SAMSUNG ELECTRONICS
STRATEGIC UPDATE
Enhancing Long-Term Shareholder Value
November 2016
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Our Long-Term Priorities

- Develop the most **compelling solutions**
- Direct investment resources to the **highest potential** and **timeliest opportunities**
- Continue to concentrate on our **core competencies** and **maximize competitiveness**
- Be good stewards of capital and **deliver value to our shareholders**
Strategic Business Focus

- **Devices and Convergence Solutions**
  - New growth & value creation
  - Next generation technologies including IoT, AR and AI

- **Unrivaled Technology Leadership**
  - **Semiconductors**: DRAM, V-NAND, SLSI + Solution
    - Innovation through advanced silicon technology
    - Integrate key components to deliver value-added solutions
  - **Flexible OLED**: Create new form-factor with design flexibility

- **Accelerated Growth in Automotive and Connected Technologies**
  - Integrated Synergy from component capability: SoC, Memory, CIS, OLED, etc.
  - Utilize advanced UI/UX, 5G technology, IoT

- **Solutions + Strong Brands + R&D + Global Tier 1 Supplier**
Delivering Strong Results

The current BOD and management team have a track record of delivering solid operating performance.
Actions to Enhance Shareholder Return

1. Allocate **50%** of **2016 and 2017 FCF** for shareholder returns

2. Increase dividends
   - Increase 2016 total dividends by **30%** to **4.0 trillion won**
   - 2016 dividends per share is expected to increase by **36%** to **28,500 won**

3. Repurchase shares
   - Utilize remaining amount of the **50% of 2016 FCF** after the dividend payouts + unexecuted **0.8 trillion won** from **2015 FCF allocation**
   - Cancel repurchased shares

4. Initiate **quarterly dividend payments** starting Q1 2017

5. Seek to **further enhance capital allocation** policy beyond 2017
Track Record of Successful Capital Management

Shareholder Returns

Dividends Per Share

Price Performance

- Allocate 50% 2016 FCF for shareholder returns
- 2016 dividends per share is expected to increase by 36%
- SEC outperformed KOSPI

Dividends
Buyback
Special Buyback

Special Buyback Program

50% FCF

(KRW, tn)

(KRW, k)

(KRW, k)

'11 '12 '13 '14 '15 '16(E)

'11 '12 '13 '14 '15 '16(E)

Sep-15 Mar-16 Sep-16

SEC (45%↑)
KOSPI (2%↑)

Allocate 50% 2016 FCF for shareholder returns
2016 dividends per share is expected to increase by 36%
SEC outperformed KOSPI
Cash Position Benchmarking

Net Cash Amount

- SEC (KRW, tn)
  - 65

Net Cash / Asset

- A: 27%
- B: 31%
- C: 38%

Net Cash / Equity

- A: 36%
- B: 83%
- C: 63%

Net Cash / Revenue

- A: 32%
- B: 70%
- C: 76%

Objectives:

- Maintain a net cash balance of 65 to 70 trillion won going forward, in line with global peers
- Review cash position every 3 years to address business and economic developments and return excess cash beyond the net cash target to shareholders
- Continue to balance the principles of investment for long-term growth and sustainable shareholder value creation

All figures as of June 2016
A, B and C represent global technology companies that, like SEC, require significant investment in capex and R&D to fund future growth.
Governance: Board Composition

- Wide range of business experience, including strong foundation in technology and innovation
- Track record of delivering exceptional value for shareholders
- Actions to improve shareholder returns

※ New developments:
- Invite new members with international corporate experience
- One independent director with robust global c-suite/board experience by 2017 AGM

Current Board Composition

- Board Independence
- Information Technology
- Legal
- Finance
- Public Health
- Public Affairs/CSR
- Global C-Suite/Board Experience
Governance: Strengthen Procedures and Oversight

Create a new Governance Committee comprised of independent directors

☐ Address Board decisions and proposals that are linked to enhancing shareholder value

☐ Provide stronger Board communications with shareholders

☐ Governance Committee will assume the duties of the Corporate Social Responsibility (CSR) Committee

Current Committee Membership

- **Management Committee**
  - (3:0)
  - (Executive: Independent)

- **Audit Committee**
  - (0:3)

- **Independent Director Recommendation Committee**
  - (1:3)

- **Related Party Transactions Committee**
  - (0:3)

- **Compensation Committee**
  - (0:3)

- **Governance Committee**
  - (0:5)

Committee is not comprised of all independent directors

*Committee is comprised of all independent directors