

Letter to Shareholders

To Our Valued Shareholders,

Thank you for your continued interest and support.

The year 2020 brought unprecedented difficulties, with COVID-19 affecting people around the world. I hope the global community can defeat COVID-19 soon, and we can return to our normal lives.

The Company delivered a solid performance amid this difficult environment thanks to the hard work and commitment of our employees and partner companies. We made numerous achievements over the past year, including financial ones, taking another step forward in our Company's progression.

Improved performance amid the pandemic

In 2020, we achieved total revenue of 237 trillion won and an operating profit of 36 trillion won, up 3% and 30% year-on-year, respectively, as we continued to strengthen competitiveness of our key businesses.

The Memory Business extended its market leadership by expanding sales of differentiated products, including high-capacity solutions for server and mobile. Also, we enhanced cost competitiveness by increasing our advanced process portion of production. System semiconductor solidified its foundation for growth by expanding mass production of EUV-based products, and the Display business strengthened leadership in mobile panels, including foldable products, while preparing for next-generation products based on QD-Display.

In consumer products, we bolstered our leadership in premium markets by introducing flagship smartphones featuring cutting-edge technologies, innovative foldable phones, and new models in the QLED TV and Bespoke appliance lineup. The Network business closed a large-scale equipment deal with an overseas carrier, bolstering its foundation to address the global market.

Backed by our achievements, we ranked in the top-5 of Interbrand's Best Global Brand 2020, with an estimated brand value of USD 62.3 billion.

Update on shareholder returns

In January 2021, we made two announcements regarding our shareholder return policies.

First, our shareholder return policy for the three-year term covering 2018–2020 committed to paying out a total of 28.9 trillion won, or 9.6 trillion won per year, as regular dividends. In addition to the year-end regular dividend, we will pay out a special cash dividend of 10.7 trillion won, which is the remaining portion of 50% of free cash flow for the period after deducting regular dividends.

The special cash dividend equates to 1,578 won per share, and it will be distributed to shareholders together with the year-end regular dividend of 354 won per common share and 355 won per preferred share. In April, shareholders will receive 1,932 won per common share and 1,933 won per preferred share following approval at the upcoming annual general meeting of shareholders.

We are pleased to have delivered solid results over the past three years that enabled the additional return to shareholders.

In addition, we also announced our shareholder return policy for the three-year term covering 2021–2023. We kept the shareholder return pool at 50% of the free cash flow generated over the three-year period, and we increased the annual regular dividend to 9.8 trillion won.

Moreover, we will announce the annual free cash flow each year of the program to enhance visibility. If the free cash flow significantly exceeds the regular dividends, we will actively consider executing a portion of it after the close of each year's results.

The price of our shares increased 45% last year, and we will continue to strive to enhance shareholder value.

Strengthened focus on ESG and corporate compliance

On top of our financial achievements, we worked to create environmental and social value as a part of our sustainable growth.

Some of our many eco-friendly practices include improving energy efficiency, reducing use of harmful substances, and minimizing impacts on the environment by using sustainable materials throughout the lifecycle of our products, from product planning to disposal. In particular, we reduced the use of plastic in our packaging considerably, and we introduced eco-packaging for our TVs, allowing consumers to upcycle the cardboard boxes.

Moreover, we achieved our end-2020 goal of meeting 100% of our energy needs with renewable sources for our operations in Europe, China, and the US. We will continue working for the environment in areas that require long-term efforts, such as greenhouse gas emissions.

Under the corporate social responsibility vision of “Together for tomorrow! Enabling People,” the Company promotes inclusive growth for a better future for everybody.

Through programs such as Samsung Software Academy for Youth, Samsung Dream Class in Korea, and Samsung Hope School in Vietnam, we are working to provide the youth with opportunities for a quality education.

In addition, we support our first-, second-, and third-tier suppliers via a collaboration program to enhance their supply-chain competitiveness by providing support in areas such as education, recruitment, and market entry. Furthermore, we expanded the scope of our program to also include SMEs with whom we have no contractual relationship.

In 2020, in particular, we supported our partner companies that were struggling amid COVID-19 via methods such as financial assistance for emergency funds and logistics expenses. We also supported companies that manufacture masks, test kits, and syringes for vaccinations with our manufacturing and R&D knowhow as part of our efforts as a member of the global community to overcome the challenges presented by the pandemic.

Our efforts in ESG also extended to strengthening legal and ethical compliance. The Samsung Compliance Committee, an outside, independent body, performs meticulous oversight for potential compliance risks by the Company and its top executives. At the same time, the Compliance Team was elevated to be led directly by the CEO and support key decision making of the Board of Directors.

Moreover, the Corporate Sustainability Management Office was elevated and renamed the Corporate Sustainability Center, which now reports directly to the senior CEO, and we also established sustainability offices in each division. The Sustainability Council was elevated to be led by the CFO, thus increasing the priority of sustainability in the decision making of our top executives.

We will continue to communicate with our stakeholders to better reflect sustainability in our overall business to grow together into a better tomorrow.

Dear shareholders,

The year 2021 has potential to be a very important year, as it may mark the start of the post-COVID-19 era.

To make another leap forward amid this changing landscape, we established new organizations to focus on big data, next-generation platform strategies, and the commercialization of robots.

This year, our future preparation efforts will focus on enhancing our capabilities in areas such as big data, AI, IoT, cloud, and security.

In addition, we will build the required foundation to become a trusted centennial company by addressing societal concerns via fostering an autonomous and proactive compliance culture throughout all levels of our operations and by bolstering workplace safety.

We ask for your continued interest and support.

Although attending the AGM in person will be difficult this year due to the pandemic, we strongly encourage you to represent your shares through electronic voting (available in Korea), which we adopted last year, and participate globally via a livestream of the AGM, made available for the first time this year.

We wish health and happiness for you and your family.

Thank you.

Jae-Wan Bahk,
Chairman of the Board,
Samsung Electronics Co., Ltd



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

