

Letter to Shareholders

To Our Valued Shareholders,

The year 2019 held many challenges: we focused on achieving solid results amid difficult business conditions caused by a slowdown in the memory market and intensifying competition in the set business. Moreover, we continued our efforts on enhancing shareholder value.

We extend our sincere appreciation for your continued trust and support. Now let me share some highlights of 2019.

Strengthening competitiveness

In 2019, our total revenue was about 230 trillion won, and operating profit came in at approximately 28 trillion won, the results down from last year's totals due to challenging business environments.

Throughout the year, we dedicated ourselves to enhancing the competitive edges of our main businesses to reinforce the foundation for future growth.

The semiconductor business continued to innovate and widen the technology gap with our competitors—highlighted by third generation 10-nano DRAM, 5G integrated AP chips, and our 7-nano EUV process—and enhance its market leadership through sales of differentiated products such as high-capacity server memory and 100Mp image sensors. Our display business solidified its leadership in the mobile market by launching exciting new products, including foldable panels.

In the set business, we opened a new range of experiences to our customers with our 5G and foldable smartphones, QLED 8K TVs, and more. The Sero TV and Bespoke refrigerators clearly show that we are at the forefront of innovations for the new lifestyle.

The network business led the next-generation communication market with the world's first commercialization of 5G.

Due in part to the above efforts, our brand value in 2019 was evaluated at 61.1 billion US dollars by Interbrand, the total topping the 60 billion mark for the first time.

Shareholder value orientated management

We remained committed to enhancing shareholder value by increasing transparency of our corporate governance and strengthening the rights of our shareholders throughout the year.

In February 2020, the Board appointed an Independent Director as Chairman for the first time in the Company's history, improving our corporate governance even further. The appointment aims to

enhance the Board's independence and strengthen its authority to oversee Company executives, while also emphasizing responsible management that centers on the Board.

Moreover, in a continuation of our efforts to enhance shareholder rights, the Board resolved to adopt electronic voting, which will debut at our 51st Annual General Meeting. We expect e-voting to help a large number of shareholders exercise their voting rights more conveniently.

We established the Samsung Compliance Committee, an independent body that will strictly monitor our Company from a legal and ethical perspective. Through the Committee, which is composed of six outside members and one member from within the Company, we will keep strengthening our compliance and oversight schemes to ensure our business is run with integrity.

Under our shareholder return policy for 2018–2020, which was announced in 2017, total dividends for 2019 will be 9.6 trillion won. Dividend per share for 2019, including the quarterly dividends for the previous three quarters, is 1,416 won for common stocks and 1,417 won for preferred stocks.

As we enhanced the competitiveness of our businesses and adhered to shareholder value oriented management, our stock price rose 44% in 2019, and it has continued to trend up in early 2020. We will keep working to enhance the value of our company, which in turn should also boost shareholder value.

Investments for the future

Our world is transitioning into an era of intelligence and innovation based on data and led by 5G and AI technology. Seismic changes seem imminent considering ongoing innovations in disruptive technologies and ever-increasing corporate competition.

Planning to maintain our leadership role regardless of the changes in the environment, we are aggressively investing in R&D, and, as a result, are the second largest patent holder based on the number of US patents.

We will continue to produce innovative technology in areas such as AI chips, foldable devices, microLED TVs; and we will keep making mid- to long-term investments in system semiconductors and QD display, foundations for future growth.

As announced in 2019, we will invest 133 trillion won in R&D and facilities for system semiconductors through 2030; and 13 trillion won for QD display through 2025 as the business continues to develop.

Toward a future of shared growth

In commemorating our 50th anniversary last year, we emphasized creating a future where we “share and grow together”. To realize this vision, we will utilize our technologies to create a healthier and happier future while sharing the fruits of innovations with our employees, customers, partner companies, and society, and to add value to society through our meaningful work.

Under our CSR vision, “Together for Tomorrow! Enabling People,” we are dedicated to supporting the future generation, shown through our technical training program for the youth, among other programs.

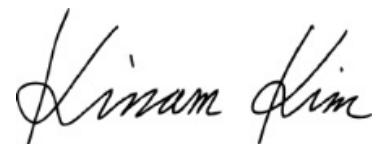
In response to the outbreak of COVID-19, we are systematically and proactively working to minimize risks throughout our global supply chain, which include impacts on production and sales as well as those on our partner companies. Also, the health and safety of our employees, their families, our partners, and communities remain a top priority. Thus, we are doing all we can to prevent any infections.

This year, 2020, is our first step toward realizing our goal of becoming “a centennial company to pass on to the future generation.” Samsung employees will work together with this goal in mind as we prepare for the next 50 years.

I hope your year is filled with health, happiness, and success.

Thank you and respectfully yours,

Kinam Kim,
Chief Executive Officer,
Samsung Electronics Co., Ltd

A handwritten signature in black ink that reads "Kinam Kim". The signature is written in a cursive, flowing style.