



2017 Annual General Meeting of Shareholders

Reference Material

SAMSUNG ELECTRONICS Co., Ltd.

Note about forward-looking statements

Certain statements in this reference 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

To Our Valued Shareholders,

I wish you and your family good luck and happiness in the year of 2017.

In 2016, we faced a volatile macroeconomic and political environment. Global economic growth remained stagnant and South Korea's economy was weighed down by a variety of uncertainties.

Despite the challenging business environment, Samsung Electronics was able to improve our earnings due to the ceaseless efforts and devotion of our employees. We have also made significant enhancements to our shareholder return program, extending our commitment to long-term, sustainable value creation for shareholders.

Now, we would like to share with you three key achievements we made throughout the year.

First, we improved earnings compared to the previous year, thanks to the record high results from component products such as semiconductors.

In 2016, the total revenue was approximately KRW 202 trillion, a slight increase from the previous year. The operating profit and net profit were KRW 29 trillion and KRW 23 trillion, an increase of 11% and 19%, respectively.

In the memory business, market conditions improved significantly as the chip market experienced a supply shortage due to delays in the tech migration of suppliers, under solid demand from major applications such as mobile/server. We continued to improve earnings by reinforcing cost competitiveness through the expansion of cutting-edge processes for products such as 20nm DRAM and the 3rd generation V-NAND, and by increasing sales of high value-added products such as high-density DDR4/SSDs.

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 the advanced 14nm process. Also, our efforts to expand sales of high value-added products such as image sensors and DDIs contributed to this result.

In our display business, we saw earnings improve from the second half of the year as we expanded the sales of high value-added products improved LCD market conditions. We also laid the groundwork for stable growth by expanding the OLED customer base, improving profitability, and making pre-emptive investment to brace for increasing demand.

In the IM business, we maintained solid earnings by expanding sales of our flagship product, the Galaxy S7, as well as by enhancing the competitiveness of our mid-range products including the Galaxy A and J series, even though we had Note7 issue.

In the TV business, we reinforced competitiveness in the premium market by launching upgraded SUHD TVs with the Quantum Dot technology. This allowed us to achieve first place in market share for the 11th consecutive year. Also, in the digital appliances business, we further enhanced competitiveness in the premium market by introducing innovative products such as Family Hub Refrigerators with enhanced smart features and Active/Add Wash washing machines.

Second, we focused on acquiring new growth engines by investing in businesses with high growth potential. We also concentrated on our core competencies and strengthened competitiveness.

Information technology is a highly complex industry. While it is experiencing an overall slump, the technologies that drive the industry are evolving rapidly. The Internet of Things (IoT) and artificial intelligence (AI), as well as the rise of smart, connected automobiles are reshaping the entire industry.

In light of the evolving business landscape, Samsung Electronics has continued to work to cement our technology leadership, investing KRW 14 trillion in R&D in 2016 alone.

As a result, we registered 5,518 U.S. patents (No.2 in the world) in 2016, demonstrating our strong technology base for future growth. Samsung Electronics received 35 Innovation Awards at 'CES 2017', including the Best Innovation Award in the TV category for the sixth year in a row, and five 'IDEA 2016' (design) awards. These achievements also boosted our brand value. For the third consecutive year Samsung Electronics is ranked as the world's seventh best brand in Interbrand's global ranking, with \$51.8 billion in brand value in 2016 - the first time it surpassed the \$50 billion mark.

In order to secure a leading position in the emerging areas including the IoT and AI, we are constantly developing new technologies and making strategic investments. This includes the acquisition of HARMAN International, which will lay the groundwork for us to lead the cutting-edge automotive components sector and build the future of connected cars.

The acquisition of Viv Labs, which has an AI platform for voice recognition, prepares us to create an AI-based open ecosystem integrating all devices and services. Acquiring Joyent, a leading cloud-computing company, helps us secure capabilities to enhance smartphone user experience and respond to the increasing demand for cloud services.

Third, we were committed to delivering value to our shareholders and made proactive enhancements to our shareholder return programs.

As part of our strong shareholder return policy announced in 2015, we have completed the KRW 11.4 trillion special share repurchase and cancellation program.

In 2016, we announced significant enhancements to the shareholder return policy that will deliver further shareholder value: first, we set the percentage of free cash flow allocated to shareholder returns for 2016 and 2017 to 50%. We also increased total dividends in 2016 to KRW 4 trillion.

The remaining 50% portion of 2016 free cash flow after the dividend payouts will be used for share repurchase program. Including interim dividend, the annual dividend per share for 2016 rose by 36% to reach KRW 28,500 per common stock and KRW 28,550 per preferred stock.

We will initiate quarterly dividend payments starting from the first quarter of 2017. This will provide more evenly distributed dividends to our shareholders. Furthermore, we will seek to further enhance our long-term shareholder return policy beyond 2017.

Our ongoing efforts to deliver enhanced shareholder value, together with increased earnings, boosted the company's stock price by 43% last year, to KRW 1,802,000 at the end of 2016. We are pleased that the enhanced corporate value of our company has significantly contributed to shareholder value.

In the coming year,

the uncertainties of current environment weighing on the business outlook are expected to persist. Competition among companies in our mainstay businesses such as smartphone, memory and TV will continue to intensify, and our competitors are aggressively investing and advancing their technologies to increase their market share.

Samsung Electronics will continue our efforts to improve our performance and to enhance our capabilities to generate sustainable growth in the mid- to long-term.

We will lay the strong base to seize future opportunities.

We will constantly innovate technologies and optimize our business portfolios to cement our leadership in the market. At the same time, we will become a first mover in satisfying the needs of consumers through in-depth reviews of consumer behavior, and create new opportunities by discovering undetected needs of consumers.

We will improve risk management.

We will build a robust risk management system to cope with the complex challenges we are faced with. We have undertaken a thorough review of the existing systems and business practices. We are committed to ensure quality and safety by improving every step of our process and redesigning our quality assurance program.

We will be committed to shareholder-friendly management.

Although difficult business conditions and macroeconomic uncertainties are expected to continue this year, we will strive to deliver strong business results, based on the firm belief that solid earnings is one of the major contributors to shareholder value. Furthermore, we will implement our shareholder return programs as we announced last year. Lastly, we will continue to engage and strengthen communication with our shareholders through meetings and IR events to enhance your understanding of the company's values and vision.

Although we experienced a period of low growth following years of rapid growth, Samsung Electronics improved earnings last year, thanks to the hard work and determination of all our employees.

We expect that 2017 will also present difficulties, but we are committed to overcome obstacles. Based on experiences of overcoming several crises and achieving successful growth, we will strive to cope with the rapidly changing environment through a sense of challenge and constant innovation. Through these efforts, we believe that this year will serve as a platform for stable and long-term growth.

Once again, I would like to wish all of you and your family good health and happiness in 2017.

Thank you.

Respectfully yours,



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



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Samsung Electronics Co., Ltd. and Subsidiaries

129, Samsung-ro, Yeongtong-gu, Suwon
Gyeonggi-do, Korea

Notice of 2017 Annual General Meeting of Shareholders

Date: March 24, 2017

Time: 9:00 a.m. Korea Standard Time

Place: Multifunctional Hall, 5F Samsung Electronics Bldg, (Seocho-dong) 11, 74-gil
Seochodaero, Seocho-gu, Seoul 137-965, Korea

Record date: December 31, 2016

Only common shareholders of record at the close of business on the record date are entitled to vote at, the Annual General Shareholder Meeting.

Agendas:

1. Approval of Audited Financial Statements and Annual Dividends
(FY 2016: From Jan 1, 2016 to Dec 31, 2016)
2. Approval of the Remuneration Limit for the Directors (FY 2017)

Summary

Agenda 1. Approval of Audited Financial Statements and Annual Dividends (FY 2016)

□ Financial Highlight

(Unit: KRW trillion)

	FY 2016	FY 2015	Change
Revenue	201.9	200.7	0.6%
Operating Profit	29.2	26.4	10.7%
Net Profit	22.7	19.1	19.2%
CAPEX	25.5	25.5	-
R&D	14.1	13.7	3.0%

- Audited financial statements with the independent auditor's opinion are not available as of today. We will send them to you via a separate e-mail on February 28th.

□ Annual Dividends

(Unit: KRW)

	FY 2016	FY 2015	Change
Dividends per common share	28,500	21,000	35.7%

- KRW 28,500 includes interim dividend of KRW 1,000 per share which was paid in August 2016.
- Dividends per preferred share : KRW 28,550

Agenda 2. Approval of the Remuneration Limit for the Directors (FY 2017)

□ The Board of Directors' proposal for remuneration limit

(Unit: KRW billion)

	FY 2017	FY 2016	
	Proposed	Approved	Actual
General Compensation	30	30	16.8
Long-term Incentive (LTI)	25 ¹⁾	9 ²⁾	7.8
Total	55	39	24.6

1) 50% of the LTI limit (the evaluation of the performances for 2014-2016) : Year 1

2) 25% of the LTI limit (the evaluation of the performances for 2011-2013) : Year 3

- General Compensation

- In 2017, we propose that the general compensation limit be kept at the same level as the previous year.
- The Company has not raised the general compensation limit since 2013.

- Long-Term Incentive (LTI)

(Unit: KRW billion)

Category	New term	Previous term
The evaluation period	<i>2014-2016</i>	2011-2013
The payment period	<i>2017-2019</i>	2014-2016
LTI Limit (Total)	<i>50</i>	36
Payment Year 1 (50%)	<i>25 (FY 2017)</i>	18 (FY 2014)
Payment Year 2 (25%)	<i>12.5</i>	9 (FY 2015)
Payment Year 3 (25%)	<i>12.5</i>	9 (FY 2016)

- The BOD recommends LTI limit of KRW 50 billion for 2014-2016 period to be paid over subsequent three years(2017-2019) at 50%, 25%, and 25%, respectively.

The increase of KRW 14 billion from the previous LTI limit of KRW 36 billion is mainly due to an increase in the number of directors who are entitled to receive remuneration and the increased annual base salary of directors over the last three years.

- The proposed FY 2017 LTI limit of KRW 25 billion represents 50%(Year 1) of the KRW 50 billion whereas FY 2016 LTI limit of KRW 9 billion represents 25%(Year 3) of the previous term.

Agenda 1. Approval of Audited Financial Statements and Annual Dividends (FY 2016)

I . Audited Financial Statements

Overview

The Board of Directors is seeking your approval of the following financial statements for FY 2016 beginning on January 1, 2016 and ending on December 31, 2016.

- Consolidated Statements of Financial Position
- Consolidated Statements of Profit or Loss
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Separate Statements of Appropriation of Retained Earnings

Audited financial statements with the independent auditor's opinion are not available as of today. We will send them to you via a separate e-mail on February 28th.

□ Financial Performance (K-IFRS, Consolidated)

(Unit: KRW trillion)

	FY 2016	FY 2015	Change
Revenue	201.9	200.7	0.6%
Operating Profit	29.2	26.4	10.7%
Net Profit	22.7	19.1	19.2%
EPS(KRW)	157,967	126,305	25.1%

Assets	262.2	242.2	8.3%
Liabilities	69.2	63.1	9.7%
Equity	193.0	179.1	7.8%
Liabilities / Equity	35.9%	35.3%	0.6%p

ROE	12.2%	11.0%	1.2%p
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※ See Section 5. (page 32 ~) for detailed financial statement.

Business Performance

□ Summary of key financial metrics by Business Division (FY 2014 - FY 2016)

(Unit: KRW trillion)

Division	Category	FY 2016	FY 2015	FY 2014
Semiconductor	Revenue	51.2	47.6	39.7
	Operating profit	13.6	12.8	8.8
	Margin	26.6%	26.9%	22.1%
Display	Revenue	26.9	27.5	25.7
	Operating profit	2.2	2.3	0.7
	Margin	8.3%	8.4%	2.6%
Consumer Electronics (CE)	Revenue	47.0	46.9	50.2
	Operating profit	2.6	1.3	1.2
	Margin	5.6%	2.7%	2.4%
IT & Mobile communications (IM)	Revenue	100.3	103.6	111.8
	Operating profit	10.8	10.1	14.6
	Margin	10.8%	9.8%	13.0%
Total	Revenue	201.9	200.7	206.2
	Operating Profit	29.2	26.4	25.0
	Margin	14.5%	13.2%	12.1%

In 2016, despite the challenging business environment, we were able to improve earnings as a result of our continuous efforts during past two to three years to strengthen competitiveness of our component businesses. In 2016, the total revenue was approximately KRW 202 trillion, a slight increase from the previous year. The operating profit and net profit were KRW 29 trillion and KRW 23 trillion, an increase of 11% and 19%, respectively.

For the component business, the memory division reinforced the technology leadership by the mass production of world's first 10nm-class DRAM and 64-layer V-NAND. At the same time, it increased sales of high value-added products such as high-density SSD for enterprise. The System LSI division continued to secure technology leadership through the industry's first mass production of 10nm-process AP, and reinforced the competitiveness of the foundry business by diversifying customer base for 14nm products. The OLED business strengthened the foundation for mid to long-term growth by expanding Flexible OLED capacity for increasing demand and secured competitive advantage by diversifying its customer base.

The Set business improved profitability. The IM division expanded sales of differentiated mid to low-range A, J series which feature metal frame and Samsung pay, and increased shipments of S7 equipped with a dual pixel technology and water and dust protection. Although it experienced a loss due to the halt of Note 7 sales, our IM division took it as an opportunity to reinforce quality management across processes including development and manufacturing. The CE business strengthened its premium market leadership by continuously launching innovative products such as the upgraded SUHD TV based on eco-friendly Quantum Dot technology, Family Hub refrigerator, and Add Wash washing machine.

Capital Expenditures and Other Investments

□ Capex, R&D, Advertising & Sales Promotion Investments (FY 2014 - FY 2016)

(Unit: KRW trillion)

Category		FY 2016	FY 2015	FY 2014
	Capex (% to Revenue)	25.5 (12.6%)	25.5 (12.7%)	23.4 (11.4%)
	R&D (% to Revenue)	14.1 (7.0%)	13.7 (6.8%)	14.4 (7.0%)
	Advertising & Sales Promotion (% to Revenue)	11.5 (5.7%)	11.0 (5.5%)	11.5 (5.6%)
Total (% to Revenue)		51.1 (25.3%)	50.2 (25.0%)	49.3 (23.9%)

In 2016, we invested KRW 25.5 trillion in capital expenditures: KRW 13.2 trillion in Semiconductor and KRW 9.8 trillion in Display. The CAPEX in display business was lower compared to the plan due to the fact that some of the year-end investments in Display business were carried over to 2017.

For R&D, we invested KRW 14.1 trillion, or 7% of total revenue, in 2016. This is an increase of KRW 0.4 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 11.5 trillion in 2016. Over the years, we have increased our brand value through various high profile marketing and advertisement activities. As a result, Samsung Electronics is ranked as the world's seventh best brand in Interbrand's global ranking for the third consecutive year, with the brand value amounting to USD 51.8 billion in 2016 - the first time it surpassed the USD 50 billion mark.

II. Annual Dividends

Shareholder return policy

□ Background

- In addition to efforts to strengthen business competitiveness, the company announced a three-year (2015~2017) shareholder return program in 2015 under the principle of proactive shareholder return in the mid to long-term. In November 2016, we made enhancements to our shareholder return program, demonstrating the company's further commitments to enhancing shareholder value.
- In 2016 and 2017, we will use 50% of Free Cash Flow for shareholder return in the form of dividend and share repurchase.

- Dividend

- Our aim is to gradually increase dividend consistently.
- We will make quarterly dividend payments starting from 2017 which will provide more evenly distributed dividends to our shareholders.

- Share Repurchase/Cancellation

- We will use the remaining portion of Free Cash Flow after the dividend payouts for our share repurchase program and all repurchased shares will be cancelled. This will greatly contribute to increasing long-term per share value.

Shareholder returns for FY 2016

□ Calculation of FY 2016 shareholder return

- 50% of Free Cash Flow (KRW 25 trillion): KRW 12.5 trillion

- Dividend

- Total dividend: KRW 4 trillion, YoY 30% ↑
- Dividends per share: Common share KRW 28,500 (Preferred share KRW 28,550), YoY 36% ↑

(Unit: KRW)

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Dividends per common share	28,500*	21,000	20,000	14,300	8,000	5,500

※ KRW 28,500 includes interim dividend of KRW 1,000 per share which was paid in August 2016.

- Share Repurchase/Cancellation

- A total of KRW 9.3 trillion
Funds from 2016 : KRW 8.5 trillion (remaining portion after the dividend payouts)
Funds from 2015 : KRW 0.8 trillion
- Taking into consideration the daily trading volume and other factors, the share repurchase will be carried out over three to four phases with about three months for each phase. Currently, we are implementing the first phase of the share repurchase program which is approximately KRW 2.3 trillion.

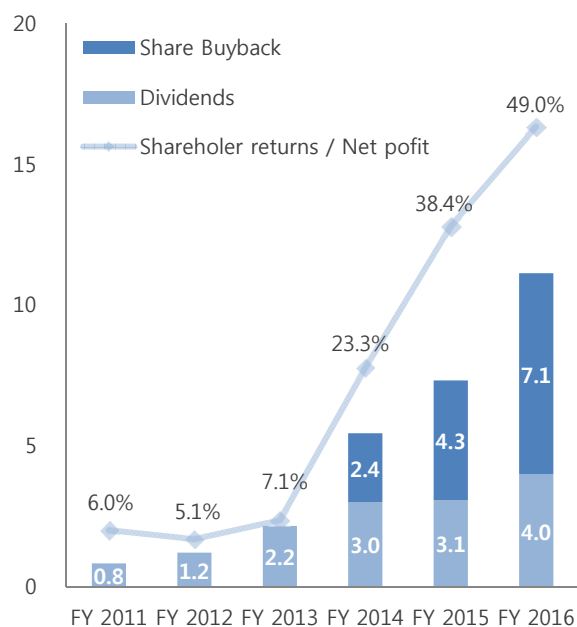
※ Special Share Repurchase/Cancellation Program (completed in FY 2015~2016)

- Aside from the shareholder return plan, the Company announced a special share repurchase and cancellation program in October 2015. We invested KRW 11.4 trillion during the four phases and completed the program in September 2016 as planned.
(FY 2015 : KRW 4.3 trillion, FY 2016 : KRW 7.1 trillion)

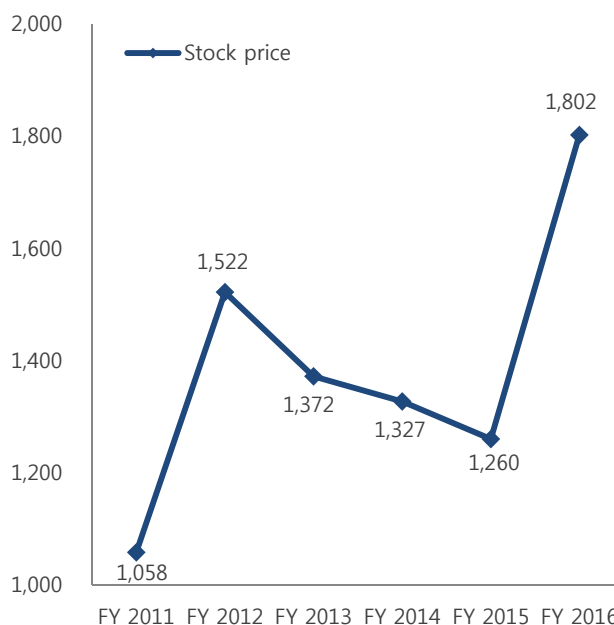
□ Shareholder returns and stock price trend

- The Company has improved shareholder returns since 2011 by increasing dividends and expanding the share repurchases/cancellation. As a result, shareholder return as a percentage of net profit reached 49% in 2016.
- The proactive share repurchase program, and combined with improved earnings, has contributed to the significant stock price increase.

(KRW trillion)



(KRW thousand)



※ The share repurchase amount is based on the year of actual repurchases.

□ Total Shareholder returns (TSR)

- The TSR for 2016 has improved significantly, from increases in stock price and a continuous growth in dividend paid as well as the proactive share repurchase program.

(Unit: KRW)

Category		FY 2016	FY 2015	FY 2014
	Year-end stock price (common share)	1,802,000	1,260,000	1,327,000
	Dividends per common share	28,500	21,000	20,000
	Share repurchase ratio ¹⁾	3.4%	1.9%	1.1%
TSR ²⁾		49%	Δ2%	Δ1%

1) Share repurchase ratio = Total share repurchase amount ÷ Beginning year market cap

2) TSR = [(Year-end stock price - Beginning year stock price) + Dividend] ÷ Beginning year stock price
+ Share repurchase ratio

Agenda 2. Approval of the Remuneration Limit For the Directors (FY 2017)

Overview

The Board of Directors is seeking your approval of the total remuneration limit for the fiscal year 2017.

(Unit: KRW billion)

		FY 2017	FY 2016	
		Proposed	Approved	Actual
	General Compensation ¹⁾	30	30	16.8
	Long-term Incentive(LTI) ²⁾	25	9	7.8
	Total	55	39	24.6

1) General Compensation : Includes independent directors' compensation paid

2) Long-term Incentive (LTI): For executive directors

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 reviewing the next fiscal year limit on director compensation, which will be approved by the shareholders at the Annual General Shareholders meeting.

I . Executive Director Remuneration

Remuneration Structure

Our Executive Director Remuneration program is designed specifically to put strong emphasis on the link between performance and compensation. The Remuneration plan consists of two elements: 1) General Compensation and 2) 3 Year Long-Term Incentive (LTI).

□ General Compensation

The General Compensation includes base salary and annual incentives.

- Annual incentives include performance incentive which is based on achieving annual financial goal.

□ LTI

The Company adopted the LTI in 2005. Under our LTI plan, a performance evaluation is conducted at a three-year interval and payments are made over subsequent three years at 50%, 25%, and 25%, respectively.

	Term 1	Term2	Term 3	Term 4
The evaluation period:	2005 - 2007	2008 - 2010	2011 - 2013	2014 - 2016
The payment period:	2008	2011 - 2013	2014 - 2016	2017 - 2019

- *The evaluation criteria for the LTI plan are as follows:*

- Comparison of 3-year ROE, Stock Performance, EBIT Margin
- The comparison companies
 - ROE and EBIT Margin : Global peer companies in each business segment
 - Stock Performance : KOSPI and Global peer 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.

FY 2016 Remuneration (Actual)

The actual amount paid during FY 2016 was KRW 24.6 billion (KRW 16.8 billion, general compensation and KRW 7.8 billion, LTI).

(Unit: KRW billion)

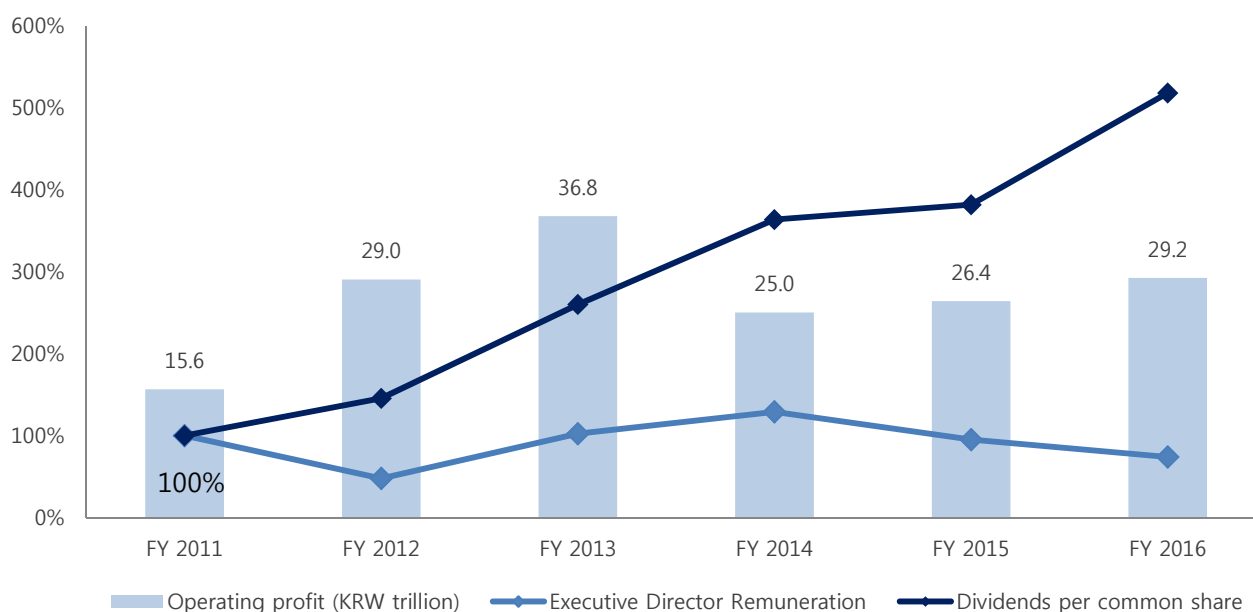
	FY 2016	FY 2015
General Compensation ¹⁾	16.8	23.7
Long-term Incentive(LTI)	7.8	7.8
Total	24.6	31.5

1) General Compensation: Includes Independent directors' compensation paid (KRW 0.4 billion)

- General compensation paid in FY2016 decreased due to onetime bonus paid in 2015.
- Long-term Incentive paid in FY2016 remained at the same level as the previous year.

- *Comparison of remuneration and dividend*

- Since 2011, the director's remuneration has remained relatively flat, although the company has continued to make solid earnings and dividend per share has increased significantly.



※ Dividends and remuneration lines represent percentages changes based on FY 2011 (100%).

- Remuneration for Individual Executive Directors in H1 FY 2016 and FY 2015 cumulative

(Unit: KRW billion)

	FY 2016			FY 2015					
	H1			H1			Year		
	Salary	Bonus/ Others	Total	Salary	Bonus/ Others	Total	Salary	Bonus/ Others	Total
OH Kwon	1.0	1.9	2.9	1.0	1.9	3.0	2.1	12.9	15.0
BK Yoon	0.9	0.8	1.6	0.9	0.8	1.7	1.7	2.0	3.7
JK Shin	0.9	0.8	1.7	0.9	0.8	1.6	1.7	3.1	4.8
SH Lee	0.6	0.5	1.2	0.6	0.5	1.1	1.1	2.0	3.2

- ※ In accordance with the related laws, the company discloses compensation for each director on a half-year basis.
FY2016 individual annual remuneration will be disclosed by the end of April in the business report on the website.
- ※ Bonus/Others include annual incentive and Long-term Incentive.

- The Global Peer Comparison

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

(Unit: USD million)

	SEC	A	B	C	D	E	F
Total	23.5	205.3	49.8	63.8	53.8	37.5	101.2
Per person	5.9	51.3	12.4	16.0	13.4	9.4	25.3
% of Net Profit	0.1%	1.3%	1.1%	0.5%	0.4%	0.3%	0.2%

- ※ Figures shown above represent comparison between SEC's four executive directors' remuneration and Global Peers' top four executives. The figures are based on FY 2015 data from their proxy statements.

FY 2017 Remuneration (To Be Approved)

The Board of Directors recommends KRW 55 billion for FY 2017's the total remuneration limit (KRW 30 billion for general compensation and KRW 25 billion for LTI).

(Unit: KRW billion)

	FY 2017	FY 2016
General Compensation ¹⁾	30	30
Long-term Incentive(LTI)	25	9
Total	55	39

1) General Compensation: Includes independent directors' compensation

□ General Compensation

- In 2017, we propose that the general compensation limit be kept at the same level as the previous year.
- The Company has not raised the general compensation limit since 2013.

□ Long-Term Incentive

(Unit: KRW billion)

Category	New term	Previous term
The evaluation period	2014-2016	2011-2013
The payment period	2017-2019	2014-2016
LTI Limit (Total)	50	36
Payment Year 1 (50%)	25 (FY 2017)	18 (FY 2014)
Payment Year 2 (25%)	12.5	9 (FY 2015)
Payment Year 3 (25%)	12.5	9 (FY 2016)

- The BOD recommends LTI limit of KRW 50 billion for 2014-2016 period to be paid over subsequent three years(2017-2019) at 50%, 25%, and 25%, respectively.

The increase of KRW 14 billion from the previous LTI limit of KRW 36 billion is mainly due to an increase in the number of directors who are entitled to receive remuneration and the increased annual base salary of directors over the last three years.

- The proposed FY 2017 LTI limit of KRW 25 billion represents 50%(Year 1) of the KRW 50 billion whereas FY 2016 LTI limit of KRW 9 billion represents 25%(Year 3) of the previous term.

II. Independent Director Remuneration

(Unit: KRW million)

	FY 2016	FY 2015
Number of Directors	5	5
Total Amount	444	438
Average (per person)	89	88

※ The average remuneration per person was produced by dividing the total amount of remuneration by the average number of people.

Information About the Meeting And Shareholder Rights

Overview

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

□ Convening

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

- Ordinary general meeting: Within three months of the close of the fiscal year
- Extraordinary general meeting: Whenever necessary
- * Extraordinary general meetings may be called by the board of directors or by persons as authorized by the Articles of Incorporation and the Commercial Code, and convened in accordance with the relevant procedures.

□ Parties with Authority to Convene Meetings

Authorized parties or persons to call ordinary and extraordinary general meetings under the Articles of Incorporation and the Commercial Code are:

- Board of Directors
- Audit Committee
- Shareholders
- * According to the Commercial Code, shareholders who have owned at least 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 prior to the general meeting of shareholders.

- * For the purpose of transparency and protecting shareholder voting rights, the Company currently has the policy to notify the shareholders of the AGM at least three or four weeks prior to the general meeting of shareholders.

Operation

In accordance with our Article of Incorporation, each shareholder is entitled 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 by more than one half (1/2) of votes of the shareholders present at the general meeting of shareholders and by more than one fourth (1/4) of outstanding votes.
- Items of Ordinary Resolutions: 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 that are significant to the company's operation, including but not limited to the amendment to the Articles of Incorporation and mergers & acquisitions, shall be passed by two thirds (2/3) of votes of the shareholders present at the general meeting of shareholders and by more than one third (1/3) outstanding votes.
 - Items of Extraordinary Resolutions: 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, pursuant to the Articles of Incorporation. However, the Company presents "proxy solicitation" at AGM every year according to the local regulations permitting substitution for written consent.
- * In voting, "blank votes" submitted by shareholders in the 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 protecting minority shareholders' rights. Minority Shareholders' rights in the Company are as set forth below:

1. Right to Call 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.

Overview - The Board of Directors

Our Corporate Governance strives to enhance our company's decision-making and supervisory process based on the highest standards of governance, transparency, and accountability. Under this 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 meetings of shareholders (AGM).

The BOD is composed of four executive directors and five independent directors. The BOD consists of an independent director majority to 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 Articles of Incorporation, the Independent Directors Recommendation Committee initially selects candidates from 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 a conflict between interests as specified in the Korean Commerce Act and the Company's Articles of Incorporation.

□ BOD Members: 9 Directors (As of February 2017)

• 4 Executive Directors:	Dr. Oh-Hyun Kwon (Chairman of the BOD) Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Jae-Yong Lee
• 5 Independent Directors:	Mr. In-Ho Lee, Dr. Han-Joong Kim, Mr. Kwang-Soo Song, Dr. Byeong-Gi Lee, Dr. Jae-Wan Bahk

□ Chairman of the Board

In conformance with Article 29 of our Articles of Incorporation, the chairman of the Board of Directors shall be appointed from among the directors by a resolution of the Board of Directors(revised in 2016 AGM). Dr. Oh-Hyun Kwon, Vice Chairman and CEO, has been the Chair of the Board since 2012.

□ Responsibilities and Duties of Directors

Pursuant to the Article 27-2 of our Articles of Incorporation, each Director shall have a 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 the 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 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 serve on the board 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 of 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 Articles 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', elected by a resolution of the AGM, term of office is three years. At the time of expiration, they will stand for re-election 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 Articles of Incorporations, any vacancy in the office of 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

A meeting of the Board of Directors is convened by the Chairman of the Board. The Chairman shall send a notice of meeting to other members, including 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 a majority of all Directors is required but the Board meetings can be held via electronic means, 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

- The Management Committee

The Management 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 Audit Committee

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

- The Independent Director Recommendation Committee

The Independent Director Recommendation Committee ensures that outside directors are recruited and appointed in a fair and independent matter. The committee consists of 4 directors (including three independent and one executive director).

- The Related Party Transaction Committee

The Related Party Transaction Committee (also known as Internal Transaction Committee) is a compliance body to enhance corporate governance and to promote fair transaction. The committee reviews pending transactions between the company and its related party.

- The Compensation Committee

The Compensation Committee evaluates 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 three independent directors.

- The CSR Committee

The CSR Committee 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 five independent directors.

□ Composition of the BOD committees

Committee	Members		
	Chair	Executive Directors	Independent Directors
Management	Dr. Oh-Hyun Kwon (Executive)	Mr. Boo-Keun Yoon Mr. Jong-Kyun Shin	-
Audit	Mr. In-Ho Lee (Independent)	-	Dr. Han-Joong Kim Mr. Kwang-Soo Song
Independent Director Recommendation	Dr. Han-Joong Kim (Independent)	Dr. Oh-Hyun Kwon	Dr. Byeong-Gi Lee Dr. Jae-Wan Bahk
Related Party Transactions	Mr. In-Ho Lee (Independent)	-	Dr. Han-Joong Kim Mr. Kwang-Soo Song
Compensation	Mr. Kwang-Soo Song (Independent)	-	Mr. In-Ho Lee Dr. Byeong-Gi Lee
CSR	Dr. Byeong-Gi Lee (Independent)	-	Mr. In-Ho Lee Dr. Han-Joong Kim Mr. Kwang-Soo Song Dr. Jae-Wan Bahk

Profile of BOD Members (Executive)



Oh-Hyun Kwon

Birth: October 15, 1952

Director since 2012
(Re-elected in 2015)

Dr. Oh-Hyun Kwon was officially elected as 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 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 as Senior Vice President and the head of System LSI Division's ASIC business. In 2000, he became Executive Vice President and the head of LSI Technology. In January of 2004, Dr. Kwon was appointed as 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 & CEO, Samsung Display (2016-Present)
- Vice Chairman & Head, Samsung Advanced Institute of Technology (2013-15)
- Vice Chairman & Head, Device Solutions (2011-Present)
- President & Head, Semiconductor Business (2008-11)
- President & Head, System LSI Division (2004-08)



Boo-Keun Yoon

Birth: February 6, 1953

Director since 2013
(Re-elected in 2016)

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)



Jong-Kyun Shin

Birth: January 16, 1956

Director since 2013
(Re-elected in 2016)

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)



Jae-Yong Lee

Birth: June 23, 1968

Director since 2016

Mr. Jae-Yong Lee is the vice chairman of Samsung Electronics. He also serves as chairman of Samsung Foundation of Culture and Samsung Life Public Welfare Foundation.

Mr. Lee began his career at Samsung Electronics in 1991, and held the position of CCO (Chief Customer Officer) from 2007 to 2008. From 2010 to 2012, Mr. Lee worked as COO (Chief Operating Officer), and from 2012 to current, he is serving as vice chairman.

He graduated from Seoul National University and received a master's degree in business administration from Keio University. He also completed doctoral coursework at Harvard Business School.

Career:

- Chairman, Samsung Life Public Welfare Foundation (2015-Present)
- Chairman, Samsung Foundation of Culture (2015-Present)
- Independent Director, EXOR N.V. (2012-Present)
- Vice Chairman, Samsung Electronics (2012-Present)
- President & COO(Chief Operating Officer), Samsung Electronics (2010-12)
- Executive Vice President & COO, Samsung Electronics (2010-10)

Profile of BOD Members (Independent)



In-Ho Lee

Birth: November 2, 1943

Director since 2010
(Re-elected in 2013, 2016)

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



Kwang-Soo Song

Birth: January 4, 1950

Director since 2013
(Re-elected in 2016)

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, Samsung Electronics (2013-Present)
- Advisor, Kim & Chang Law Office (2007-Present)
- Prosecutor General, Supreme Prosecutors' Office (2003-05)
- Chief Prosecutor, Daegu High Prosecutors' Office (2002-03)
- Senior Prosecutor, Director of Prosecution Bureau, Ministry of Justice (2001-02)



Jae-Wan Bahk

Birth: January 24, 1955

Director since 2016

Dr. Jae-Wan Bahk 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. Bahk earned B.A. in Economics from Seoul National University and Ph.D. in Public Policy from Harvard University.

Career:

- Independent Director, Samsung Electronics (2013-Present)
- Professor, Graduate School of Governance, Sungkyunkwan University (1996-Present)
- President, Hansun Foundation for Peace & Prosperity of the Korean Peninsula (2014-Present)
- Dean, Graduate School of Governance, Sungkyunkwan University (2015-16)
- Minister of Strategy and Finance (2011-13)
- Minister of Employment and Labor (2010-11)
- Senior Secretary to the President for National Vision, Agenda & Strategy (2008-10)
- Member of the 17th National Assembly (2004-08)



Byeong-Gi Lee

Birth: November 2, 1948

Director since 2012
(Re-elected in 2015)

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, Samsung Electronics (2012-Present)
- Professor Emeritus, Seoul National University (2016-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)
- Professor of Electrical Engineering, Seoul National University (1986-2016)
- Member of Technical Staff, AT&T Bell Laboratories (1984-86)



Han-Joong Kim

Birth: May 12, 1951

Director since 2012
(Re-elected in 2015)

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, Samsung Electronics (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)
- Member, National Economic Advisory Council (2001-03)
- President, The Korean Society of Health Policy and Administration (2000-02)
- Professor, Dept. of Preventive Medicine & Public Health (1982-12)

BOD Activities

The following table presents meetings and voting results that were held by the Board and the Committees under the Board between January 2016 and February 2017.

□ BOD Meetings

The Board Meetings and Voting Results of Independent Directors in FY 2016 ~ FY 2017.2

Date	Agenda	IH Lee	HJ Kim	KS Song	BG Lee	EM Kim	JW Bahk
		* Voting : For / Against					
Jan. 28 2016	① Approval of FY2015 financial statements and annual business report	For	For	For	Absent	For	-
	② Share Repurchase and cancellation of treasury stocks	For	For	For		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	
Feb. 12 2016	① Decision to convene the 47 th AGM	For	For	For	For	For	-
	② Decision of the 47 th 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	
Mar. 11 2016	① Revision to BOD regulations	For	For	For	For	Absent	For
	② Appointment of BOD Chairman	For	For	For	For		For
	③ Appointment of CEO and Directors	For	For	For	For		For
	④ Appointment of BOD Committee members	For	For	For	For		For
	⑤ Setting the remuneration of directors	For	For	For	For		For
	⑥ Cancellation of real estate lease contracts with Samsung Life Insurance	For	For	For	For		For
	⑦ Donation	For	For	For	For		For
Apr. 28 2016	① Approval of the 1Q16 financial statements and business report	For	For	For	For	-	For
	② Share Repurchase and cancellation of treasury stocks	For	For	For	For		For
	③ Property leasing contract with Samsung Life Insurance	For	For	For	For		For
	④ Acquisition of Samsung Biologics shares	For	For	For	For		For
	⑤ Donation to Sungkyunkwan University	For	For	For	For		For
	⑥ Approval of holding a concurrent position as Executive Director in Samsung Display	For	For	For	For		For
May. 20 2016	① Property leasing contract with Samsung Display	For	For	For	For	-	For
	② Approval of Greenhouse gas emissions trading with Samsung Display	For	For	For	For		For
Jul. 28 2016	① Approval of the 1H16 financial statements, half-year business report and June quarterly dividend	For	For	For	For	-	For
	② Share Repurchase and cancellation of treasury stocks	For	For	For	For		For
	③ Revision to management committee regulations	For	For	For	For		For
	④ Revision to CSR committee regulations	For	For	For	For		For
	⑤ Application for property insurance	For	For	For	For		For
	⑥ Application for Venture Capital Union	For	For	For	For		For

Sep. 12 2016	① Disposal of Printing Solutions Business	For	For	For	For	-	For
	② Approval of the Printing solutions business Spin-off	For	For	For	For		For
	③ Decision to convene the Extraordinary General Shareholders Meeting (EGM)	For	For	For	For		For
	④ Decision of the EGM agenda items	For	For	For	For		For
	⑤ Closing of shareholder register and the record date for EGM	For	For	For	For		For
	⑥ Disposal of Samsung Biologics shares	For	For	For	For		For
Oct. 27 2016	① Approval of the 3Q16 financial statements and business report	For	For	For	For	-	For
	② Participation in Samsung Heavy Industries rights offering	For	For	For	For		For
	③ Purchase of stakes of Cheil Worldwide	For	For	For	For		For
	④ A property leasing contract with Samsung Securities	For	For	For	For		For
	⑤ Sale of real estate to Samsung Life Insurance	For	For	For	For		For
	⑥ Establishment and operation of Lifelong Learning center	For	For	For	For		For
	⑦ Application for Venture Capital Union	For	For	For	For		For
	⑧ Donation to Samsung Life Public Welfare Foundation	For	For	For	For		For
Nov. 2 2016	① Report and disclosure of Spin-off Completion of Printing Solutions Business	For	For	For	For	-	For
	② Revision to BOD regulations	For	For	For	For		For
Nov. 14 2016	① Acquisition of Harman	For	For	For	For	-	For
Nov. 29 2016	① Approval of transactions with affiliate person(s)	For	For	For	For	-	For
	② Payment of retirement pensions	For	For	For	For		For
	③ Approval of mid to long-term shareholder value enhancement plans	For	For	For	For		For
	④ Purchase of facility of Samsung Display	For	For	For	For		For
Jan. 24 2017	① Approval of FY2016 financial statements and annual business report	For	For	For	For	-	For
	② Share Repurchase and cancellation of treasury stocks	For	For	For	For		For
	③ Panel development contract with Samsung Display	For	For	For	For		For
Feb. 24 2017	① Decision to convene the 48th AGM	For	For	For	For	-	For
	② Decision of the 48th AGM agenda items	For	For	For	For		For
	③ Guidelines for external contributions	For	For	For	For		For
	④ Application for product liability insurance	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, JW Bank: Jae-Wan Bahk

□ Committee Participation of Independent Directors

Activities of Audit Committee in FY 2016 ~ FY 2017.2

Date	Agenda
Jan. 27 2016	① 47 th financial and business reports ② Report on 2015 internal accounting management system activities ③ Report on 4Q15 non-audit activities ④ Report on 2015 audit activities
Feb. 12 2016	① Review of the 47 th AGM agenda ② Assessment of 2015 activities of internal compliance system
Apr. 28 2015	① Appointment of the head of Audit Committee ② Report on 1Q16 financial statement and business report ③ Report on 1Q16 non-audit activities
Jul. 27 2016	① 1H16 financial statement and business report ② Report on 2Q16 non-audit activities ③ Report on 1H16 audit activities
Sep. 12 2016	① Review of the 48 th EGM agenda
Oct. 26 2016	① Report on 3Q16 financial statement and business report ② Report on 3Q16 non-audit activities
Jan. 23 2017	① 48 th financial and business reports ② Report on 2016 internal accounting management system activities ③ Report on 4Q16 non-audit activities ④ Report on 2016 audit activities ⑤ Plans for external auditor appointment
Feb. 22 2017	① Report on the appointment of an external auditor

Activities of the Compensation Committee in FY 2016 ~ FY 2017.2

Date	Agenda
Feb. 5 2016	① Preliminary review on 2016 remuneration limit for Directors
Feb. 22 2017	① Preliminary review on 2017 remuneration limit for Directors

Activities of the CSR Committee in FY 2016 ~ FY 2017.2

Date	Agenda
Apr. 28 2016	① Review on establishment of risk management council
May. 20 2016	① Review on risk management plans ② Research results and findings of the 2nd term research committee for the advancement of corporate ecosystem
Jul. 28 2016	① Establishment of CSR risk management council
Nov. 29 2016	① Report on 4Q16 CSR risk management council results

Activities of Related Party Transactions Committee in FY 2016 ~ FY 2017.2

Date	Agenda
Jan. 27 2016	① Preliminary review on large-scale related party transactions - Disposal of stake in Samsung Card ② Report on 4Q15 related party transactions
Feb. 12 2016	① Preliminary review on large-scale related party transactions - Approval of changes in large-scale goods and services transactions in 2016
Mar. 11 2016	① Preliminary review on large-scale related party transactions - Cancellation of real estate lease contracts with Samsung Life Insurance - Donation
Apr. 27 2016	① Appointment of the head of Related Party Transactions Committee ② Preliminary review on large-scale related party transactions - Acquisition of Samsung Biologics shares - Donation to Sungkyunkwan University - Property leasing contract with Samsung Life Insurance ③ Report on 1Q16 related party transactions
May. 20 2016	① Preliminary review on large-scale related party transactions - Property leasing contract with Samsung Display - Approval of Greenhouse gas emissions trading with Samsung Display
July. 27 2016	① Preliminary review on large-scale related party transactions - Application for property insurance - Application for Venture Capital Union ② Report on 2Q 16 related party transactions
Sep. 12 2016	① Preliminary review on large-scale related party transactions - Disposal of Samsung Biologics shares
Oct. 26 2016	① Preliminary review on large-scale related party transactions - Participation in Samsung Heavy Industries rights offering - Purchase of stakes of Cheil Worldwide - A property leasing contract with Samsung Securities - Sale of real estate to Samsung Life Insurance - Application for Venture Capital Union - Donation to Samsung Life Welfare Foundation ② Report on 3Q 16 related party transactions
Nov. 29 2016	① Preliminary review on large-scale related party transactions - Approval of large-scale good and services transactions in 2017 - Payment of retirement pensions
Jan. 23 2017	① Report on 4Q 16 related party transactions

Activities of the Independent Director Recommendation Committee in FY 2016 ~ FY 2017.2

Date	Agenda
Jan. 28 2016	① Deadline for recommendation of independent director candidates
Feb. 5 2016	① Recommendation of independent director candidates

BOD Meeting Attendance

	Name	2014	2015	2016	Total	
		Mar 2014 ~ Feb 2015	Mar 2015 ~ Feb 2016	Mar 2016 ~ Feb 2017		
		Attended	Attended	Attended	Meeting	Attended
Executive Directors	Oh-Hyun Kwon	7/7	8/8	11/11	26	26
	Boo-Keun Yoon	4/7	7/8	11/11	26	22
	Jong-Kyun Shin	6/7	5/8	10/11	26	21
	Jae-Yong Lee ¹⁾	-	-	3/5	5	3
Independent Directors	In-Ho Lee	7/7	8/8	11/11	26	26
	Han-Joong Kim	7/7	8/8	11/11	26	26
	Byeong-Gi Lee	7/7	7/8	11/11	26	25
	Kwang-Soo Song	7/7	8/8	11/11	26	26
	Jae-Wan Bahk ²⁾	-	-	11/11	11	11

※ The table shown above represents accumulated attendance of Directors between AGMs(ex. , Mar of year1 to Feb of year2).

1) Director was appointed in Oct 2016.

2) Director was appointed in Mar 2016.

Share Ownership Structure

□ Overview

As of the end of 2016, the total number of Samsung Electronics' shares outstanding is 161,192,764. The numbers of common shares outstanding and preferred shares outstanding are 140,679,337 (87.3%) and 20,513,427 (12.7%), respectively.

As of the end of 2016, the number of total treasury stocks of Samsung Electronics is 21,211,379 (13.2%), with 17,981,686 common shares (12.8% of common shares outstanding) and 3,229,693 preferred shares (15.7% of preferred shares outstanding).

- Ownership structure as of the end of FY 2016

	Foreigner	Local Institutional	Local Individual	Controlling Shareholders	Treasury Shares
Common	51%	16%	2%	18%	13%
Preferred	77%	6%	2%	0.1%	16%

- Major Shareholders at the end of FY 2016

Ranking	Ownership - Common Stock	Number of Common Shares	% of Class
1	National Pension Service of Korea	12,976,838	9.2%
2	Samsung Life Insurance Co., Ltd. ¹⁾	11,090,134	7.9%
3	Samsung C&T Corp.	5,976,362	4.2%
4	CITIBANK.N.A ²⁾	5,288,156	3.8%
5	Lee Kun-Hee	4,985,464	3.5%
Total Number of Outstanding Common Stock		140,679,337	100.0%

1) The number of shares owned and share ratio of Samsung Life Insurance Co., Ltd. includes special accounts.

2) 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 140,679,337 common shares, 28.1% of authorized shares and 20,513,427 preferred shares. 17,981,686 common treasury shares and preferred shares held by the Company do not have voting rights. 12,506,577 shares owned by affiliated companies do have limited voting rights under relevant laws. Thus, the number of shares with voting rights is 110,191,074.

- Total shares with voting rights at the end of FY 2016

Category	Type	No. of shares	Note
No. of outstanding shares (A)	Common	140,679,337	-
	Preferred	20,513,427	-
Treasury Shares = Shares without voting rights (B)	Common	17,981,686	Article 369-2 of the Commercial Act "Treasury Shares"
Shares with voting rights eliminated by Articles of Incorporation (C)	Preferred	20,513,427	3,229,693 preferred treasury shares included
Shares with limited voting rights under relevant laws (D)	Common	12,479,184	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
	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)	-	-	-
Total Shares with voting rights (F)	Common	110,191,074	(F = A - B - C - D + E)

※ Among shares with limited voting rights under relevant laws, part of 12,479,184 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, 2016.

(Unit: Share)

Name	Status	Since	Common Shares
Oh-Hyun Kwon	Executive Director	Mar-12	1,300
Boo-Keun Yoon	Executive Director	Mar-13	0
Jong-Kyun Shin	Executive Director	Mar-13	0
Jae-Yong Lee	Executive Director	Oct-16	840,403
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
Jae-Wan Bahk	Independent Director	Mar-16	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 2013 - FY 2015), and fees billed for other services rendered by Samil PricewaterhouseCoopers during those periods.

□ Independent Auditor Fees between FY 2013 and FY 2015

(Unit: KRW Million)

	Auditor	Audit Services	Non-Audit Services	Audit Opinion
47th (1.1.2015~12.31.2015)	Samil PricewaterhouseCoopers	3,690	550	Fair
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

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

Global Code of Conduct & Business Conduct Guidelines

□ Global Code of Conduct

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 lead and junior staff are 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 thought mutual cooperation.

□ Business Conduct Guidelines

Over the years, expectations from various entities - including NGOs, governments, customers, shareholders, suppliers and employees - have grown along with our responsibility as a global corporate citizen. In this spirit, Samsung Electronics has updated and revised the 'Business Conduct Guidelines' that provide a specific direction for sustainable management, published for the first time in 2015.

You can read more information about Samsung's Global Code of Conducts and Business Conduct Guidelines from our website at:

http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/globalcodeofconduct/

Policy on Related Party Transaction

For 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 order to enhance its corporate transparency.

- Article 40. (Approval of Transaction with Specially Related Parties, etc.)

1. The Company shall obtain the approval from the Board of Directors in order to enter into the following transaction:
 - a. Large scale internal transactions as prescribed in Article 11-2 of Monopoly Regulation and Fair Trade Law ("FTL") with or for the Specially Related Party under FTL.

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

Corporate Governance Website

You can read more information about Samsung' corporate governance practices from our website at:

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

Business Overview

In 2016, the global economy continued to slow down and faced heightened uncertainties due to U.S. interest rate hikes and the impact of Brexit. Under these circumstances, South Korea's economic slowdown continued, with sluggish exports and domestic consumption hindering on growth.

Despite intensified competition over major products, the Company achieved solid earnings driven by the support of our shareholders and tireless efforts of all of our executives and employees. We recorded consolidated sales of KRW 202 trillion, operating profit of KRW 29 trillion, sales of KRW 134 trillion (parent basis), and operating income of KRW 14 trillion.

In financial terms, the debt ratio is 35.9%, the capital adequacy ratio is 73.6%, and ROE is 12.2% on a consolidated basis. On a parent basis, the debt ratio is 27.1%, the capital adequacy ratio is 78.7%, and ROE is 8.5%. Therefore, we have maintained a solid financial structure. Our company's brand value reached USD 51.8 billion in 2016, a 14% increase, and was ranked the world's 7th largest company for its third consecutive year (Oct '16 Interbrand).

In terms of business, we solidified our industry leadership and maintained a dominant market share by launching the world's first 10nm-class DRAM building on our technological competence and by expanding sales of SUHD TVs and Curved TVs based on our differentiated image quality and design strengths.

In 2017, we expect that the uncertainties weighing on the global economy will continue to increase, caused by further interest rate rise in the U.S. this year, the impact of Brexit on the EU, as well as rising protectionism under the new U.S. government. Under these circumstances, we project that competitions in our main product markets will become even fiercer. Also, competitors' heavy investments and their aggressive moves to reduce the technology gap pose a greater challenge to our company.

In a response to such ongoing changes within business conditions and a challenging environment that is both internal and external, we will work to strengthen the technological competitiveness of our business. We will save no effort to lay the strong base for seizing future opportunities, by developing new businesses with great potential through strategic M&A and R&D investment.

Semiconductor

Our semiconductor business achieved a record high result by enhancing process technology, reducing cost, and expanding shipments of high value-added products, based on stable demands from major applications such as mobile/server. Also, we focused on securing the next-generation technological leadership by continuous preemptive investment.

The DRAM business gradually turned into a supply shortage from a period of oversupply, as the demand increased with the launch of new mobile products and other suppliers were slow in developing high-performance and high-quality products. Under this circumstance, a concentrated demand on the Company is likely to continue for an extended period of time. We unveiled the industry's first 10nm-class DRAM products and secured a competitive position at least a year ahead of competitors in terms of technology development capability. Furthermore, we are making various efforts to solidify the leadership position in the DRAM market through methods such as the ongoing work on the differentiated products based on 10nm-class technology and the development of next-generation DRAMs.

The 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 SSDs (solid state drives) continues, but we expect the chip market to experience a supply shortage, because suppliers are reaching the limits in migrating to finer processes and competitors are slow in expanding Vertical NAND production. We are

mass producing both planar and vertical NANDs, in order to address the customer demand for various NAND products in a timely manner. In particular, the Company is mass producing the 3rd generation of Vertical NAND, which is ahead of its competitors in terms of technology, and entering the premium market with applying the products to high-performance SSDs. At the same time, we are expanding the portion of high-quality 3bit MLC products to maximize cost competitiveness.

In 2017, the growth in the memory semiconductor market is expected to continue. In order to lead the market as the No. 1 memory maker, the Company will expand on differentiated products based on advanced processes and address demands from each application's market by taking advantage of our diverse product line-ups.

For the System LSI business, the growth has mostly come from mobile products, but we expect the markets for mobile products such as smartphones and tablets to slow down in 2017. Meanwhile, the overall demand is projected to stay flat, due to an increase of demand from newly forming markets, including IoT, wearable, automotive electronics components and health care.

With regard to the SOC products, while the demand for discrete chips such as AP and Modem is decreasing, the demand for integrated chips, which provide integrated all-in-one solutions, is on the rise, due to the growth of mid to low-end smartphones and tablet markets. We plan to bring forward the development of a leading-edge process and promote the early launch of products with differentiated technology. By doing so, we will promote the continuous and stable growth of the business. For AP/modem integrated chips, in particular, we have introduced an advanced process ahead of competitors to actively respond to different market segments from premium to mid to low-range.

Also, we are witnessing an increasing demand for high-definition, high-quality and differentiated image sensors from companies which seek to differentiate their mobile products. Based on our advanced technology such as dual pixel, our Company is leading the CIS product markets for mobile devices and seeking to diversify our business especially into automotive electronics components and security, etc. With regard to the foundry business, we have advanced processes and manufacturing technology over our competitors that enable us to lead the industry. Production demand from Fabless customers is also on the gradual increase.

DP (Display Panel)

For the OLED business, we focused on strengthening business competitiveness, by increasing production yields, improving cost competitiveness and enhancing collaboration with customers. In the mobile display market, the demand for OLED panel is projected to increase continuously, driven by the demand from smartphone makers who seek to differentiate their products. Also, the trend towards large-sized and high-resolution screens will continue to grow, and demand for flexible displays will increase further. We will diversify the product line-ups of mid- to small-sized OLED panels and expand our customer base. At the same time, we will expand shipments of Flexible products.

For our LCD business, we are leading the market based on our advanced technologies. Also, we have solidified business competitiveness by building full line-ups for ultra-large sized TVs and expanding sales of premium TV panels such as UHDs. In 2017, we will focus on improving profitability of large-sized LCD panels, by increasing shipments of differentiated products such as Frameless/Curved and by strengthening the competitiveness of high value-added products including ultra large-sized and UHD panels, based on our distinguished technologies.

CE (Consumer Electronics)

The CE division is on the path of stable growth, focusing on our strategic products such as high-definition SUHD TVs, Family Hub refrigerator and Active/Addwash washing machines equipped with our industry-leading premium technologies.

Our TV business maintained the top position in the overall TV market, as well as FPTV and LCD TV segments (in terms of market share) for its 11th consecutive year, based on our outstanding technology and design strengths. Our products set the bar high for competitors and have secured an unrivalled position.

In 2017, we will continue to maintain our market leadership in the industry by leading the premium market, with our unique design and 2nd generation Quantum Dot SUHD TV products which provide superior image quality.

For our Home appliances business, we have strengthened our competitiveness in the market by launching products that best meet consumer needs including Family Hub refrigerator and Active/Addwash washers. Moreover, we are striving to cement our status as a premium brand through means such as the acquisition of Dacor, a U.S. luxury appliance maker.

This year, we plan to unveil smart home IoT appliances featuring user-oriented design and differentiated functions reflecting the culture of each region. With the launch of the new products, we will consolidate our status as a global home appliances brand and constantly create new demands.

IM (IT & Mobile Communications)

For our IM division, global shipments of Galaxy S7, our flagship product launched in the first half, increased further and our mid to low-range products Galaxy A and J series were well received in the market. Unfortunately, we experienced the quality issue of Galaxy Note 7, our premium smartphone launched in the second half, and had to halt sales of the model.

Going forward, we will focus on strengthening the premium market leadership based on our unique form factor such as Flexible Display as well as differentiated design/UX, and constantly strengthen our position in the mid to low-range markets by offering various line-ups. In addition, we will work hard to meet the various needs of consumers with better usability and more convenient user experiences through accessory products such as wearable devices like Gear S3 and VR.

Together with hardware, we will continue to invest in new growth engines in the service category. This includes Cloud, Intelligence, Mobile B2B, as well as Mobile Payment, such as our differentiated service Samsung pay. Building on the industry's Top R&D capability, we will grow as a global leading company which constantly delivers new value to our consumers.

While continuing to promote innovation, we will ensure that consumer safety is our top priority. By implementing multi-layer safety measures, conducting a thorough pre-safety check, and establishing an organization devoted to safety verification, we will make sure any quality-related issue never happen again. We will be committed to building trust from the market and our consumers.

This year, we will strive to develop new technologies and make strategic investments, in order to respond quickly to paradigm shifts of the emerging IT industries including IoT, AI, and automotive electronics, and secure a leading position in the next-generation markets.

Along with our endeavor to strengthen our business competitiveness, we will undertake a thorough review on the existing systems and repeated practices in all areas of our business, in order to build a robust risk management system.

We expect various uncertainties to persist throughout this year, but we will continue our effort to widen the gap with competitors through continuous technology innovation and business advancement, and strive to better understand the market and our customers' needs through in-depth reviews, creating new values. By doing so, we will make the year of 2017 another year for strong growth.

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

※ Audited financial statements with the independent auditor's opinion are not available as of today. We will send them to you via a separate e-mail on February 28th.

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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 US dollars at the rate of ₩1159.83 to US \$1, the average exchange rate for the year ended December 31, 2016. 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 U.S. dollars at this or at any other rate.

Samsung Electronics Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2016 KRW	December 31, 2015 KRW	December 31, 2016 USD	December 31, 2015 USD
Assets				
Current assets				
Cash and cash equivalents	32,111,442	22,636,744	27,686,236	19,517,225
Short-term financial instruments	52,432,411	44,228,800	45,206,818	38,133,728
Short-term available-for-sale financial assets	3,638,460	4,627,530	3,137,052	3,989,820
Trade receivables	24,279,211	25,168,026	20,933,347	21,699,677
Non-trade receivables	3,521,197	3,352,663	3,035,949	2,890,640
Advances	1,439,938	1,706,003	1,241,503	1,470,903
Prepaid expenses	3,502,083	3,170,632	3,019,469	2,733,694
Inventories	18,353,503	18,811,794	15,824,248	16,219,383
Other current assets	1,315,653	1,035,460	1,134,346	892,765
Assets held-for-sale	835,806	77,073	720,625	66,452
Total current assets	141,429,704	124,814,725	121,939,593	107,614,287
Non-current assets				
Long-term available-for-sale financial assets	6,804,276	8,332,480	5,866,594	7,184,200
Investment in associates and joint ventures	5,837,884	5,276,348	5,033,378	4,549,226
Property, plant and equipment	91,473,041	86,477,110	78,867,346	74,559,893
Intangible assets	5,344,020	5,396,311	4,607,573	4,652,657
Long-term prepaid expenses	3,834,831	4,294,401	3,306,362	3,702,599
Net defined benefit assets	557,091	-	480,320	-
Deferred income tax assets	5,321,450	5,589,108	4,588,113	4,818,886
Other non-current assets	1,572,027	1,999,038	1,355,388	1,723,555
Total assets	262,174,324	242,179,521	226,044,667	208,805,303

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2016 KRW	December 31, 2015 KRW	December 31, 2016 USD	December 31, 2015 USD
Liabilities and Equity				
Current liabilities				
Trade payables	6,485,039	6,187,291	5,591,350	5,334,634
Short-term borrowings	12,746,789	11,155,425	10,990,183	9,618,121
Other payables	11,525,910	8,864,378	9,937,550	7,642,798
Advances received	1,358,878	1,343,432	1,171,614	1,158,297
Withholdings	685,028	992,733	590,626	855,927
Accrued expenses	12,527,300	11,628,739	10,800,941	10,026,208
Income tax payable	2,837,353	3,401,625	2,446,344	2,932,855
Current portion of long-term liabilities	1,232,817	221,548	1,062,925	191,017
Provisions	4,597,417	6,420,603	3,963,857	5,535,794
Other current liabilities	351,176	287,135	302,781	247,565
Liabilities held-for-sale	356,388	-	307,275	-
Total current liabilities	54,704,095	50,502,909	47,165,446	43,543,216
Non-current liabilities				
Debentures	58,542	1,230,448	50,474	1,060,883
Long-term borrowings	1,244,238	266,542	1,072,772	229,810
Long-term other payables	3,317,054	3,041,687	2,859,938	2,622,519
Net defined benefit liabilities	173,656	358,820	149,725	309,372
Deferred income tax liabilities	7,293,514	5,154,792	6,288,411	4,444,422
Provisions	358,126	522,378	308,773	450,390
Other non-current liabilities	2,062,066	2,042,140	1,777,899	1,760,717
Total liabilities	69,211,291	63,119,716	59,673,438	54,421,329

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	KRW	KRW	USD	USD
Equity attributable to owners of the parent				
Preferred stock	119,467	119,467	103,004	103,004
Common stock	778,047	778,047	670,826	670,826
Share premium	4,403,893	4,403,893	3,797,002	3,797,002
Retained earnings	193,086,317	185,132,014	166,477,524	159,619,385
Other components of equity	(11,934,586)	(17,580,451)	(10,289,907)	(15,157,728)
Accumulated other comprehensive income attributable to assets held-for-sale	(28,810)	23,797	(24,841)	20,517
	186,424,328	172,876,767	160,733,608	149,053,006
Non-controlling interests	6,538,705	6,183,038	5,637,621	5,330,968
Total equity	192,963,033	179,059,805	166,371,229	154,383,974
Total liabilities and equity	262,174,324	242,179,521	226,044,667	208,805,303

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

For the year ended December 31,				
	2016	2015	2016	2015
	KRW	KRW	USD	USD
Revenue	201,866,745	200,653,482	174,047,940	173,001,874
Cost of sales	120,277,715	123,482,118	103,702,512	106,465,323
Gross profit	81,589,030	77,171,364	70,345,428	66,536,551
Selling and administrative expenses	52,348,358	50,757,922	45,134,348	43,763,086
Operating profit	29,240,672	26,413,442	25,211,080	22,773,465
Other non-operating income	3,238,261	1,685,947	2,792,003	1,453,610
Other non-operating expense	2,463,814	3,723,434	2,124,281	3,210,316
Share of profit of associates and joint ventures	19,501	1,101,932	16,814	950,077
Financial income	11,385,645	10,514,879	9,816,615	9,065,847
Financial expense	10,706,613	10,031,771	9,231,159	8,649,315
Profit before income tax	30,713,652	25,960,995	26,481,072	22,383,368
Income tax expense	7,987,560	6,900,851	6,886,812	5,949,860
Profit for the year	22,726,092	19,060,144	19,594,260	16,433,508
Profit attributable to owners of the parent	22,415,655	18,694,628	19,326,604	16,118,363
Profit attributable to non-controlling interests	310,437	365,516	267,656	315,145
Earnings per share for profit attributable to owners of the parent (in Korean Won, in US dollars)				
- Basic	157,967	126,305	136.2	108.9
- Diluted	157,967	126,303	136.2	108.9

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the year ended December 31,			
	2016	2015	2016	2015
	KRW	KRW	USD	USD
Profit for the year	22,726,092	19,060,144	19,594,260	16,433,508
Other comprehensive income				
Items not to be reclassified to profit or loss subsequently:				
Remeasurement of net defined benefit liabilities, net of tax	963,602	263,978	830,810	227,600
Shares of other comprehensive income of associates and joint ventures, net of tax	50,438	24,069	43,487	20,752
Items to be reclassified to profit or loss subsequently:				
Changes in value of available-for-sale financial assets, net of tax	(23,839)	(414,961)	(20,554)	(357,776)
Share of other comprehensive loss of associates and joint ventures, net of tax	(130,337)	(65,330)	(112,376)	(56,327)
Foreign currency translation, net of tax	1,131,536	268,315	975,603	231,339
Other comprehensive income for the year, net of tax	1,991,400	76,071	1,716,970	65,588
Total comprehensive income for the year	24,717,492	19,136,215	21,311,230	16,499,096
Comprehensive income attributable to :				
Owners of the parent	24,310,814	18,804,189	20,960,595	16,212,826
Non-controlling interests	406,678	332,026	350,635	286,270

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2015 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2015	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 financial assets, net of tax	-	-	-	-	(348,068)	(24,750)	(372,818)	(42,143)	(414,961)
Share of other comprehensive income (loss) of associates and joint 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 liabilities, net of tax	-	-	-	-	258,983	-	258,983	4,995	263,978
Classified as held-for-sale	-	-	-	-	(23,797)	23,797	-	-	-
Total comprehensive income (loss)	-	-	-	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 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)
Total transactions with owners	-	-	-	(3,092,218)	(5,016,929)	-	(8,109,147)	(55,451)	(8,164,598)
Balance as at December 31, 2015	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 stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2015	103,004	670,826	3,797,002	146,167,108	(10,975,179)	69,063	139,831,824	5,092,507	144,924,331
Profit for the year	-	-	-	16,118,363	-	-	16,118,363	315,145	16,433,508
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(300,102)	(21,339)	(321,441)	(36,335)	(357,776)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	10,938	(46,660)	(35,722)	147	(35,575)
Foreign currency translation, net of tax	-	-	-	-	229,398	(1,065)	228,333	3,006	231,339
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	223,293	-	223,293	4,307	227,600
Classified as held-for-sale	-	-	-	-	(20,518)	20,518	-	-	-
Total comprehensive income (loss)	-	-	-	16,118,363	143,009	(48,546)	16,212,826	286,270	16,499,096
Dividends	-	-	-	(2,649,932)	-	-	(2,649,932)	(47,078)	(2,697,010)
Capital transaction under common control	-	-	-	-	(4,582)	-	(4,582)	365	(4,217)
Changes in consolidated entities	-	-	-	-	-	-	-	(131)	(131)
Acquisition of treasury stock	-	-	-	-	(4,323,991)	-	(4,323,991)	-	(4,323,991)
Disposal of treasury stock	-	-	-	-	2,937	-	2,937	-	2,937
Stock option activities	-	-	-	-	(695)	-	(695)	-	(695)
Others	-	-	-	(16,154)	773	-	(15,381)	(965)	(16,346)
Total transactions with owners	-	-	-	(2,666,086)	(4,325,558)	-	(6,991,644)	(47,809)	(7,039,453)
Balance as at December 31, 2015	103,004	670,826	3,797,002	159,619,385	(15,157,728)	20,517	149,053,006	5,330,968	154,383,974

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2016 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for- sale	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance as at January 1, 2016	119,467	778,047	4,403,893	185,132,014	(17,580,451)	23,797	172,876,767	6,183,038	179,059,805
Profit for the year	-	-	-	22,415,655	-	-	22,415,655	310,437	22,726,092
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(87,706)	(23,797)	(111,503)	87,664	(23,839)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(80,146)	212	(79,934)	35	(79,899)
Foreign currency translation, net of tax	-	-	-	-	1,160,316	-	1,160,316	(28,780)	1,131,536
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	926,280	-	926,280	37,322	963,602
Classified as held-for-sale	-	-	-	-	29,022	(29,022)	-	-	-
Total comprehensive income (loss)	-	-	-	22,415,655	1,947,766	(52,607)	24,310,814	406,678	24,717,492
Dividends	-	-	-	(3,061,361)	-	-	(3,061,361)	(65,161)	(3,126,522)
Capital transaction under common control	-	-	-	-	(37)	-	(37)	12,272	12,235
Changes in consolidated entities	-	-	-	-	-	-	-	1,790	1,790
Acquisition of treasury stock	-	-	-	-	(7,707,938)	-	(7,707,938)	-	(7,707,938)
Retirement of treasury stock	-	-	-	(11,399,991)	11,399,991	-	-	-	-
Others	-	-	-	-	6,083	-	6,083	88	6,171
Total transactions with owners	-	-	-	(14,461,352)	3,698,099	-	(10,763,253)	(51,011)	(10,814,264)
Balance as at December 31, 2016	119,467	778,047	4,403,893	193,086,317	(11,934,586)	(28,810)	186,424,328	6,538,705	192,963,033

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars)

2016 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2016	103,004	670,826	3,797,002	159,619,385	(15,157,728)	20,517	149,053,006	5,330,968	154,383,974
Profit for the year	-	-	-	19,326,604	-	-	19,326,604	267,656	19,594,260
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(75,619)	(20,518)	(96,137)	75,583	(20,554)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(69,101)	183	(68,918)	29	(68,889)
Foreign currency translation, net of tax	-	-	-	-	1,000,415	-	1,000,415	(24,812)	975,603
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	798,631	-	798,631	32,179	830,810
Classified as held-for-sale	-	-	-	-	25,023	(25,023)	-	-	-
Total comprehensive income (loss)	-	-	-	19,326,604	1,679,349	(45,358)	20,960,595	350,635	21,311,230
Dividends	-	-	-	(2,639,481)	-	-	(2,639,481)	(56,182)	(2,695,663)
Capital transaction under common control	-	-	-	-	(32)	-	(32)	10,581	10,549
Changes in consolidated entities	-	-	-	-	-	-	-	1,543	1,543
Acquisition of treasury stock	-	-	-	-	(6,645,724)	-	(6,645,724)	-	(6,645,724)
Retirement of treasury stock	-	-	-	(9,828,984)	9,828,984	-	-	-	-
Others	-	-	-	-	5,244	-	5,244	76	5,320
Total transactions with owners	-	-	-	(12,468,465)	3,188,472	-	(9,279,993)	(43,982)	(9,323,975)
Balance as at December 31, 2016	103,004	670,826	3,797,002	166,477,524	(10,289,907)	(24,841)	160,733,608	5,637,621	166,371,229

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	For the year ended December 31,			
	2016	2015	2016	2015
	KRW	KRW	USD	USD
Cash flows from operating activities				
Profit for the period	22,726,092	19,060,144	19,594,260	16,433,508
Adjustments	30,754,471	29,610,971	26,516,267	25,530,350
Changes in assets and liabilities arising from operating activities	(1,180,953)	(4,682,032)	(1,018,209)	(4,036,812)
Cash generated from operations	52,299,610	43,989,083	45,092,318	37,927,046
Interest received	1,405,085	2,151,741	1,211,453	1,855,215
Interest paid	(443,838)	(748,256)	(382,674)	(645,141)
Dividend received	256,851	266,369	221,455	229,661
Income tax paid	(6,132,064)	(5,597,176)	(5,287,018)	(4,825,842)
Net cash generated from operating activities	47,385,644	40,061,761	40,855,534	34,540,939
Cash flows from investing activities				
Net increase in short-term financial instruments	(6,780,610)	(5,762,783)	(5,846,189)	(4,968,627)
Proceeds from disposal of short-term available-for-sale financial assets	3,010,003	2,143,384	2,595,201	1,848,009
Acquisition of short-term available-for-sale financial assets	(2,129,551)	(509,349)	(1,836,082)	(439,157)
Proceeds from disposal of long-term financial instruments	789,862	3,999,710	681,013	3,448,519
Acquisition of long-term financial instruments	(1,741,547)	(132,733)	(1,501,548)	(114,441)
Proceeds from disposal of long-term available-for-sale financial assets	2,010,356	200,502	1,733,313	172,871
Acquisition of long-term available-for-sale financial assets	(1,498,148)	(232,530)	(1,291,692)	(200,486)
Proceeds from disposal of investment in associates and joint ventures	2,280,203	278,009	1,965,973	239,697
Acquisition of investment in associates and joint ventures	(84,306)	(137,917)	(72,688)	(118,911)
Disposal of property, plant and equipment	270,874	357,154	233,545	307,935
Purchases of property, plant and equipment	(24,142,973)	(25,880,222)	(20,815,884)	(22,313,726)
Disposal of intangible assets	6,944	1,083	5,987	934
Purchases of intangible assets	(1,047,668)	(1,501,881)	(903,291)	(1,294,910)
Cash outflows from business combinations	(622,050)	(411,445)	(536,327)	(354,745)
Others	19,936	421,231	17,190	363,183
Net cash used in investing activities	(29,658,675)	(27,167,787)	(25,571,479)	(23,423,855)

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	For the year ended December 31,			
	2016	2015	2016	2015
	KRW	KRW	USD	USD
Cash flows from financing activities				
Net increase in short-term borrowings	1,351,037	3,202,416	1,164,854	2,761,098
Acquisition of treasury stock	(7,707,938)	(5,015,112)	(6,645,724)	(4,323,991)
Disposal of treasury stock	-	3,034	-	2,616
Proceeds from long-term borrowings and debentures	1,041,743	192,474	898,183	165,950
Repayment of long-term borrowings and debentures	(252,846)	(1,801,465)	(218,002)	(1,553,209)
Payment of dividends	(3,114,742)	(3,129,544)	(2,685,506)	(2,698,269)
Net increase in non-controlling interests	13,232	(25,312)	11,407	(21,823)
Net cash used in financing activities	(8,669,514)	(6,573,509)	(7,474,788)	(5,667,628)
Effect of exchange rate changes on cash and cash equivalents	417,243	(524,487)	359,744	(452,209)
Net increase in cash and cash equivalents	9,474,698	5,795,978	8,169,011	4,997,247
Cash and cash equivalents				
Beginning of the period	22,636,744	16,840,766	19,517,225	14,519,978
End of the period	32,111,442	22,636,744	27,686,236	19,517,225

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS

		For the year ended December 31	
<i>(In millions of Korean won)</i>		2016	2015
		KRW	KRW
Retained earnings before appropriations			
Unappropriated retained earnings carried over from prior year	₩	30	₩ 30
Interim dividends:		(141,540)	(148,916)
In 2016 - ₩1,000 (dividend rate: 20%)			
In 2015 - ₩1,000 (dividend rate: 20%)			
Retired treasury stock		(11,399,991)	-
Net income		11,579,749	12,238,469
Total		38,248	12,089,583
Transfers from other reserves			
Reserve for business rationalization		3,812,135	-
Total		3,812,135	-
Appropriations of retained earnings			
Reserve for business rationalization		-	3,000,000
Cash dividends:		3,850,352	2,919,821
In 2016:			
Common stock - ₩27,500 (dividend rate: 550%)			
Preferred stock - ₩27,550 (dividend rate: 551%)			
In 2015:			
Common stock - ₩20,000 (dividend rate: 400%)			
Preferred stock - ₩20,050 (dividend rate: 401%)			
Reserve for research and human resources development		-	5,000,000
Reserve for capital expenditure		-	1,169,732
Total		3,850,352	12,089,553
Unappropriated retained earnings to be carried forward	₩	31	₩ 30

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS

For the year ended December 31		
<i>(In thousands of US dollars)</i>	2016	2015
	USD	USD
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior year	\$ 26	\$ 26
Interim dividends:	(122,035)	(128,395)
In 2016 - ₩1,000 (dividend rate: 20%)		
In 2015 - ₩1,000 (dividend rate: 20%)		
Retired treasury stock	(9,828,984)	-
Net income	9,983,970	10,551,913
Total	32,977	10,423,544
Transfers from other reserves		
Reserve for business rationalization	3,286,793	-
Total	3,286,793	-
Appropriations of retained earnings		
Reserve for business rationalization	-	2,586,577
Cash dividends:	3,319,744	2,517,447
In 2016:		
Common stock - ₩27,500 (dividend rate: 550%)		
Preferred stock - ₩27,550 (dividend rate: 551%)		
In 2015:		
Common stock - ₩20,000 (dividend rate: 400%)		
Preferred stock - ₩20,050 (dividend rate: 401%)		
Reserve for research and human resources development	-	4,310,961
Reserve for capital expenditure	-	1,008,533
Total	3,319,744	10,423,518
Unappropriated retained earnings to be carried forward	\$ 26	\$ 26