                   |
| Unappropriated retained earnings carried over from prior year Interim dividends: | 30                | 30                | 27                | 27                |
| In 2015 - ₩1,000 (dividend rate: 20%)                                            | (148,916)         | (75,408)          | (131,633)         | (66,656)          |
| In 2014 - ₩500 (dividend rate: 10%)                                              |                   |                   |                   |                   |
| Net income                                                                       | 12,238,469        | 14,591,781        | 10,818,058        | 12,898,242        |
| <b>Total</b>                                                                     | <b>12,089,583</b> | <b>14,516,403</b> | <b>10,686,452</b> | <b>12,831,613</b> |
| <b>Appropriations of retained earnings</b>                                       |                   |                   |                   |                   |
| Reserve for business rationalization                                             | 3,000,000         | 4,000,000         | 2,651,816         | 3,535,755         |
| Cash dividends:                                                                  |                   |                   |                   |                   |
| In 2015: Common stock - ₩20,000 (dividend rate: 400%)                            |                   |                   |                   |                   |
| Preferred stock - ₩20,050 (dividend rate: 401%)                                  | 2,919,821         | 2,924,564         | 2,580,943         | 2,585,136         |
| In 2014: Common stock - ₩19,500 (dividend rate: 390%)                            |                   |                   |                   |                   |
| Preferred stock - ₩19,550 (dividend rate: 391%)                                  |                   |                   |                   |                   |
| Reserve for research and human resources development                             | 5,000,000         | 6,000,000         | 4,419,694         | 5,303,633         |
| Reserve for capital expenditure                                                  | 1,169,732         | 1,591,809         | 1,033,972         | 1,407,062         |
| <b>Total</b>                                                                     | <b>12,089,553</b> | <b>14,516,373</b> | <b>10,686,425</b> | <b>12,831,586</b> |
| <b>Unappropriated retained earnings to be carried forward</b>                    | <b>30</b>         | <b>30</b>         | <b>27</b>         | <b>27</b>         |

**Convenience Translation into United States Dollar Amounts**

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in U.S. dollars at the rate of ₩1,131.3 to US \$1, the average exchange rate for the year ended December 31, 2015. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in US dollars at this or at any other rate.



## Business Overview

For 2015, a new measure of challenges in our business environment persisted amid continued macro uncertainties from the monetary policy change of the U.S., volatile emerging stock markets and currency exchange rates, and a sharp fall in the global oil prices. South Korea's economy also remained weak with the outbreak of MERS.

However, despite a slowdown of the smartphone market growth and intensified competitions over major products, we were able to record consolidated sales of KRW 201 trillion, operating profit of KRW 26 trillion, sales of KRW 135 trillion(parent basis), and net income of KRW 12 trillion.

In financial terms, debt ratio is 35.3%, capital adequacy ratio is 73.9%, and ROE is 11.0% on a consolidated basis. On a parent basis, debt ratio is 23.9%, capital adequacy ratio is 80.7%, and ROE is 9.1%. As such, we maintained a solid financial structure. Our brand value also remained at No.7 among all global companies with USD 45.3 billion in 2015(Oct '15, InterBrand).

In terms of the businesses, we solidified our industry leadership and market share by leading the premium TV markets of UHD and Curved TVs and by mass producing the best-performance and the largest capacity server DRAM module based on our core technologies and design.

In 2016, we expect the uncertainties of the global economy to increase due to strong USD, economic recession in the Eurozone, a slowdown of China's growth, and financial risks in emerging markets following a sharp fall in oil prices. Against this backdrop, for the Company's core products markets, growth will slow and competitions will intensify.

Even under challenging conditions and rapidly changing business environment, Samsung Electronics will strive to reinforce technological competitiveness of our existing businesses and to secure future opportunities by discovering new growth engines.

### □ Financial Performance (K-IFRS, Consolidated)

(Unit: KRW trillion, %)

|                         | FY 2015   | FY 2014   | Change |
|-------------------------|-----------|-----------|--------|
| Revenue                 | 200.7     | 206.2     | -3%    |
| Operating Profit        | 26.4      | 25.0      | 6%     |
| Net Profit              | 19.1      | 23.4      | -19%   |
| Net Debt Ratio          | -32.7%    | -30.1%    | -2.7%p |
| Dividend Per Share(KRW) | 21,000    | 20,000    | 5%     |
| Share Price (KRW)       | 1,260,000 | 1,327,000 | -5%    |

## Semiconductor

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For the semiconductor business, earnings significantly improved compared to the previous year as we enhanced competitiveness and increased sales of high value-added products based on the stable demand of the memory market. We also expanded advance investment in technologies to focus on reinforcing technological leadership.

Even as the overall DRAM market continues to experience oversupply, supply and demand conditions in the mobile segment is expected to improve slightly driven by demand for new products, but DRAM demand for other applications such as PCs is expected to remain weak. However, demand for the Company's high-end products are robust as other manufacturers are experiencing delays in developing high-performance and highly reliable products such as DDR4/LPDDR4 manufactured using the latest leading-edge processes. Demand for NAND is expected to increase as more NAND (in terms of gigabytes of installed memory) is included in new smartphones and the ever-increasing adoption of solid state drives("SSDs") continues, but supply is also expected to increase as competitors shift to finer processes.

Currently, the Company is ahead of competitors in terms of development competitiveness. In addition, we are further reinforcing our market leadership by launching premium products.

The Company is solidifying its leadership position in the DRAM market by developing differentiated 20nm products and 10nm-class DRAM. For NAND, we are simultaneously developing and mass producing both planar and vertical NANDs, addressing customer demand in a timely manner. In particular, the Company is entering the premium market by mass-producing and adding the 3rd generation 48-layer vertical NAND, with technology that is one year ahead of competitors, to high-performance SSDs. We are also expanding high-quality 3bit products to maximize cost competitiveness.

In 2016, the server market and the mid-to-low end mobile markets are expected to grow. As such, the Company will expand differentiated products based on advanced processes and address each market segment with diverse product lineups to continue to lead the market as the No.1 memory maker.

For the System LSI business, we expect a slowdown of the mobile market including smartphone and tablet, which continued its growth momentum throughout 2015. However, as new markets such as IoT, wearable, automotive, and health care emerge, we expect continued demand for the overall S.SLI products.

For the SoC products, demand for mobile IC such as AP and modem is decreasing. But demand for integrated chip that provides all functions at once is gradually increasing due to an expansion of smartphone and tablet markets.

The S.SLI market is growing mainly around mobile. Growth momentum of the wearable devices and IoT markets will accelerate. Accordingly, we will continue our growth by developing cutting-edge processes in advance and by launching products with differentiated technologies prior to competitors. For AP chip, we are mainly supplying 14nm with our cutting-edge process that is ahead of competitors. And we are addressing the mid-range market by supplying AP modem integrated chip with 28nm process.

For our foundry business, we are making an effort to lead the market in the future, cooperating with large-scale fabless companies based on our cutting-edge process technologies that are ahead of competitors.

## DP (Display Panel)

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The LCD business has been leading the market with its advanced technologies, and has reinforced business competitiveness by launching a full line-up of ultra large-size TVs and by increasing sales of premium TV products such as UHD/Curved.

The OLED business made an effort to enhance profitability by launching premium smartphones at an appropriate timing and by expanding mid-range products and customer base.

Low growth trend of the global display market is persisting, and the growth momentum of smartphones, which has been leading the market growth, is expected to slow down. In addition, global competition is intensifying due to the rapid pursuit of the Chinese makers armed with the government's support.

In 2016, Samsung Electronics will reinforce large LCD product competitiveness based on our differentiated technologies and strive to improve cost as well as to secure solid level of inventory. Furthermore, while we diversify small to medium OLED products and continue to expand customer based, we will make an effort to secure new growth engines by focusing more on developing new applications including transparent, mirror, head mount, and automotive.

In 2016, we will renew everything from product development and management to the organizational culture in order to transform ourselves to a first mover who can lead new competitive markets and actively address the needs of the market by better detecting changes in consumers' lifestyle and behavior patterns.

On the top of this, we will ensure internal stability by increasing efficiency of the Company's resource management. Also, we will strive to secure differentiated competitiveness with an open mind that does not fear groundbreaking changes and innovations. Although global uncertainties and risks will persist in 2016, we will turn a crisis into an opportunity by creating synergy between our business divisions based on trust and communication.

## **IM (IT & Mobile Communications)**

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For our IM division, despite an increase in emerging market demand and premium smartphone sales, our market share and earnings declined from the previous year due to enhanced competitiveness of mid-range smartphones of Chinese makers and launches of large-screen premium smartphones by competitors.

In the smartphone market, we are actively addressing the challenges posed by competitors with our diverse line ups including the premium series Note and the mass-market series Galaxy A, which were launched in the second half of 2015.

This year, the Company will continue to solidify its market leadership in the premium market with new form-factors such as flexible display and differentiated design. We will also actively respond to demand for mass-market products to increase our market share. In addition, we will address consumer demand with new products such as Galaxy S and wearable products such as Galaxy Gear S and Gear VR. Furthermore, we will strive to become a company that consistently offers new value to customers by making strategic investments in mobile payment and B2B for future growth and by utilizing our R&D capacity that is the best in the industry.

## **CE (Consumer Electronics)**

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For the CE division, despite economic recession and a slowdown of demand in advanced markets, our strategic products including ultra-high resolution SUHD TV and refrigerators are growing continuously based on our market-leading premium technologies.

Our TV maintained the top position in the overall TV market, FPTVs, and LCD TVs (in terms of market share) for ten consecutive years since 2006 throughout 2015, based on our outstanding technologies and design.

In 2016, we will continue to maintain our industry leadership by leading the premium market based on our own original designs.

For our digital appliances business, revenue is growing continuously as we launch best-performing premium products that provide consumer convenience and user-friendly design, including eco-friendly and high-efficiency features. In particular, as we expand global sales of premium products, our status as a global household electronics brand is being reinforced. We are now planning to provide new values through smart appliances that can be connected to IT devices and network.

## Corporate Overview

In addition to our headquarters in Korea, Samsung Electronics is comprised of 158 subsidiaries across the world. In addition to our headquarters in Korea, Samsung Electronics is comprised of 159 subsidiaries across the world responsible for sales and production. Also, there are nine (9) regional headquarters for Consumer Electronics (“CE”) and Information Technology & Mobile Communications (“IM”) divisions and five (5) regional headquarters for Device Solutions (“DS”) division.

The Company business divisions are organized in two-pronged business framework of set (brand products) and component businesses. The set business is comprised of CE and IM divisions, and the component business is comprised of DS division. The CE division is responsible for the production and sales of TVs, monitors, printers, air conditioners and refrigerators, and the IM division focuses on the production and sales of handheld phones (HHPs) (such as smartphones), network systems, and computers. In the component business, the DS division is comprised of the Semiconductor business which manufactures and sells DRAM and Mobile AP, etc. and the Display Panel (“DP”) business which manufactures and sells TFT-LCD and OLED panels for TV, Monitor, Notebook PC, and Mobile devices.

### □ Major products by business division

| Business Division |               | Major Products                                                                               |
|-------------------|---------------|----------------------------------------------------------------------------------------------|
| CE Division       |               | TV, Monitor, Printer, Air conditioner, Refrigerator, Washing machine, Medical devices, etc., |
| IM Division       |               | HHP, Network system, Computer, Digital camera, etc.,                                         |
| DS Division       | Semiconductor | DRAM, NAND Flash, Mobile AP, etc.,                                                           |
|                   | Display Panel | TFT-LCD, OLED, etc.,                                                                         |

By region, SEC HQ covering CE, IM, and semiconductor business and 17 consolidated subsidiaries are located in Korea.

SEC is headquartered in Suwon site for CE, and R&D center; Gumi site for IM; Giheung for semiconductor; Hwasung for semiconductor; and Gwangju for home appliances. The company has 17 consolidated domestic subsidiaries including Samsung Display for display panel production, Samsung Electronics Sales for domestic retail sales, Samsung Electronics Service for after-sales service, and Samsung Electronic Logitech for logistics.

We have 142 overseas subsidiaries for product manufacturing, sales, and R&D in North America, Europe, Asia, and Africa. In Americas, we have 33 subsidiaries responsible for product manufacturing and sales: SEA in New Jersey, United States is the regional headquarter for North America and focuses on sales of Set products such as TV and HHP in the States. SAMEX in Tijuana, Mexico engages in TV manufacturing while SAS in Austin, United States is for semiconductor manufacturing.

In Europe, we operate 31 subsidiaries including SEUK in UK (regional headquarter) for Set product sales; SEF in France, SEG in Germany, SEI in Italy for sales; TV manufacturing sites such as SESK in Slovakia, and SEH in Hungary; as well as SEPM in Poland for home appliances manufacturing.

In Asia, we operate 24 overseas subsidiaries including SAPL in Singapore, SEAU in Australia, SEPCO in the Philippines, and SME in Malaysia, responsible for regional sales; SEV in Vietnam for HHP manufacturing; SDMA in Malaysia for TV manufacturing; and SIEL in India for both TV and HHP manufacturing.

We operate 30 subsidiaries in China including regional Set products sales operations SCIS in Beijing and SEHK in Hong Kong. We also operate production and processing facilities sites TSTC, SSEC, and SESS in Tianjin and Suzhou. In addition, we have 24 subsidiaries engaging in product manufacturing and sales in Africa, Middle East, and CIS region.

# 7 INFORMATION ABOUT THE MEETING AND SHAREHOLDER RIGHTS

## Overview

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General meeting of shareholders is the Company's highest decision-making body which deliberates and decides important issues concerning the Company, reflecting the opinions of shareholders.

### *Convening*

General meetings of shareholders shall be either ordinary or extraordinary meetings.

Ordinary general meeting: Within three months after the end of each fiscal year.

Extraordinary general meeting: Whenever necessary

\* Those who have the authority to call extraordinary general meetings, as prescribed in the Articles of Incorporation and the Commercial Code, shall convene the meetings in accordance with the relevant procedures.

### *Parties with Authority to Convene Meetings*

Those who have the authority to call ordinary and extraordinary general meetings pursuant to the Articles of Incorporation and the Commercial Code are as set forth below:

- Board of Directors
- Audit Committee
- Shareholders

\* According to the Commercial Code, those shareholders who have more than 1.5% of outstanding shares with voting rights of the Company for more than six months may request to convene extraordinary general meetings.

### *Notice of Convening*

Pursuant to the Article 17-3 of the Articles of Incorporation, a written or electronic notice thereof setting forth the time, date, place and agenda of the meeting shall be sent to the shareholders at least two weeks in advance to convene a general meeting of shareholders.

\* For the purpose of transparency and protecting shareholder voting rights, the Company currently adopted the policy to notify shareholders about the AGM three or four weeks prior to convene a general meeting of shareholders.

## Operation

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In accordance with our Article of Incorporation, each shareholder shall have right to one vote per share. The Company does not have any system or method to discriminate shareholders' voting rights, including dual class voting structure, etc.

### *Method of Adopting Resolutions at AGM*

#### **1. Ordinary Resolution**

- Pursuant to the Commercial Code and the Articles of Incorporation, resolutions shall be passed if approved by one half (1/2) of votes of the shareholders present at the general meeting of shareholders and by one fourth (1/4) or more of outstanding votes.
- Items of Ordinary Resolution: Election of Directors, remuneration for Directors, approval of financial statements, etc.

#### **2. Extraordinary Resolution**

- Pursuant to the Commercial Code and the Articles of Incorporation, resolutions for matters of greater significance, including but not limited to the amendment to the Articles of Incorporation and mergers & acquisitions, shall be passed if approved by two thirds (2/3) of votes of the shareholders present at the general meeting of shareholders and by one third (1/3) or more of outstanding votes.
- Items of Extraordinary Resolution: Amendment to the Articles of Incorporation, dismissal of Directors, approval of split or merger of the Company, etc.
- With regards to shareholders' voting rights, the Company does not have a written consent in place, pursuant to the Articles of Incorporation. However, the Company registers with "proxy solicitation" at AGM every year according to the local regulation permitting substitution for written consent.
- \* In voting, "blank vote" submitted by shareholders in a form of "*Proxy (the power of Attorney)*" are invalid and do not count in tallying AGM votes according to the Korean authority guidelines on proxy solicitation.

### *Protection of Minority Shareholders Concerning AGM*

We are committed to protect minority shareholders' rights. Minority Shareholders' rights in the Company are as set forth:

#### **1. Right to Convene General Meetings of Shareholders**

- In accordance with the Commercial Code, shareholders, with ownership of more than 1.5% of outstanding shares with voting rights of the Company for more than six month, may request to convene extraordinary general meetings.

#### **2. Right to Present Shareholder Proposals**

- Pursuant to the Commercial Code and the Articles of Incorporation, shareholders, with ownership of more than 0.5% of outstanding shares with voting rights for more than six months, may present shareholder proposals at AGM. The Board shall present all shareholder proposals at AGM
- \* For example, at the 30<sup>nd</sup> AGM in 1999, shareholders proposed to revise the Articles of Incorporation to adopt a cumulative voting method. And at 32<sup>nd</sup> AGM in 2001, Shareholders proposed to appoint the Company's executive directors from outside companies. Both proposals were voted down by shareholders at the AGM.

## Overview – The Board of Directors

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Our Corporate Governance work to enhance our company's decision-making and supervisory process based on the highest standards of governance, transparency, and accountability. Under such policy, the Board of Directors (BOD) administers the performance of management, sets corporate management policies, and makes strategic decisions on business execution. These activities are performed in accordance with relevant laws and regulations, the Article of Incorporation, and the resolutions made at the annual general shareholders meeting (AGM).

The BOD is composed of four executive directors and five independent directors. The BOD is consists of an independent director majority to both guarantee the board's independence and transparency. In addition, the Board established a transparent decision-making process with inputs from a broad spectrum of outside experts.

Pursuant to the Article of Incorporation, the Independent Directors Recommendation Committee initially selects candidates from among a pool of professional experts with in-depth knowledge and experience in a variety of areas including business management, economy, accounting, law, technology, CSR, etc.

The independent directors meet separately from the BOD's executive directors in order to promote a free exchange of ideas on all aspects of the company's management. All directors are prohibited from engaging in business activities within the same industry without the approval of the BOD. This arrangement is to prevent conflicts of interest as specified in the Korean Commerce Act and the Company's Articles of Incorporation.

### *BOD Members: 9 Directors (As of February 2016)*

- |                            |                                                                                                    |
|----------------------------|----------------------------------------------------------------------------------------------------|
| • 4 Executive Directors:   | Dr. Oh-Hyun Kwon (Chairman of the BOD)<br>Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Sang-Hoon Lee |
| • 5 Independent Directors: | Dr. Eun-Mee Kim, Dr. Han-Joong Kim, Dr. Byeong-Gi Lee, Mr. In-Ho Lee,<br>Mr. Kwang-Soo Song        |

#### *- Chairman of the Board*

In conformance with Article 29 of our **Articles of Incorporation**, the representative director shall be appointed as the Chairman of the Board and preside over the BOD meetings. If the Company has several Representative Directors, Representative Director & Vice Chairman shall serve as Chairman of the Board. If Representative Director & Vice Chairman cannot serve as Chairman of the BOD, a Director appointed by the BOD shall act for him. Dr. Oh-Hyun Kwon, Vice Chairman and CEO, has been appointed as the Chair of the Board since 2012.

#### *- Responsibilities and Duties of Directors*

Pursuant to the Article 27-2 of our Articles of Incorporation, Directors shall have fiduciary duty in performing his/her duties. Pursuant to the Article 32 **Prohibition of Competition by Directors**, No Director shall effect any transaction which falls within the same class of business as that of the Company without consent of the Board of Directors or such committee as authorized by the Board of Directors, except when a Director is elected with the knowledge that his business is in competition with the Company. Also, A Director shall resign from office in case he/she serves on a company in competition with the Company or becomes a public official. In accordance with relevant laws, a Director may not maintain directorship if he/she becomes a public official.

### *- Director Independence*

Director independence shall be determined by the independence requirements set forth by the Korean Stock Exchange listing standards, the Commercial Code and other related regulations. If a Director meets at least one of the criteria under applicable standards, he or she may not be deemed "independent."

### *- Election of Directors*

Regulations regarding the election, terms of office, and election of Directors in case of vacancy are included in the Article 24 of our Article of Incorporation.

It states the Company shall have at least three, but not more than fourteen, directors and such directors shall be appointed at a general meeting of shareholders; provided, however, that independent directors shall be elected from candidates recommended by the Independent Director Recommendation Committee.

Pursuant to the Article 25 of our Articles of Incorporation, all of our Board members', appointed by resolution at the AGM, term of office is three years. At the time of expiration, they are eligible for re-election at the AGM.

In case of two or more directors are nominated, the cumulative voting system according to the Korean Commercial Code shall not be applicable. At the 30th AGM in 1999, shareholders proposed to revise the Articles of Incorporation to adopt a cumulative voting method. However, it was voted down by shareholders at the AGM.

The BOD shall screen the qualifications of Executive Directors for Representative Director or Co-Representative Director position.

The representative director shall be elected by the Board of Directors. The representative director shall represent the Company and in case there are several representative directors, each shall represent the Company respectively.

### *- Election of Directors in Case of Vacancy*

Pursuant to Article 26 of our Article of Incorporations, any vacancy in the office of the director shall be filled by a resolution of a general meeting of shareholders. However, if the number of directors does not fall below the number prescribed by the Article 24 and there is no difficulty in the administration of business, the foregoing shall not be applicable.

### *- Convening of the Meeting of the Board of Directors*

There are two types of the Board meetings.

- **Regular meetings:** Generally held four times a year (in every quarter)
- **Extraordinary meeting:** Held whenever deemed necessary

The Meetings of the Board of Directors is convened by the Chairman of the Board. The Chairman shall provide a notice of meeting to other members, along with agenda and reasons for the meeting, at least 24 hours prior to the meeting. The notice can be in written, oral, and/or electronic forms. Such notice may be omitted with the consent of all Directors.

The presence of the majority of all Directors is required but the Board meetings may take place via electronic format, i.e., conference call. Directors have one vote per share unless an exception is provided by law. Directors are not allowed to vote in presence of any conflicts of interest.

Any Director may convene a meeting, with consent from the Chairman of the Board, in case where the meeting is deemed necessary for the purpose of carrying out his/her duties.



## Board Committees

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The BOD currently has six committees: Management Committee, Audit Committee, Independent Director Recommendation Committee, Related Party Transaction Committee, Compensation Committee, and CSR Committee.

### *The Management Committee*

The committee deliberates and decides matters either delegated by the Board, or specified in the Articles of Incorporation or in the Regulation of the Board of Directors with the aim of enhancing professionalism and efficiency in decision-making.

- The current Members: Dr. Oh-Hyun Kwon (Chair), Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Sang-Hoon Lee

### *The Audit Committee*

A committee under Board that supervises and supports the management in such a way it may enhance the company's value to the maximum through auditing and Audit Committee consists of three members who are appointed directors through the resolution of Board of Directors.

- The current members: Mr. In-Ho Lee (Chair and the expert of finance), Dr. Han-Joong Kim, Mr. Kwang-Soo Song

### *The Independent Director Recommendation Committee*

A committee under the Board is structured to ensure that outside directors are recruited and appointed in a fair and independent matter. This committee consists of 4 directors (including 3 independent and 1 executive directors).

- The current members: Dr. Han-Joong Kim (Chair), Dr. Byeong-Gi Lee, Dr. Eun-Mee Kim, Dr. Oh-Hyun Kwon

### *The Related Party Transaction Committee*

A committee under the Board was established in April 2004 as a compliance body to enhance corporate governance and promote fair transactions. The Related Party Transaction, or also known as Internal Transaction, committee is reported with pending transactions between the company and its related party.

- The current members: Mr. In-Ho Lee (Chair), Dr. Han-Joong Kim, Mr. Kwang-Soo Song

### *The Compensation Committee*

A committee under the Board has responsibility for assessing the appropriateness of Director Compensations and reviews and approves the limit on Director Compensations to be submitted for resolution at a general meeting of shareholders. The committee is comprised of 3 independent directors.

- The current members: Mr. Kwang-Soo Song (Chair), Mr. In-Hoo Lee, Dr. Byeong-Gi Lee

### *The CSR Committee*

A committee under the Board supervises and supports the company's Corporate Social Responsibility and Share Growth management activities. The CSR committee is committed to building relationships with various stakeholders through open dialogues and collaboration. The committee consists of 5 independent directors.

- The current members: Dr. Byeong-Gi Lee (Chair), Mr. In-Ho Lee, Dr. Han-Joong Kim, Mr. Kwang-Soo Song, Dr. Eun-Mee Kim

## □ Composition of the BOD committees

The following table presents the current composition of 6 BOD Committees, including Head of each committee.

| Committee Name                             | Committee Members                   |                                                              |                                                                             |
|--------------------------------------------|-------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------|
|                                            | Chair                               | Executive Directors                                          | Independent Directors                                                       |
| <b>Management</b>                          | Dr. Oh-Hyun Kwon<br>(Executive)     | Mr. Boo-Keun Yoon<br>Mr. Jong-Kyun Shin<br>Mr. Sang-Hoon Lee |                                                                             |
| <b>Audit</b>                               | Mr. In-Ho Lee<br>(Independent)      |                                                              | Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song                                     |
| <b>Independent Director Recommendation</b> | Dr. Han-Joong Kim<br>(Independent)  | Dr. Oh-Hyun Kwon                                             | Dr. Byeong-Gi Lee<br>Dr. Eun-Mee Kim                                        |
| <b>Related Party Transactions</b>          | Mr. In-Ho Lee<br>(Independent)      |                                                              | Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song                                     |
| <b>Compensation</b>                        | Mr. Kwang-Soo Song<br>(Independent) |                                                              | Mr. In-Ho Lee<br>Dr. Byeong-Gi Lee                                          |
| <b>CSR</b>                                 | Dr. Byeong-Gi Lee<br>(Independent)  |                                                              | Mr. In-Ho Lee<br>Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song<br>Dr. Eun-Mee Kim |

## Profile of BOD Members



### Oh-Hyun Kwon

Birth: October 15, 1952

Director since 2012

Dr. Oh-Hyun Kwon was officially appointed Chief Executive Officer of Samsung Electronics Co. by the company's Board of Directors on June 8, 2012. He continues to lead the Device Solutions Division of Samsung Electronics, which consists of the three component businesses: Memory, System LSI and LED.

Since Dr. Kwon joined Samsung Electronics' Semiconductor Business in 1985, he has played a pivotal role in Samsung Electronics' rapid advance in the semiconductor industry. 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. In 1998, Dr. Kwon was appointed Senior Vice President and head of System LSI Division's ASIC business. In 2000, he became Executive Vice President and head of LSI Technology. In January of 2004, Dr. Kwon was appointed President and General Manager of the System LSI Division. During his 10 years at the System LSI Division, Dr. Kwon gained special recognition for achieving top market shares of display driver ICs, application processors and CMOS image sensors.

Dr. Kwon has a B.S. in Electrical Engineering from Seoul National University, a M.S. in Electrical Engineering from KAIST (Korea Advanced Institute of Science and Technology), and a Ph.D. in Electrical Engineering from Stanford University.

#### Career:

- Vice Chairman & CEO, Samsung Electronics (2012-Present)
- Vice Chairman & Head, Samsung Advanced Institute of Technology (2013-2015)
- Vice Chairman & Head, Device Solutions (2011-Present)
- President & Head, Device Solutions (2011-11)
- President & Head, Semiconductor Business (2008-11)
- President & Head, System LSI Division (2004-08)
- Head, LSI Technology (2000-04)
- Head, ASIC Business (1998-00)



### Sang-Hoon Lee

Birth: June 15, 1955

Director since 2013

Mr. Lee is CFO of Samsung Electronics Co. and President of Corporate Management Office of Samsung Electronics.

Mr. Sang-Hoon Lee served as the Head of Strategy and Planning Office of Samsung Electronics from 2006 to 2008, and the Head of Corporate Management Support Team of Samsung Electronics from 2008 to 2010. He was the Head of Strategy Team 1 of Samsung Corporate Strategy Office of Samsung Group from 2010 to 2012. Mr. Lee was appointed as the President & CFO of Corporate Management Office of Samsung Electronics in 2012.

Mr. Lee holds B.A. in Economics from Kyungpook University.

#### Career:

- President & CFO, Corporate Management Office (2012-Present)
- Head, Strategy Team 1, Samsung Corporate Strategy Office (2010-12)
- Head, Corporate Management Support Team (2008-10)
- Strategy & Planning Office (2006-08)



### Boo-Keun Yoon

Birth: February 6, 1953

Director since 2013

Mr. Boo-Keun Yoon is Co-Chief Executive Officer of Samsung Electronics Co. and leads the Consumer Electronics division.

Mr. Yoon served as the Head of R&D Team of Visual Display Business from 2003 to 2007. He was the Head of Visual Display Business from 2007 to 2011. He served as the Head of Consumer Electronics Division from 2011 to 2012. He was appointed as the President and the Head of Consumer Electronics of Samsung Electronics in 2012.

Mr. Yoon holds B.S. degree in Electronic Engineering from Hanyang University.

#### Career:

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, Consumer Electronics (2012-Present)
- Head, Consumer Electronics Division (2011-12)A
- Head, Visual Display Business (2007-11)
- Head, R&D Team, Visual Display Business (2003-07)



### Jong-Kyun Shin

Birth: January 16, 1956

Director since 2013

Mr. Jong-Kyun Shin is Co-Chief Executive Officer of Samsung Electronics Co. and leads the IT and Mobile Communications Division.

Mr. Shin served as the Head of R&D Team of Mobile Communications Business of Samsung Electronics from 2006 to 2009. He was the Head of Mobile Communication Business from 2009 to 2011, and Head of IT and Mobile Communications Division from 2011 to 2012. Mr. Shin was appointed as the President and Head of IT&Mobile Communications Business in 2012.

Mr. Shin holds B.S. degree in Electronic Engineering from Kwangwoon University.

#### Career:

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, IT & Mobile Communications (2012-Present)
- Head, IT & Mobile Communications Division (2011-12)
- Head, Mobile Communications Business (2009-11)
- Head, Mobile R&D Office, Mobile Communications Business (2006-09)

**In-Ho Lee**

Birth: November 2, 1943

Director since 2010  
(Re-elected in 2013)

Mr. In-Ho Lee served as CEO of Shinhan Financial Group from 2005 to 2009. He was Vice Chairman of Shinhan Bank from 1999 to 2003. Prior to joining Shinhan Bank in 1982, he worked for Daegu Bank. Mr. Lee holds B.A. degree in Economics from Yonsei University.

**Career:**

- Independent Director (2010-Present)
- Corporate Advisor, Shinhan Bank (2009-11)
- Chief Executive Officer, Shinhan Financial Group (2005-09)
- President & CEO, Shinhan Bank (1999-2003)
- Director & Deputy President, Shinhan bank (1991-99)

**Han-Joong Kim**

Birth: May 12, 1951

Director since 2012

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.

**Career:**

- Independent Director (2012-Present)
- Chairman, CHA Strategy Committee, CHA Health Systems (2012-Present)
- Professor Emeritus, Yonsei University (2012~Present)
- Chairman, Korea University Sport Federation (2010-12)
- Trustee, Korean Council for University Education (2008-12)
- President, Yonsei University (2008-12)
- Chairman, Board of Directors, The Korean Society for Preventive Medicine (2006-08)
- Professor, Dept. of Preventive Medicine & Public Health (1982-12)

**Kwang-Soo Song**

Birth: January 4, 1950

Director since 2013

Mr. Kwang-Soo Song is an advisor at Kim & Chang law office. Before joining the firm in 2007, Mr. Song was a Senior Prosecutor at Ministry of Justice from 2001 to 2002, Chief Prosecutor at Daegu High Prosecutors' office from 2002 to 2003, and Prosecutor General at Supreme Prosecutors' Office from 2003 to 2005.

Mr. Song received B.A. in Law from Seoul National University.

**Career:**

- Independent Director (2013-Present)
- Advisor, Kim & Chang Law Office (2007-Present)
- Prosecutor General, Supreme Prosecutors' Office (2003-05)
- Chief Prosecutor, Daegu High Prosecutors' Office (2002-03)

**Byeong-Gi Lee**

Birth: November 2, 1948

Director since 2012

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) from 2003 to 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.

**Career:**

- Independent Director (2012-Present)
- Professor of Electrical Engineering, Seoul National University (1986-Present)
- President, IEEE Communications Society (2010-11)
- Commissioner, Korea Communications Commission (2008-10)
- President, Korea Information and Communication Society (KICS) (2007-07)
- President, Korea Society of Engineering Education (KSEE) (2003-04)
- Vice Chancellor for Research Affairs, Seoul National University (2000-02)
- Member of Technical Staff, AT&T Bell Laboratories (1984-86)

**Eun-Mee Kim**

Birth: September 10, 1958

Director since 2013

Dr. Eun-Mee Kim is Dean and Professor of Graduate School of International Studies at Ewha Womans University. Prior to coming to Ehwa, she was a professor in the Department of Sociology at the University of Southern California from 1987 to 1997, and a Visiting Scholar at Harvard University and Brown University.

Dr. Kim earned B.A. in Sociology from Ewha Womans University and M.A. and Ph.D. in Sociology from Brown University.

**Career:**

- Independent Director (2013-Present)
- Dean, Graduate School of International Studies, Ewha Womans University (2011-Present)
- Professor, Graduate School of International Studies, Ewha Womans University (1997-Present)
- President, Korea Association of International Development and Cooperation (KAIDEC)(2011-12)
- Dean, Graduate School of International Studies, Ewha Womans University (2005-07)
- Visiting Scholar, Brown University (2003-04)
- Visiting Scholar, Harvard University (1994-94)
- Professor, Department of Sociology, University of Southern California (1987-97)

## BOD Activities

The following table meetings and voting results that were held by the Board and the Committees under the Board between January 2015 and February 2016.

### BOD Meetings

#### □ The Board Meetings and Voting Results of Independent Directors in FY 2015 ~ FY 2016.2

| No. | Date            | Agenda                                                                                    | IH Lee | HJ Kim | KS Song | BG Lee      | EM Kim      |
|-----|-----------------|-------------------------------------------------------------------------------------------|--------|--------|---------|-------------|-------------|
|     |                 |                                                                                           |        |        |         |             |             |
| 1   | Jan. 29<br>2015 | ① Approval of FY2014 financial statements and annual business report                      | For    | For    | For     | For         | For         |
|     |                 | ② Approval of 2015 business plan                                                          | For    | For    | For     | For         | For         |
|     |                 | ③ Application for Venture Capital Union                                                   | For    | For    | For     | For         | For         |
| 2   | Feb. 13<br>2015 | ① Decision to convene the 46 <sup>th</sup> (FY 2015) AGM                                  | For    | For    | For     | For         | For         |
|     |                 | ② Decision of the 46 <sup>th</sup> AGM agenda items                                       | For    | For    | For     | For         | For         |
|     |                 | ③ Donation                                                                                | For    | For    | For     | For         | For         |
| 3   | Mar. 13<br>2015 | ① Appointment of CEO and Directors                                                        | For    | For    | For     | For         | For         |
|     |                 | ② Appointment of BOD Committee members                                                    | For    | For    | For     | For         | For         |
| 4   | Apr. 29<br>2015 | ① Approval of the 47th 1Q15 financial statements and business report                      | For    | For    | For     | For         | For         |
|     |                 | ② Donation to Sungkyunkwan University                                                     | For    | For    | For     | For         | For         |
| 5   | Jul. 30<br>2015 | ① Approval of the (47th) 1H15 financial statements, business report, and interim dividend | For    | For    | For     | For         | For         |
|     |                 | ② Application for property insurance                                                      | For    | For    | For     | For         | For         |
|     |                 | ③ Approval of changes in large-scale goods and services transactions in 2015              | For    | For    | For     | For         | For         |
| 6   | Aug. 28<br>2015 | ① Approval of purchase contract regarding assets of Samsung Fine Chemicals                | For    | For    | For     | For         | Not Present |
| 7   | Oct. 29<br>2015 | ① Approval of the 47th 3Q15 financial statements and business report                      | For    | For    | For     | For         | For         |
|     |                 | ② Buyback and cancellation of treasury stocks                                             | For    | For    | For     | For         | For         |
|     |                 | ③ Revision to management committee regulations                                            | For    | For    | For     | For         | For         |
| 8   | Nov. 20<br>2015 | ① Approval of transactions with affiliate person(s)                                       | For    | For    | For     | For         | For         |
|     |                 | ② Payment of retirement pensions                                                          | For    | For    | For     | For         | For         |
|     |                 | ③ Distribution of the remaining amount of disposal of Samsung Life insurance shares       | For    | For    | For     | For         | For         |
|     |                 | ④ Real estate rental from Samsung Life Insurance                                          | For    | For    | For     | For         | For         |
| 9   | Jan. 28<br>2016 | ① Approval of FY2015 financial statements and annual business report                      | For    | For    | For     |             | For         |
|     |                 | ② Buyback and cancellation of treasury stocks                                             | For    | For    | For     | Not Present | For         |
|     |                 | ③ Disposal of stake in Samsung Card                                                       | For    | For    | For     |             | For         |
|     |                 | ④ Approval of 2016 business plan                                                          | For    | For    | For     |             | For         |
|     |                 | ⑤ Appointment of compliance officer                                                       | For    | For    | For     |             | For         |
| 10  | Feb. 12<br>2016 | ① Decision to convene the 47 <sup>th</sup> (FY 2016) AGM                                  | For    | For    | For     | For         | For         |
|     |                 | ② Decision of the 47 <sup>th</sup> AGM agenda items                                       | For    | For    | For     | For         | For         |
|     |                 | ③ Approval of changes in large-scale goods and services transactions in 2016              | For    | For    | For     | For         | For         |

※ IH Lee: In-Ho Lee, HJ Kim: Han-Joong Kim, KS Song: Kwang-Soo Song, BG Lee: Byeong-Gi Lee, EM Kim: Eun-Mee Kim

## Committee Participation of Independent Directors

The following table presents BOD Committee meetings and meeting agenda held between Jan 2015 and Feb 2016.

### □ Activities of Audit Committee in FY 2015 ~ FY 2016.2

| Date            | Agenda                                                                                                                                                                                   |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jan. 28<br>2015 | ① 2014 financial and business reports<br>② Report on 2014 internal accounting management system activities<br>③ Report on 4Q14 non-audit activities<br>④ Report on 2014 audit activities |
| Feb. 13<br>2015 | ① Review of the 2015 AGM agenda<br>② Assessment of 2014 activities of internal compliance system                                                                                         |
| Apr. 28<br>2015 | ① Report on 1Q15 financial statement and business report<br>② Report on 1Q15 non-audit activities                                                                                        |
| Jul. 29<br>2015 | ① 1H 2015 financial statement and business report<br>② Report on 2Q15 non-audit activities<br>③ Report on 2Q15 audit activities                                                          |
| Oct. 28<br>2015 | ① Report on 3Q15 financial statement and business report<br>② Report on 3Q15 non-audit activities                                                                                        |
| Jan. 27<br>2016 | ① 2015 financial and business reports<br>② Report on 2015 internal accounting management system activities<br>③ Report on 4Q15 non-audit activities<br>④ Report on 2015 audit activities |

### □ Activities of the Compensation Committee in FY 2015 ~ FY 2016.2

| Date            | Agenda                                                        |
|-----------------|---------------------------------------------------------------|
| Feb. 11<br>2015 | ① Preliminary review on 2015 remuneration limit for Directors |
| Feb. 5<br>2016  | ① Preliminary review on 2016 remuneration limit for Directors |

### □ Activities of the CSR Committee in FY 2015 ~ FY 2016.2

| Date            | Agenda                                                                                                                                      |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Jan. 29<br>2015 | ① Report on research results of the Research Committee for Environmental Safety                                                             |
| Apr. 29<br>2015 | ① Appointment of the head of the committee<br>② Operation of the 2nd term of the research committee for the advancement of corporate system |
| Jul. 30<br>2015 | ① Report on corporate social contribution activities                                                                                        |

## □ Activities of Related Party Transactions Committee in FY 2015 ~ FY 2016.2

| Date              | Agenda                                                                                                                                                                                                                                                                                                   |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jan. 28<br>2015   | ① Preliminary review on large-scale related party transactions<br>- Application for Venture Capital Union<br>② Report on 4Q14 related party transactions                                                                                                                                                 |
| Feb. 13<br>2015   | ① Preliminary review on large-scale related party transactions<br>- Donation                                                                                                                                                                                                                             |
| April. 28<br>2015 | ① Preliminary review on large-scale related party transactions<br>- Donation to Sungkyunkwan University<br>② Report on 1Q15 related party transactions                                                                                                                                                   |
| Jul. 29<br>2015   | ① Preliminary review of large-scale related party transactions<br>- Application for property insurance<br>- Approval of changes in large-scale goods and services transactions in 2015<br>② Report on 2Q 15 related party transactions                                                                   |
| Aug. 28<br>2015   | ① Preliminary review on large-scale related party transactions<br>- Approval of purchase contract of Samsung Fine Chemicals assets                                                                                                                                                                       |
| Oct. 28<br>2015   | ① Report on 3Q15 related party transactions                                                                                                                                                                                                                                                              |
| Nov. 20<br>2015   | ① Prior review on large-scale related party transactions<br>- Approval of 2016 large-scale transactions of goods/services<br>- Payment of retirement pensions<br>- Distribution of the remaining amount of disposal of Samsung Life insurance shares<br>- Real estate rental from Samsung Life Insurance |
| Jan. 27<br>2016   | ① Preliminary review on large-scale related party transactions<br>- Disposal of stake in Samsung Card<br>② Report on 4Q15 related party transactions                                                                                                                                                     |
| Feb. 12<br>2016   | ① Preliminary review on large-scale related party transactions<br>- Approval of changes in large-scale goods and services transactions in 2016                                                                                                                                                           |

## □ Activities of the Independent Director Recommendation Committee in FY 2015 ~ FY 2016.2

| Date            | Agenda                                                                   |
|-----------------|--------------------------------------------------------------------------|
| Jan. 29<br>2015 | Deadline for recommendation of independent director candidates           |
| Feb. 11<br>2015 | Recommendation of independent director candidates                        |
| Jul. 30<br>2015 | Appointment of head of the Independent Director Recommendation Committee |
| Jan. 28<br>2016 | Deadline for recommendation of independent director candidates           |
| Feb. 5<br>2016  | Recommendation of independent director candidates                        |

*BOD Meeting Attendance (March 2013 – March 2016)*

|                              | Name                          | 2013     | 2014     | 2015 -2016 | Total   |          |      |
|------------------------------|-------------------------------|----------|----------|------------|---------|----------|------|
|                              |                               | Attended | Attended | Attended   | Meeting | Attended | %    |
| <b>Executive Directors</b>   | Oh-Hyun Kwon <sup>(2)</sup>   | 7/7      | 7/7      | 8/8        | 22      | 22       | 100% |
|                              | Boo-Keun Yoon <sup>(3)</sup>  | 5/7      | 4/7      | 7/8        | 22      | 16       | 73%  |
|                              | Jong-Kyun Shin <sup>(3)</sup> | 6/7      | 6/7      | 5/8        | 22      | 17       | 77%  |
|                              | Sang-Hoon Lee <sup>(3)</sup>  | 7/7      | 7/7      | 8/8        | 22      | 22       | 100% |
| <b>Independent Directors</b> | In-Ho Lee <sup>(1)</sup>      | 6/7      | 7/7      | 8/8        | 22      | 21       | 95%  |
|                              | Han-Joong Kim <sup>(2)</sup>  | 7/7      | 7/7      | 8/8        | 22      | 22       | 100% |
|                              | Byeong-Gi Lee <sup>(2)</sup>  | 7/7      | 7/7      | 7/8        | 22      | 21       | 95%  |
|                              | Kwang-Soo Song <sup>(3)</sup> | 7/7      | 7/7      | 8/8        | 22      | 22       | 100% |
|                              | Eun-Mee Kim <sup>(3)</sup>    | 5/7      | 5/7      | 7/8        | 22      | 17       | 77%  |

\* The table shown above represents accumulated attendance of Directors between AGMs (ex., March of year 1 to March of year 2).

1. Director was appointed in March 2010 & 2013    2. Directors were appointed in March 2012.    3. Directors were appointed in March 2013.



## Share Ownership Structure

### Overview

As of the end of 2015, the total number of Samsung Electronics' shares outstanding is 170,132,764. The numbers of common shares outstanding and preferred shares outstanding are 147,299,337 (86.6%) and 22,833,427 (13.4%), respectively.

As of the last day of the 1st phase of the special buyback program (Jan. 12, 2016), the total number of Samsung Electronics' shares outstanding is 166,662,764. The numbers of common shares outstanding and preferred shares outstanding are 145,069,337 (87.0%) and 21,593,427 (13.0%), respectively.

As of the end of 2015, the number of total treasury stocks of Samsung Electronics is 24,188,083 (14.2%), with 19,902,489 common shares (13.5% of common shares outstanding) and 4,285,594 preferred shares (18.8% of preferred shares outstanding).

### Ownership structure as of the end of FY 2015

|           | Foreigner | Local Institutional | Local Individual | Controlling Shareholders | Treasury Shares |
|-----------|-----------|---------------------|------------------|--------------------------|-----------------|
| Common    | 49%       | 17%                 | 3%               | 17%                      | 14%             |
| Preferred | 75%       | 5%                  | 2%               | 0.3%                     | 19%             |

### Major Shareholders

#### Major Shareholders at the end of FY 2015

| Ranking                                         | Ownership – Common Stock          | Number of Common Shares | % of Class    |
|-------------------------------------------------|-----------------------------------|-------------------------|---------------|
| 1                                               | National Pension Service of Korea | 13,068,288              | 8.9%          |
| 2                                               | Samsung Life Insurance Co., Ltd.  | 11,116,164              | 7.5%          |
| 3                                               | CITIBANK.N.A. <sup>(1)</sup>      | 6,273,851               | 4.3%          |
| 4                                               | Samsung C&T Corp.                 | 5,976,362               | 4.1%          |
| 5                                               | Lee Kun-Hee                       | 4,985,464               | 3.4%          |
| <b>Total Number of Outstanding Common Stock</b> |                                   | <b>147,299,337</b>      | <b>100.0%</b> |

1. Citi Bank is reported as an independent shareholder in the shareholder registry, but it is a GDR depository institution of Samsung Electronics representing our GDR shareowners.

※ Single institution/fund in the shareholder registry

## Voting Shares

Samsung Electronics issued 147,299,337 common shares, 29.5% of authorized shares and 22,833,427 preferred shares. 19,902,489 common treasury shares and preferred shares held by the Company do not have voting rights. 12,506,591 shares owned by affiliated companies do have limited voting rights under relevant laws. Thus, the number of shares with voting rights is 114,890,257.

### □ Total shares with voting rights at the end of FY 2015

| Category                                                                 | Type          | No. of shares      | Note                                                                                                                                                                                                           |
|--------------------------------------------------------------------------|---------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No. of outstanding shares (A)                                            | Common        | 147,299,337        | -                                                                                                                                                                                                              |
|                                                                          | Preferred     | 22,833,427         | -                                                                                                                                                                                                              |
| Treasury Shares =<br>Shares without voting rights (B)                    | Common        | 19,902,489         | Article 369-2 of the Commercial Act "Treasury Shares"                                                                                                                                                          |
|                                                                          | Preferred     | -                  | -                                                                                                                                                                                                              |
| Shares with voting rights eliminated by<br>Articles of Incorporation (C) | Common        | -                  | -                                                                                                                                                                                                              |
|                                                                          | Preferred     | 22,833,427         | 4,285,594 preferred treasury shares included                                                                                                                                                                   |
| Shares with limited voting rights under<br>relevant laws (D)             | Common        | 12,479,198         | Restricted by the Monopoly Regulation and Fair Trade Act: 10,622,814 shares held by Samsung Life Insurance, 1,856,370 shares held by Samsung Fire & Marine Insurance, and 14 shares held by Samsung Securities |
|                                                                          | Common        | 27,393             | Restricted by the Insurance Business Act: Some part of shares held by special account of Samsung Life Insurance                                                                                                |
| Shares with revived voting rights (E)                                    |               |                    |                                                                                                                                                                                                                |
| <b>Total Shares with voting rights (F)</b>                               | <b>Common</b> | <b>114,890,257</b> | <b>(F = A - B - C - D + E)</b>                                                                                                                                                                                 |

※ For agenda excluding appointment/dismissal of executives, modification of the articles of incorporation, and merger/transfer of business.

※ Among shares with limited voting rights under relevant laws, part of 12,479,198 shares that are restricted by the Monopoly Regulation and Fair Trade Act can exercise voting right for appointment/dismissal of executives and modification of the articles of incorporation.

## Share ownership of BOD Members

The following table presents shares and stock options held by BOD members as of December 31, 2015.

### □ Shares owned by members of the Board of Directors

(Unit: Share)

| Name           | Status               | Since  | Common Shares |
|----------------|----------------------|--------|---------------|
| Oh-Hyun Kwon   | Executive Director   | Mar-12 | 1,700         |
| Boo-Keun Yoon  | Executive Director   | Mar-13 | 0             |
| Jong-Kyun Shin | Executive Director   | Mar-13 | 0             |
| Sang-Hoon Lee  | Executive Director   | Mar-13 | 1,473         |
| In-Ho Lee      | Independent Director | Mar-10 | 0             |
| Han-Joong Kim  | Independent Director | Mar-12 | 0             |
| Byeong-Gi Lee  | Independent Director | Mar-12 | 0             |
| Kwang-Soo Song | Independent Director | Mar-13 | 0             |
| Eun-Mee Kim    | Independent Director | Mar-13 | 0             |

## Independent Auditor Fees

The following table presents fees for professional audit services rendered by Samil PricewaterhouseCoopers for the audit of Samsung Electronics' annual financial statements for the past three years (FY 2012 – FY 2014), and fees billed for other services rendered by Samil PricewaterhouseCoopers during those periods.

### □ Independent Auditor Fees between FY 2012 and FY 2014

(Unit: KRW Million)

|                            | Auditor                      | Audit Services | Non-Audit Services | Audit Opinion |
|----------------------------|------------------------------|----------------|--------------------|---------------|
| 46th (1.1.2014~12.31.2014) | Samil PricewaterhouseCoopers | 3,690          | 2,987              | Fair          |
| 45th (1.1.2013~12.31.2013) | Samil PricewaterhouseCoopers | 3,840          | 8,207              | Fair          |
| 44th (1.1.2012~12.31.2012) | Samil PricewaterhouseCoopers | 3,660          | 12,419             | Fair          |

※ Non-Audit Services by Independent Auditor includes advisory services on tax, establishment of regional HQ, and process improvement, etc.

## Global Code of Conduct

Samsung Electronics Samsung Electronics aims to be a world-leading company devoting our human resources and technology to create superior products and services, thereby contributing to a better global society.

To achieve this goal, we share and pursue the Samsung Values of People, Excellence, Change, Integrity, and Co-prosperity and the 7 Factors of a World-Leading Company (Dream, Vision & Goal, Creativity & Challenge, Insight & Good Sense, Technology & Information, Trust & Credibility, Speed & Velocity, Change & Innovation) to be instilled in the individual employees and the organization.

Furthermore, Samsung Electronics employees follow Samsung's Global Code of Conduct to comply with laws and ethical practices as well as to express our concrete commitment to social responsibility. The Global Code of Conduct will be the guiding standard for everyone in Samsung Electronics, outlining conducts and value judgments in all business activities.

- We endeavor, with a sense of urgent awareness of the fact that we cannot survive without innovation, to achieve future competitiveness in Speedy response to the changes of environment and customer's demands, by maintaining the sustained attitude of Change & Innovation towards our Dream, Vision & Goal.
- We cultivate Creativity & Challenge, acknowledging that future competitiveness depends on the development of Technology & Information ahead of competitors.
- We aspire to become qualified experts in our field with Insight to foresee the future, and the Good Sense to identify and take advantage of opportunities.
- We create an open culture where senior staff leads and junior staff is encouraged to make decisions and act proactively with a sense of ownership, based on the mutual respect of individuality and Trust & Credibility.
- We pursue co-prosperity by maintaining relationships of Trust with shareholders and business partners, and facilitating sound management through mutual cooperation.

You can read more information about Samsung's Global Code of Conducts from our website:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/globalcodeofconduct/](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/globalcodeofconduct/)

## Policy on Related Party Transaction

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Samsung Electronics Concerning transactions with specially related parties such as affiliates, the Company shall seek approval from the Board of Directors and disclose the foregoing, in accordance with the Securities Exchange Act and the Articles of Incorporation, in an effort to enhance its corporate transparency. Please read relevant regulations (Article 40 of Articles of Incorporation) from our website.

The Company shall obtain approval at a Board meeting for the following:

Where the Company wants to enter into large-scale transactions with specially related parties or for specially related parties as provided in Article 11-2 of Fair Trade Act

In the case of capital, securities and real estate transactions worth more than KRW 5 billion, the Company shall be approved at a Board meeting and disclose the foregoing.

You can read more information about Samsung's Policy on Related Party Transaction from our website:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/policyonrelatedpartytransactions/](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/policyonrelatedpartytransactions/)

## Corporate Governance Website

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If you would like additional information about our corporate governance practices, you may view the following documents at:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/ownershipstructure/ownership\\_structure.html](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/ownershipstructure/ownership_structure.html)

- Ownership Structure
- Articles of Incorporation
- Global Code of Conduct
- Corporate Social Responsibility
- Board of Directors
- Board Committees
- Policy on Related Party Transactions
- Corporate Governance & Investor Relations Awards
- Independent Audit Fee