



# **2019 Annual General Meeting of Shareholders**

## **Reference Material**

**SAMSUNG ELECTRONICS Co., Ltd.**

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

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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 <https://www.samsung.com/global/ir>

# Letter to Shareholders

## To Our Valued Shareholders,

Fiscal 2018 was another record year for Samsung Electronics: our financial performance set new highs for a second straight year despite numerous challenges in the second half, such as uncertainties related to global trade issues and changing monetary policies as well as intense competition in markets for our major products. Your trust and support, alongside the dedication and hard work of our employees, are the bedrock of our success, and for that, we extend our gratitude. I would now like to share some highlights of 2018.

## Record-high earnings

In the Memory Business, overall demand from major applications continued to rise, despite difficult business conditions in the fourth quarter. We bolstered our technological competitiveness with our advanced processes for 2nd generation 10nm DRAM and 5th generation V-NAND; and improved our earnings significantly by increasing the sales portion of premium products such as high-density server DRAM and SSD chips.

The Foundry Business added to its technological leadership by completing the development of the 7nm EUV process. The System LSI business, meanwhile, created more paths to growth by developing the industry's first 5G modems and extending use of APs and image sensors to include automotive technology and IoT applications.

For displays, the OLED business reinforced leadership by diversifying its customer base and offering differentiated new products like full-screen smartphone displays and fingerprint-on-display panels. Amid unfavorable conditions, the LCD business focused on securing profitability by improving its product mix via the industry's first mass production of 8K TV panels.

In the Mobile Communications Business, we bolstered our role as a leader in the premium segment with the launches of the differentiated Galaxy S9 and Note 9, which offer differentiated features such as dual lens, smart S-pen, etc. Amid intense competition in the mass market and backed by a lineup that includes the Galaxy A series, we generated strong earnings by improving cost competitiveness and delivering cutting-edge features, including multi-cameras. With an eye toward future growth, we expanded and improved our AI- and IoT-based ecosystem.

The TV business expanded the premium market by addressing a trend towards bigger and higher-resolution products with the introduction of our ultra-large, ultra-HD QLED 8K TVs. We remained atop global market share—a position we have held since 2006—by delivering products that feature differentiated designs such as the Frame TV and offer improved usability and convenience through Bixby-based voice recognition functionalities. In Digital Appliances, we strengthened competitiveness by enhancing innovative products, such as Family Hub 3.0 refrigerators, Cube air purifiers, and Air Dressers, with advanced smart features.

In the automotive business, we created synergies between Harman's technology and our IT know-how in 5G, OLED, AI, and voice recognition. Our co-developed Digital Cockpit, a highly-recognized vision of next-generation mobility life, is just an initial step in our shared quest to push beyond current boundaries in infotainment and telematics.

Overall, our efforts produced a second straight year of record-high financial results, with revenue increasing slightly to KRW 244 trillion and operating profit rising 10% to KRW 59 trillion.

### **Improvements in corporate governance**

Alongside our solid financial results, we also made significant advancements in corporate governance and transparency.

Last March, we separated the roles of Chief Executive Officer and Chairman of the Board to clarify the responsibilities and increase independence of the Board. This enables our CEOs to focus solely on their business areas and allows the Chairman to strengthen executive supervision and encourage Independent Directors to participate more actively in the decision making process.

Also in March, a non-Korean citizen and a female legal expert were elected as Independent Directors. We believe the added diversity and inclusivity will provide a more balanced perspective and thus boost the Board's effectiveness.

We established the Governance Committee in 2017 to oversee and improve on our activities related to shareholder value and corporate social responsibility; and in 2018, we formed the Independent Director Recommendation Committee entirely with Independent Directors to better reflect their opinions and thus strengthen the independence of the Board. Knowing full well that our advancements in corporate governance also contribute to securing sustainable growth, we will continue to seek ways to improve.

### **Shareholder return policy**

Our shareholder return policy for 2018–2020 offers significant increases in dividends and predictability. We will distribute dividends of KRW 9.6 trillion in each of the covered years as a part of our promise to return 50% of total free cash flow of the full three-year period.

Following this policy and upon approval at the Annual General Meeting, the annual dividend for 2018 is KRW 9.6 trillion won, up 65% from KRW 5.8 trillion in 2017. Dividend per share on a full-year basis is KRW 1,416 for common stock and KRW 1,417 for preferred stock.

In December 2018, we completed our plan to cancel all treasury stock by retiring the shares that remained from the first cancellation in May 2017. These transactions reduced issued common stock by approximately 7% and issued preferred stock by around 9% compared to levels at end-2017. Overall, the decreases will help boost value per share, and, in turn, contribute to shareholder value in the long term.

In May 2018, we conducted a 50:1 stock split to increase liquidity and expand our investor base. The split provided more people with an opportunity to own Samsung Electronics shares and benefit from our dividends.

## Looking ahead

In 2019, we expect business conditions to remain difficult as global trade conflicts persist and changes in monetary policies of developed nations may lead to financial uncertainties in emerging economies.

In our mainstay businesses, we will continue to find efficiencies and enhance management's agility throughout the entire business process, building on our leadership in these already strong areas. At the same time, we will keep developing and realizing our potential in new business areas by leveraging our innovative technologies and next-generation products.

Our industry is changing rapidly: rising competition in areas related to software, content, services, ecosystems, *etc.*, leave little doubt that preparations for the future are no longer optional, but rather both a means of survival and a path to success. We plan to maintain our position at the forefront of change and will set cornerstones for sustained growth through a corporate culture that encourages openness and welcomes constructive mistakes alongside ambitious investments in our pursuit of new technology. For our shareholders, we remain dedicated to executing our shareholder policy faithfully and exploring ways to boost shareholder value that extend beyond financial performance.

Lastly, we will provide a safe working environment for all our employees, including those of our suppliers, by integrating our Environment, Health, and Safety (EHS) system into all aspects of our business. As a part of these efforts, we have conducted evaluations of our corporate safety culture, educational training sessions for our employees, and risk evaluations on all manufacturing sites to identify potential risks. We will improve safety management further by building a comprehensive accident management process while striving to create an accident-free work environment through internalizing a culture of safety.

Just as we stepped up ten years ago amid the global financial crisis, we will not shy away from the challenges that await us. In this, our 50<sup>th</sup> anniversary year, we promise to use our unparalleled technological advantages to fortify our leadership role and provide the foundation for even greater prosperity over the next 50 years.

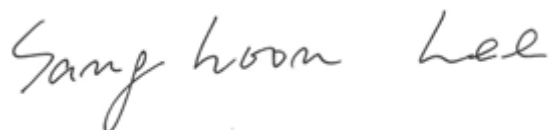
I wish you health, happiness, and success in the coming year.

Thank you and respectfully yours,

Ki-Nam Kim,  
Chief Executive Officer,  
Samsung Electronics Co., Ltd



Sang-Hoon Lee,  
Chairman of Board,  
Samsung Electronics Co., Ltd



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# Notice of Annual Meeting of Shareholders

**Date/Time** : March 20, 2019 at 09:00 Korea Standard Time (UTC+9)

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

**Record date** : December 31, 2018 (only common shareholders of record at the close of business on the record date are entitled to vote at the Annual General Meeting of Shareholders)

## Agenda 1. Approval of audited financial statements and annual dividends (FY2018)

### □ Financial highlights

- Audited financial statements with the independent auditor's opinion are not available as of today but will be disclosed separately at the IR webpage of Samsung Electronics on February 28<sup>th</sup>.  
<https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/>

### □ Annual dividends

- The Company paid KRW 9.6 trillion in dividends in FY2018, an increase of 66% from the KRW 5.8 trillion paid in FY2017. Dividend per common share was KRW 1,416, resulting in 3.7% of dividend yield at the end of FY2018.
- We plan to review free cash flow for the 3-year period of our current return program (2018–2020) and update the three year total shareholder return during the 2Q19 earnings call in July.

## Agenda 2. Election of Directors

- Following the term expiration of three Independent Directors (In-Ho Lee, Kwang-Soo Song, Jae-Wan Bahk), we recommend re-electing one Director.
  - In-Ho Lee and Kwang-Soo Song were not renominated due to long tenure and an overlap of expertise.

### Board Composition (2018)

Director	Tenure (years)	Expertise	Gender
In-ho Lee*	9 (since 2010)	Finance (bank)	M
Kwang-Soo Song*	6 (since 2013)	Legal	M
Jae-Wan Bahk	3 (since 2016)	Public Policy (audit/labor)	M
Jeong Kim	1 (since 2018)	Global IT (telecom)	M
Sun-Uk Kim*	1 (since 2018)	Legal	F
Byung-Gook Park	1 (since 2018)	IT (semiconductor)	M

### Proposed (2019)

	Tenure	Expertise	Gender
Han-Jo Kim*	New	Finance (bank)	M
Curie Ahn	New	Medical/CSR	F
Jae-Wan Bahk*	4	Public Policy (audit/labor)	M
Jeong Kim	2	Global IT (telecom)	M
Sun-Uk Kim*	2	Legal	F
Byung-Gook Park	2	IT (semiconductor)	M

\* Audit Committee member

### Agenda 2.1 Appointment of Independent Directors (3)

- We recommend re-electing Director Jae-Wan Bahk to sustain the experience and knowledge of the Board and effectively carry out governance responsibilities.

#### Director Bahk

- has clearly demonstrated his valuable expertise and experience to the Board through active participation in Board meetings over the past three years.
  - majored in public policy; holds expertise in accounting and finance with relevant experiences in the fields of tax, public accounting and audit; has served on the nation's Board of Audit and Inspection
  - served as Minister of Employment and Labor; provided insights into related issues
  - ※ Director Bahk's re-election will ensure that not all six Independent Directors have one year of experience or less.
- We recommend Mr. Han-jo Kim and Dr. Curie Ahn for Independent Directors to enhance the financial expertise of the Audit Committee and further increase diversity of our Independent Directors (gender, CSR expertise).
  - Han-Jo Kim (Financial expert)
    - : Former President and CEO of Korean Exchange Bank; former Vice Chairman of Hana Financial Group; Chairman of Hana Nanum Foundation
  - Curie Ahn, PhD (Medical / CSR, Female candidate)
    - : Professor at Seoul National University Hospital; Founded Raphael Clinic, a provider of medical services to migrant workers in 1997, and currently serves as Chairwoman.

### Agenda 2.2 Appointment of Audit Committee member (2)

- We recommend Director Jae-Wan Bahk and Mr. Han-Jo Kim for the Audit Committee
- Director Jae-Wan Bahk and Mr. Han-Jo Kim hold financial expertise satisfying the requirements of the Commercial Act of Korea.
- The presence of two financial experts on the Audit Committee will enhance expertise of the Audit Committee and increase efficiency of business activity supervision

### Agenda 3. Approval of Director Remuneration limit (FY2019)

(Unit: KRW billion)

		FY2019	FY2018	
		Proposed	Approved	Actual
	General compensation	37.5	37.5	13.2
	Long-term incentive (LTI)	9.0	9.0	8.1
	Total	46.5	46.5	21.3

The Board of Directors recommends a remuneration limit of KRW 46.5 billion for FY2019, unchanged from FY2018.

#### General compensation

- The Board recommends maintaining the level of general compensation in FY2019 as the number of Directors remains unchanged from FY2018.

#### Long-term incentive (LTI)

- The Board recommends keeping the LTI limit at KRW 9 billion for FY2019, as was the case in FY2018.

## Agenda 1. Approval of Audited Financial Statements and Annual Dividends (FY2018)

### I. Audited financial statements

#### Overview

The Board of Directors is seeking your approval of the following financial statements for FY2018 beginning on January 1, 2018 and ending on December 31, 2018.

- 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 but will be disclosed separately at the IR webpage of Samsung Electronics on February 28<sup>th</sup>.

<https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/>

#### □ Financial performance (K-IFRS, consolidated)

(Unit: KRW trillion)

	FY2018	FY2017	Change
Revenue	243.8	239.6	1.8%
Operating profit	58.9	53.6	9.8%
Net profit	44.3	42.2	5.1%
EPS (KRW)	6,461	5,997	7.7%

Assets	339.4	301.8	12.5%
Liabilities	91.6	87.3	5.0%
Equity	247.8	214.5	15.5%
Liabilities/equity	37.0%	40.7%	-3.7% p

ROE	19.2%	20.7%	-1.5% p
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\* See Section 5. (page 41 ~) for detailed financial statement.



## Business performance

### □ Summary of key financial metrics, by business division

(Unit: KRW trillion)

Division	Category	FY2018	FY2017	FY2016
Semiconductor	Revenue	86.3	74.3	51.2
	Operating profit	44.6	35.2	13.6
	Margin	51.7%	47.4%	26.6%
Display Panel	Revenue	32.5	34.5	26.9
	Operating profit	2.6	5.4	2.2
	Margin	8.1%	15.7%	8.3%
Consumer Electronics	Revenue	42.1	44.6	45.1
	Operating profit	2.0	1.8	2.7
	Margin	4.8%	4.0%	6.0%
IT & Mobile Communications	Revenue	100.7	106.7	100.3
	Operating profit	10.2	11.8	10.8
	Margin	10.1%	11.1%	10.8%
Overall	Revenue	243.8	239.6	201.9
	Operating profit	58.9	53.6	29.2
	Margin	24.2%	22.4%	14.5%

In 2018, we achieved record-high results amid a strong memory market for a second straight year due to our technological capabilities and pre-emptive investments. In addition, key businesses reached meaningful milestones, further solidifying our foundation for growth. Overall, our revenue increased slightly to KRW 243.8 trillion and operating profit rose 10% to KRW 58.9 trillion.

In Semiconductor business, the Memory Business bolstered its leadership in technology by achieving industry firsts through the mass production of 2nd generation 10nm DRAM and 5th generation V-NAND, thus solidifying its position atop the premium market for high-performance, high-capacity products. In our logic semiconductor businesses, we are continuing to pave the way to growth based on our technological capabilities with production start of the 7nm EUV process by the Foundry Business and the industry's first commercialization of 5G modem chips by the System LSI Business.

For Display Panel business, flexible OLED panels have proven their strength by enabling a variety of front designs and are now a mainstream feature of premium smartphones. Our LCD panels have set a new standard for picture quality of next-generation large-screen TVs and are the first to be mass produced for use in ultra HD 8K displays.

The Mobile Communications Business strengthened its position in the premium market by offering flagship products with differentiated specifications. The business also further matured its ecosystem, with a focus on AI and IoT technologies in Bixby Market Place. The Network Business earned recognition for its technological and business acumen by supplying 5G equipment to clients in North America and Korea. We expect to use our experience in this burgeoning industry as a springboard to a leadership position in the global market.

For Consumer Electronics Business, our TVs delivers the best available picture quality with the release of upgraded QLED TVs, and further expanded the premium market by catering to the trend of bigger and better products through the launch of ultra-large, ultra-HD QLED 8K models. In Digital Appliances, we further

strengthened competitiveness by equipping advanced smart features in innovative products such as our Family Hub 3.0 refrigerators, Cube air purifiers, and Air Dressers.

## Capital expenditures and other investments

### □ Capex, R&D, advertising & sales promotion investments

(Unit: KRW trillion)

Category		FY2018	FY2017	FY2016
	<b>Capex</b> (as percentage of revenue)	<b>29.4</b> <b>(12.1%)</b>	43.4 (18.1%)	25.5 (12.6%)
	<b>R&amp;D</b> (as percentage of revenue)	<b>18.4</b> <b>(7.5%)</b>	16.4 (6.8%)	14.1 (7.0%)
	<b>Advertising &amp; sales promotion</b> (as percentage of revenue)	<b>11.1</b> <b>(4.6%)</b>	12.6 (5.3%)	11.5 (5.7%)
<b>Total</b> (as percentage of revenue )		<b>58.9</b> <b>(24.1%)</b>	72.4 (30.2%)	51.1 (25.3%)

Total capex in FY2018 was approximately KRW 29.4 trillion, with KRW 23.7 trillion allocated to semiconductor and KRW 2.9 trillion to display. On a year-on-year basis, capex in the semiconductor business declined as the foundry 10nm line expansion completed in FY2017, while capex for the display business was down significantly due to a large reduction in investments related to flexible OLED panels.

R&D expenses increased KRW 2 trillion year-on-year, reaching KRW 18.4 trillion or approximately 7.5% of total revenue, mainly related to the semiconductor business. Our Global R&D activities focus on delivering advanced technology and innovations to strengthen competitiveness and secure long-term growth.

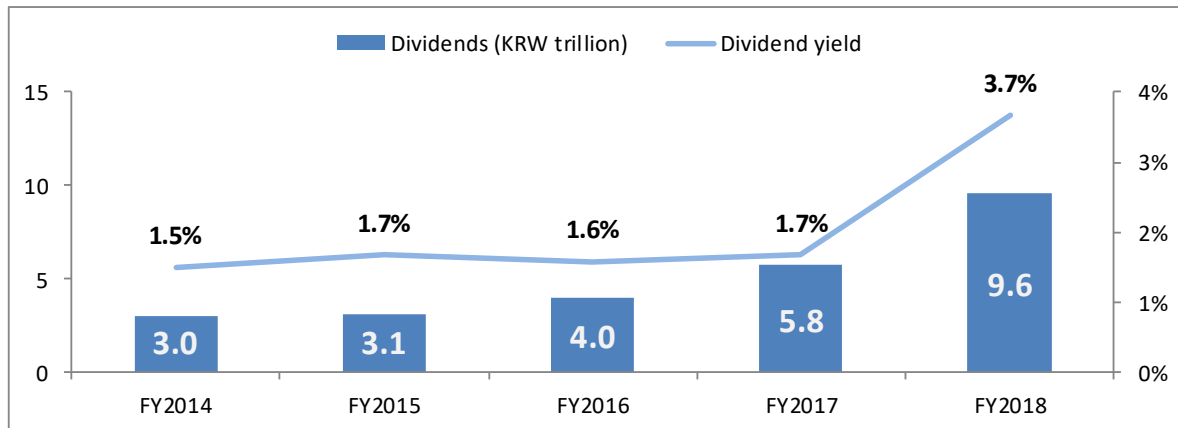
Advertising and S&P expenses in FY2018 declined KRW 1.5 trillion year-on-year to KRW 11.1 trillion thanks to efficient cost execution, mainly by the set business.

## II. Shareholder return

### Shareholder return program for FY2018–2020

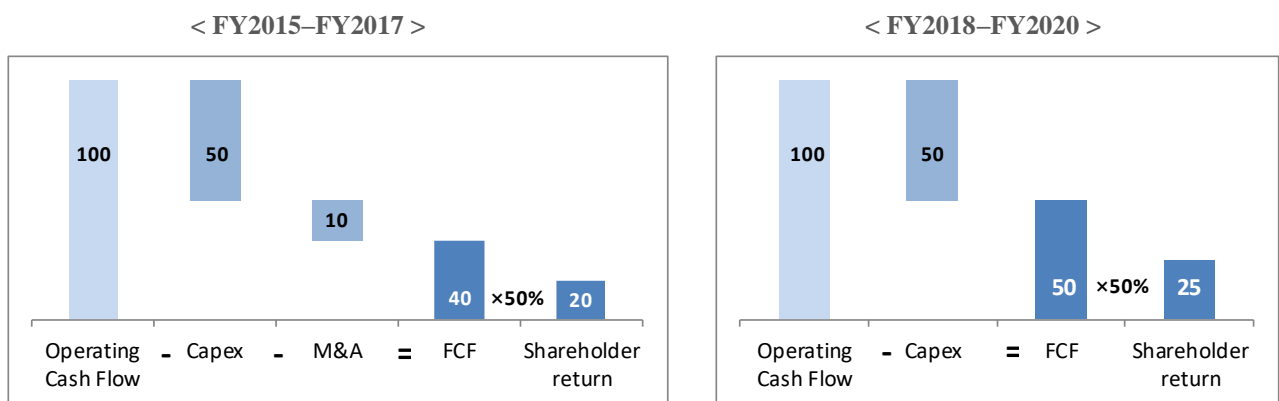
- In November 2017, the Company announced a shareholder return program for FY 2018–2020 that aims to provide investors greater predictability.
- The Company will distribute KRW 9.6 trillion in dividends in each year of the program, an increase of 66% compared to the KRW 5.8 trillion paid in FY2017.

※ Dividend yield for 2018 is approximately 3.7% based on the year-end stock price.



- The Company changed the period of returning a minimum 50% of Free Cash Flow (FCF) from one year to three years to address possible fluctuations in annual shareholder return caused by fluctuations in annual FCF. After dividend payouts, any remaining portion of 50% of total FCF for the three-year period will be returned to shareholders (*eg*, via additional cash dividends, share buybacks, *etc.*).
- Unlike the previous program, M&A investments will not be deducted from FCF. This will increase both the scale and predictability of shareholder returns.

[Example] Comparison of FCF and shareholder return calculations



- We plan to review FCF for the three-year period of our current return program and update the three year total shareholder return in our 2Q19 earnings call in July.

### Treasury share cancellation

Following a Board resolution in November 2018, the Company on December 4th cancelled all treasury holdings that remained after the first cancellation in May 2017.

- As a result, all shares that were held in treasury over 2017–2018 have been cancelled.
- This reduced the number of shares outstanding by 13% for common shares and 16% for preferred shares.

# Agenda 2. Election of Directors

## Overview

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The Board is elected by shareholders to oversee the financial soundness and long-term success of the Company's business. The Board serves as the Company's ultimate decision-making body except in matters reserved to or shared with our shareholders. We continue our efforts to improve the Board's operational efficiency as well as its independence.

Last year, the Board underwent several significant changes following the 2018 AGM, which included separating the roles of CEO and Chairman for the first time in the Company's history. We also appointed each of the new heads of our divisions to Executive Director; and our three newly elected Independent Directors strengthened our expertise in IT as well as increased diversity in gender and nationality. We formed the Independent Director Recommendation Committee solely with Independent Directors, which means that all Board committees (excluding the Management Committee) consist entirely of Independent Directors.

In the 2019 AGM, the Company seeks to make the following changes to the Board to enhance the financial expertise of the Audit Committee and further increase the diversity (gender/ expertise) of our Independent Directors;

- The terms of three Independent Directors will expire in March of this year: In-Ho Lee (first elected in 2010), Kwang-Soo Song (2013), and Jae-Wan Bahk (2016). In-Ho Lee and Kwang-Soo Song were not renominated due to long tenure and an overlap of expertise. We recommend re-electing Director Jae-Wan Bahk for his continued contribution and to secure consistency and effectiveness of Board activities. Director Bahk's re-election will ensure that not all six Independent Directors have one year of experience or less.
- We recommend re-electing Director Jae-Wan Bahk based on his board experience and expertise in auditing and labor-related issues.

### Director Bahk

- has clearly demonstrated his valuable expertise and experience to the Board through active participation in Board meetings over the past three years.
  - majored in public policy; holds expertise in accounting and finance with relevant experiences in the fields of tax, public accounting and audit; has served on the nation's Board of Audit and Inspection
  - served as Minister of Employment and Labor; provided insights into related issues.
- We recommend Mr. Han-jo Kim and Dr. Curie Ahn for Independent Directors to enhance the financial expertise of the Audit Committee and further increase diversity of our Independent Directors (gender, CSR expertise).
    - Han-Jo Kim (Financial expert)
      - : Former President and CEO of Korean Exchange Bank; former Vice Chairman of Hana Financial Group; Chairman of Hana Nanum Foundation
    - Curie Ahn, PhD (Medical / CSR, Female candidate)
      - : Professor at Seoul National University Hospital; Founded Raphael Clinic, a provider of medical services to migrant workers in 1997, and currently serves as Chairwoman.

- We recommend Director Jae-Wan Bahk and Mr. Han-Jo Kim for positions on the Audit Committee. Mr. Bahk can utilize his expertise in auditing, which he gained through his work at the Board of Audit and Inspection as well as his education in tax, public accounting, and audit; while Mr. Kim, with over 35 years in the banking industry, has extensive knowledge in accounting and finance. If elected, the presence of two financial experts will increase efficiency of business activity supervision and enhance expertise of the Audit Committee.

Samsung Electronics will strive to enhance long-term shareholder value. To this end, we are changing the Board's composition, which will improve the expertise and diversity of the Board. We ask for your support and interest in this move.

## **Agenda 2.1 Appointment of Independent Directors**

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### **2.1.1**

**Jae-Wan Bahk, PhD**

**(re-nominated)**



### **2.1.2**

**Han-Jo Kim**

**(newly nominated)**



### **2.1.3**

**Curie Ahn, PhD**

**(newly nominated)**



We nominated three candidates through our Independent Director Recommendation Committee in meetings held on January 31 and February 25, 2019.

- Director Jae-Wan Bahk is a professor at the Graduate School of Governance of Sungkyunkwan University and President of Hansun Foundation, an independent private think tank. Director Bahk's experience includes serving as the Minister of Employment and Labor and the Minister of Economy and Finance.

He has been an Independent Director since 2016. During his term Director Bahk, an active participant in Board activities, has proven his capabilities and high understanding of the Company's business.

Director Bahk majored in public policy including tax, public accounting and audit, and his comprehensive understanding of auditing is evidenced by his service on the nation's Board of Audit and Inspection. Amid increasing importance of employment and labor issues, Director Bahk, backed by his experience as Minister of Employment and Labor, will also contribute to addressing related risks.

We recommend re-electing Mr. Bahk based on his board experience and valuable expertise (audit, labor).

- Mr. Han-Jo Kim is a financial expert who joined the Korea Exchange Bank ("KEB") in 1982 and has been in the banking industry ever since. Mr. Kim climbed the ranks and was appointed President and CEO of KEB in 2014. As CEO, he played a leading role in completing the merger between Hana Bank and KEB. Under his leadership, the merger created synergies and secured competitiveness, allowing KEB Hana Bank to become one of the largest banks by assets in Korea. In 2015, Mr. Kim became the Vice-

Chairman of Hana Financial Group.

Moreover, Mr. Kim's involvement with the charitable organization Hana Nanum Foundation leaves him well qualified to provide valuable input regarding the Company's CSR activities.

- Dr. Curie Ahn was the first female to become a professor at the Seoul National University Hospital. She is one of Korea's foremost nephrologists and a global authority on xenotransplantation.

In 1997, Dr. Ahn established the Raphael Clinic, a provider of free medical services to migrant workers, who often have trouble obtaining medical services. She also actively volunteers overseas, working to help increase medical self-sufficiency of developing Asian nations by educating the local medical workforce and improving the local medical environment. She has received numerous awards, including the Order of the Polar Star from the Mongolian government, Posco Chung-Am Prize, and the Ho-Am prize. From 2016, Dr. Ahn has been serving as the co-president of the Council of Seoul National University Professors of Social Contribution.

Dr. Ahn is expected to play an active role in expanding the Company's CSR activities and share practical advice for CSR projects related to medical and educational support in developing nations.

If Dr. Ahn is elected, she will join Director Sun-Uk Kim on the Board, increasing female representation and strengthening a corporate culture based on diversity.

## **Agenda 2.2 Appointment of Audit Committee member**

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### **2.2.1**

#### **Jae-Wan Bahk, PhD**

**(newly nominated)**



### **2.2.2**

#### **Han-Jo Kim**

**(newly nominated)**



- Director Bahk holds expertise in accounting and finance as he majored in public administration including tax, public accounting and audit. He has served on the nation's Board of Audit and Inspection where he received two commendations from the Chairman of the institution. Director Bahk's presence on the Audit Committee will help strengthen the Committee's financial expertise and risk management capabilities.
- Given the expected retirement of Director In-Ho Lee in March 2019, the Audit Committee requires a new finance expert, and the Independent Director Recommendation Committee believes that Mr. Kim is the most suitable candidate for the job. As an expert in the field, he is expected to enhance the expertise and risk management capabilities of the Audit Committee.

### Jae-Wan Bahk, PhD

Date of birth: January 24, 1955

Dr. Jae-Wan Bahk has been a professor at Sungkyunkwan University's Graduate School of Governance since 1996, and he served as Dean from 2015–2016.

Prior to that, he worked at the Board of Audit and Inspection (1983–1992), the Ministry of Finance (1992–1994) and served as an assistant Chief Secretary to the Korean President for Policy Planning (1994–1996).

Dr. Bahk was a member of the 17th National Assembly from 2004 to 2008, and went on to serve as Senior Secretary to the President for National Vision, Agenda & Strategy from 2008 to 2010, Minister of Employment and Labor from 2010 to 2011, and Minister of Strategy and Finance from 2011 to 2013. Dr. Bahk earned his BA in Economics from Seoul National University in 1977 and PhD in Public Policy from Harvard University in 1988. He has been President of the Hansun Foundation for Peace & Prosperity of the Korean Peninsula since 2014 and an Independent Director at Samsung Electronics since 2016.

### Han-Jo Kim

Date of birth: July 12, 1956

Mr. Han-Jo Kim is a financial expert who has been in the banking industry for over 35 years. He has served as the President of the Korea Exchange Bank and Vice Chairman of Hana Financial Group. After joining KEB in 1982, he showed outstanding capabilities in a number of areas, including corporate finance and credit finance. In 2012, he served as head of Corporate Banking and Deputy Executive Vice President of KEB and then as the president of KEB Capital in 2014, becoming the president of KEB in March of the same year.

In 2015, Mr. Kim led the successful merger between KEB, Korea's fifth-largest bank by assets, and Hana Bank, the fourth-largest by assets. After the launch of KEB Hana Bank, he served as the Vice Chairman of Hana Financial Group, the parent company, until 2016 and is now the Chairman of the Hana Nanum Foundation. He received his Bachelor's degree in French Language and Literature at Yonsei University.

### Curie Ahn, PhD

Birth: March 17, 1955

Dr. Curie Ahn's focus in medicine is related to genetic kidney disease, xenotransplantation, and immunology; and she holds the distinction of being the first female professor at Seoul National University ("SNU") Hospital on her appointment in 1994. She has served as the Director of the SNU Hospital Transplantation Center from 2008–2015, Director of Institutes of Green Bio Science and Technology of SNU and Vice President of Transplantation Research Institute of SNU since 2012. In 2015, she was appointed as a Councilor of the International Xenotransplantation Association.

Dr. Ahn actively volunteers her medical expertise to social contribution activities. After establishing the Raphael Clinic in 1997 to provide free medical services to migrant workers, she has continued to volunteer for over 20 years. Her efforts include actively engaging to increase medical self-sufficiency of developing nations by providing education to the local medical workforce and improving the local medical environment. She has been recognized through a number of awards, including the Order of the Polar Star from the

Mongolian government, Posco Chung-Am Prize, and the Ho-Am prize. She has been serving as the co-president of the council of Seoul National University Professors of Social Contribution since 2016. She graduated from the Seoul National University College of Medicine and gained her master's and doctor's degree from the same institution.



## Agenda 3. Approval of Remuneration Limits for Directors (FY2019)

### Compensation Committee

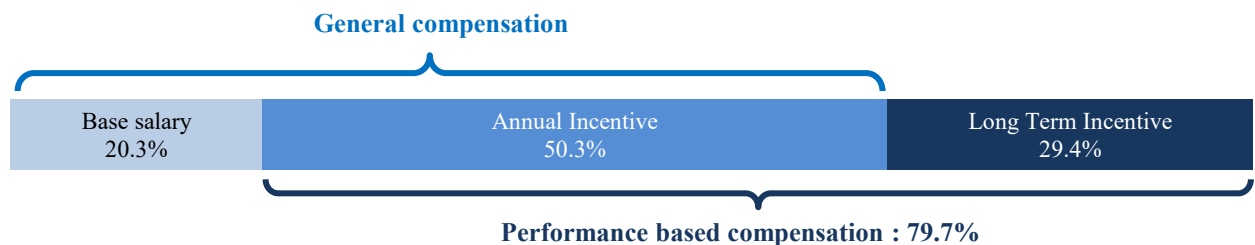
Samsung Electronics in 2009 established the Compensation Committee by a resolution of the Board, without legal mandates. The Committee is comprised entirely of Independent Directors to ensure the objectivity and transparency of decision making regarding director remuneration. It is responsible for assessing the appropriateness of director compensation and reviewing the limit on director compensation for the next fiscal year, which will be up for approval by the shareholders at the Annual General Meeting of Shareholders.

### Remuneration structure

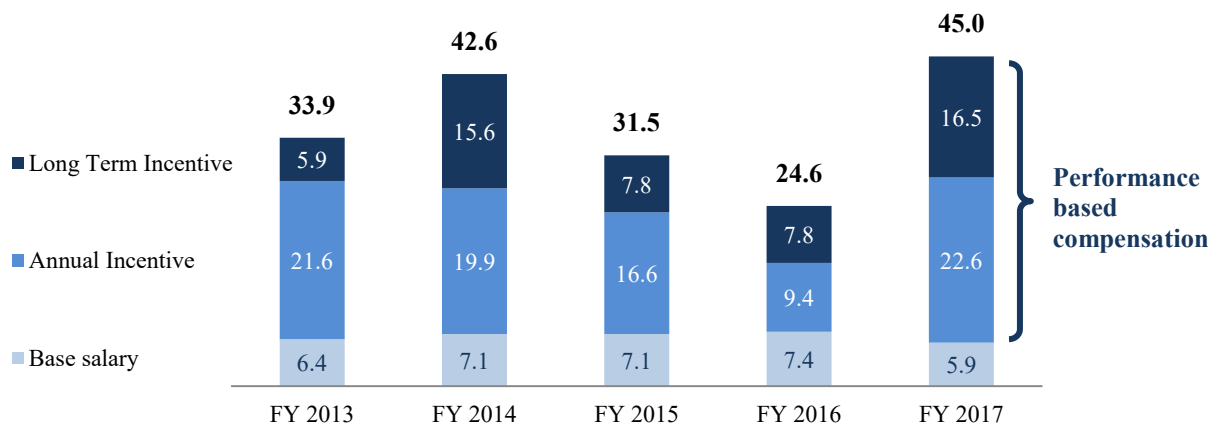
Our Director Remuneration program is designed to emphasize the link between performance and compensation. The remuneration plan consists of two elements: 1) general compensation; and 2) three-year long-term incentive (LTI).

1) General compensation	1.1) Base salary	Fixed compensation (including independent directors)
	1.2) Annual incentive	Performance based compensation
2) Long term incentive (LTI)		

#### ※ FY2013–FY2017, Remuneration of Directors by element (average portion)



(Unit: KRW billion)



### Remuneration structure

## 1) General compensation

General compensation consists of base salary (including that for Independent Directors) and annual incentives.

### 1.1) Base salary

In accordance with internal regulations for executive treatment (Board resolution), base salary is determined based on position, responsibilities, and performance results.

- Performance-based compensation such as annual incentives and LTI are calculated using base salary as the base.

### 1.2) Annual incentive

Annual incentives are based on achievements and financial performance in each business segment.

- OPI (Overall Performance Incentive): Provided within a range of 50% of the annual salary, when a company achieves annual target set by CEOs. Paid from 20% of calculated EVA.
- TAI (Target Achievement Incentive): Provided within a range of 200% of monthly salary based on target achievement of each business.
- Special Bonus: Provided as a one-time bonus based on the annual performance and financial results, in accordance with internal regulations approved by the Board—eg, special bonus to the CEO of the semiconductor business.

## 2) Long-term incentive (LTI)

The Company determines LTI by conducting performance evaluations on a three-year interval, and distributes 50%, 25%, and 25% of the incentive in the following three years, respectively. Samsung Electronics adopted the LTI system in 2005.

	Term 1	Term2	Term 3	Term 4
Evaluation period:	2005–2007	2008–2010	2011–2013	2014–2016
Payment period:	2008	2011–2013	2014–2016	2017–2019

### Evaluation criteria

Comparison of 3-year **ROE, Stock performance, EBIT Margin**

- ROE and EBIT margin in each business segment are measured against figures at global peers.
- Stock performance is measured against that of the KOSPI and of global peers

### Clawback policy

The LTI plan features a clawback policy (or recovery plan) that enables the Company to reduce awarded payments if any financial losses, such as contingent liabilities, are found after the LTI was determined. The plan's deferral of and ability to recover payments is designed to enhance management responsibility.

## Actual: FY2018

(Unit: KRW billion)

	FY2018		FY2017
	Approved	Actual	Actual
General compensation	37.5	13.2	28.5
Long-term incentive (LTI)	9.0	8.1	16.5
Total	46.5	21.3	45.0

### 1) General compensation of FY2018 decreased year-on-year.

- Base salary remained similar to the previous year despite an increase in the number of Directors as the length of service of the newly appointed Executive Directors was shorter than those of their predecessors.
- Annual incentive decreased significantly considering the special bonus provided to CEO of the semiconductor business in FY2017.

### 2) LTI of FY2018 decreased year-on-year.

- In FY2017, 50% of incentive was provided in accordance with the LTI system as it was the first year of the three year term, whereas 25% of incentive was provided in FY2018 and 25% will also be paid in FY2019.

## □ Executive Directors

- In accordance with relevant regulations, remuneration of Executive Directors is disclosed semiannually. Individual remuneration for FY2018 will be disclosed in April 2019.
- In March 2018, four Executive Directors were newly appointed: Board Chairman Sang-Hoon Lee and CEOs of each division (*ie*, Ki-Nam Kim, Hyun-Suk Kim, and Dong-Jin Koh). Jae-Yong Lee has not been remunerated from the second half of 2017.

(Unit: KRW billion)

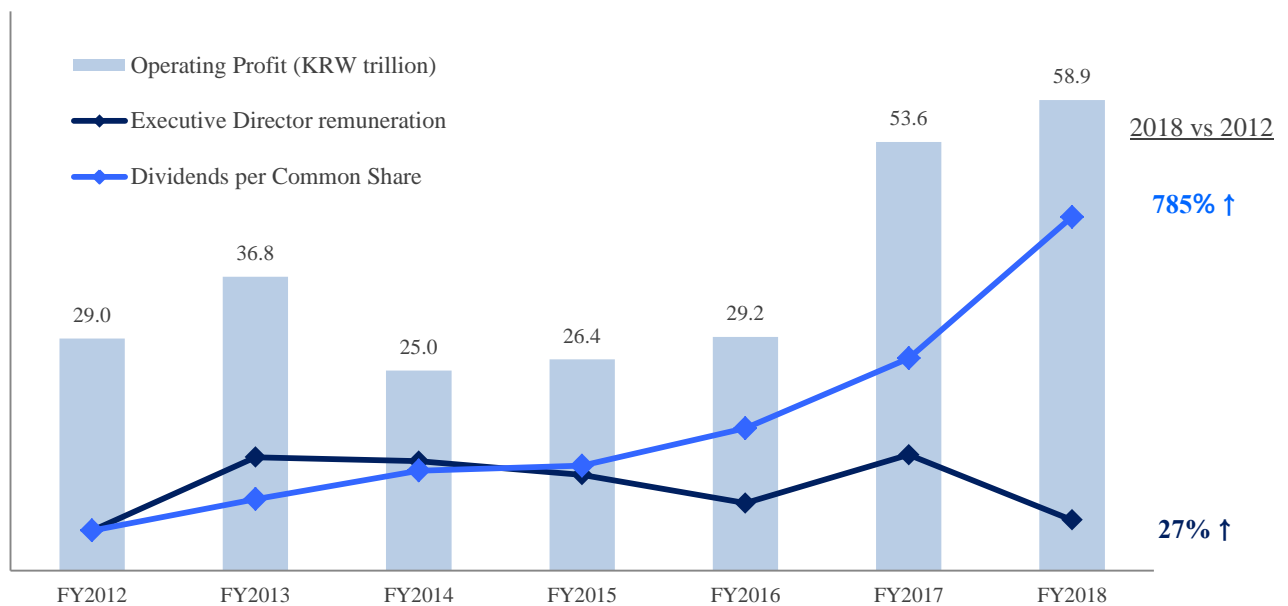
	FY2018			FY2017					
	1st Half			1st Half			Year		
	Base salary	Perform. based	Total	Base salary	Perform. based	Total	Base salary	Perform. based	Total
SH Lee	0.4	1.8	2.2						
JY Lee	-	-	-	0.3	0.5	0.8	0.3	0.6	0.9
KN Kim	0.6	0.7	1.4						
HS Kim	0.5	0.5	1.0						
DJ Koh	0.6	0.5	1.1						

- Remuneration provided to CEOs who retired as of March 2018 (*ie*, Oh-Hyun Kwon, Boo-Keun Yoon, and Jong-Kyun Shin) is as follows:

(Unit: KRW billion)

	FY2018			FY2017					
	1st Half			1st Half			Year		
	Base salary	Perform. based	Total	Base salary	Perform. based	Total	Base salary	Perform. based	Total
OH Kwon	0.6	4.5	5.2	0.9	13.0	13.9	1.8	22.6	24.4
BK Yoon	0.5	2.1	2.7	0.9	4.2	5.1	1.7	6.0	7.7
JK Shin	0.5	2.1	2.6	0.9	4.2	5.1	1.7	6.7	8.4

※ Comparison of remuneration and dividend



\* Dividends and remuneration are indexed to FY2012

※ Global peer comparison

- Actual remuneration is substantially below levels at global peers.

(Unit: USD million)

	SEC	Peer companies			
		Intel	Apple	IBM	HP
Total	42.3	74.9	122.0	42.5	37.2
Per person	8.5	15.0	24.4	8.5	7.4
As percentage of net profit	0.1%	0.8%	0.2%	0.7%	1.5%

\* Compared SEC's FY2018 remuneration limit approved in the 49<sup>th</sup> AGM (KRW 46.5 billion) to the actual remuneration paid to the top five executives at global peer companies.

(Based on the latest disclosure : FY2018 - Apple, FY2017- Intel, IBM, HP)

□ Independent Directors

- Remuneration for Independent Directors is included in general compensation. In FY2018, total remuneration increased significantly due to an increase in both individual remuneration and the number of Independent Directors.
- We are continuing our efforts to improve treatment of our Independent Directors to meet global standards.

(Unit: KRW billion)

	FY2018	FY2017
Number of Independent Directors	6	5
Total remuneration	0.8	0.4
Average remuneration	KRW 137m	KRW 82m

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

## To be approved: FY2019

The Board of Directors recommends a remuneration limit of KRW 46.5 billion for FY2019, unchanged from FY2018.

(Unit: KRW billion)

	FY2019	FY2018
Number of Directors	11	11
General compensation <sup>1</sup>	37.5	37.5
Long-term Incentive (LTI)	9.0	9.0
Total	46.5	46.5

<sup>1</sup> Includes Independent Directors

### 1) General compensation

- The Board recommends maintaining the same level of general compensation in FY2019 as the number of Directors remains unchanged from FY2018.

### 2) Long-term incentive (LTI)

- The Board recommends setting the LTI limit at KRW 9 billion for FY2019, unchanged from FY2018.
- FY2019 is the third year of payment term and 25% of incentive will be provided this year, as was the case of second year of payment term (25%) in FY2018.

(Unit: KRW billion)

	Current term		Previous term
Evaluation period	FY2014–FY2016		FY2011–FY2013
Payment period	FY2017–FY2019		FY2014–FY2016
	Limit	Actual	Limit
Payment year 1 (FY2017)	25	16.5	18 (FY2014)
Payment year 2 (FY2018)	9	8.1	9 (FY2015)
Payment year 3 (FY2019)	9	-	9 (FY2016)

- In February 2017, the Board recommended setting the LTI limit for the current term (to be paid over FY2017–FY2019) at KRW 50 billion. As the actual amount to be paid had not been determined at the time, the Board set the amount reflecting the necessary increase from the previous term's LTI limit (KRW 36 billion). Based on the payment schedule for the term, paying respective portions of 50% in FY2017, 25% in FY2018, and 25% in FY2019, an LTI limit of KRW 25 billion was approved for FY2017.
- The actual payment in FY2017 was KRW 16.5 billion, substantially lower than the approved amount. Accordingly, the Board adjusted the LTI limit to KRW 9 billion for FY2018 (year two, 25%) and FY2019 (year three, 25%) of the current term.

# Information About the Meeting And Shareholder Rights

## Overview

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The General meeting of shareholders is the Company's highest decision-making body, where shareholders deliberate and decide on important issues concerning the Company.

### □ Convening

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

- Ordinary general meetings—held within three months of the close of the fiscal year
  - Extraordinary general meetings—held whenever deemed 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

Persons or parties authorized to call ordinary and extraordinary general meetings under the Articles of Incorporation and the Commercial Code:

- 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 a policy to notify the shareholders of the AGM at least three or four weeks prior to the general meeting of shareholders.

## Operation

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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 (such as a dual class voting structure, etc.) to discriminate shareholders' voting rights.

### **□ 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 Articles of Incorporation amendments 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 shareholder voting rights, the Company does not have a written consent, pursuant to the Articles of Incorporation. However, the Company presents proxy solicitation at the AGM according to the local regulations permitting substitution for written consent.

\* In voting, blank votes submitted by shareholders in the form of proxy (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 the rights of the Company's minority shareholders, whose rights are set forth below:

#### ***1. Right to call general meetings of shareholders***

- In accordance with the Commercial Code, shareholders who own 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 an AGM.

### Overview – The Board of Directors

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Our Corporate Governance strives to enhance the Company's decision-making and supervisory processes based on the highest standards of governance, transparency, and accountability. Under this policy, the Board of Directors (BOD) evaluates 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 resolutions made at the annual general meetings of shareholders (AGM).

The BOD is composed of five executive directors and six independent directors, with Independent Director majority guaranteeing independence and transparency. The Company, following a Board resolution in March 2018, enhanced the Board's independence by separating the roles of CEO and Chairman. In addition, the BOD has established a transparent decision-making process that seeks input 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 but not limited to business management, economic, accounting, law, technology, and CSR.

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 (as of February 2019)

Executive Directors(5):	Mr. Sang-Hoon Lee (Chairman of the BOD) , Mr. Jae-Yong Lee, Dr. Ki-Nam Kim, Mr. Hyun-Suk Kim, Mr. Dong-Jin, Koh
Independent Directors(6):	Mr. In-Ho Lee, Mr. Kwang-Soo Song, Dr. Jae-Wan Bahk, Dr. Sun-Uk Kim, Dr. Byung-Gook Park, Dr. Jeong Kim

#### □ 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 (revised at the 2016 AGM).

#### □ 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 or 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 BOD 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 or she serves 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 or 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. A Director may not be deemed independent if he or she fails to meet the criteria of applicable standards.

#### **□ Election of Directors**

Regulations regarding the election, term of office, and election of Directors in case of a 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, and shall represent the Company. 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 BOD meetings.

- Regular meetings—generally held four times a year (once per quarter)
- Extraordinary meetings—held whenever deemed necessary

The Chairman convenes meetings of the Board, and shall provide members with a notice of meeting, along with an agenda and reasons for the meeting, at least 24 hours in advance. The notice can be in written, oral, and/or electronic forms, and may be omitted with the consent of all Directors. The presence of a majority of all Directors shall constitute a quorum and resolutions shall be adopted by a majority of the votes of Directors attending the meeting; provided that the Board meeting may take place via electronic means, such as by conference call, within the scope provided by relevant laws. Any Director may convene a meeting with consent from the Chairman in the case where the meeting is deemed necessary for the purpose of carrying out his or her duties. If the Chairman rejects a meeting request without a valid reason, the Director who made the proposal may convene a meeting.

## Board Committees

### *The Management Committee*

The Management Committee deliberates and decides matters either delegated by the BOD, or specified in the Articles of Incorporation or Regulations of the Board of Directors, aiming to enhance professionalism and efficiency of decision making.

### *The Audit Committee*

The Audit Committee supervises and supports management to maximize corporate value using a system of checks and balances. The Committee consists of three Directors, and at least two thirds of them, according to relevant laws and regulations, must be Independent Directors.

### *The Independent Director Recommendation Committee*

The Independent Director Recommendation Committee ensures that outside directors are recruited and recommended in a fair and independent matter. The Committee currently consists of three Independent Directors.

### *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 parties

### *The Compensation Committee*

The Compensation Committee evaluates the appropriateness of and reviews and approves the limit on Director's compensation to be submitted for resolution at a general meeting of shareholders. The Committee comprises three Independent Directors.

### *The Governance Committee*

The Governance Committee carries out all responsibilities previously handled by the CSR Committee, addresses matters that affect shareholder value, and endeavors to enhance communication with our shareholders.

## □ Composition of the BOD committees (as of February 2019)

Committee	Members		
	Chair	Executive Directors	Independent Directors
Management	Dr. Ki-Nam Kim (Executive)	Mr. Hyun-Suk Kim Mr. Dong-Jin Koh	-
Audit	Mr. In-Ho Lee (Independent)	-	Mr. Kwang-Soo Song Dr. Sun-Uk Kim
Independent Director Recommendation	Dr. Jeong Kim (Independent)	-	Dr. Jae-Wan Bahk Dr. Byung-Gook Park
Related Party Transactions	Mr. In-Ho Lee (Independent)	-	Mr. Kwang-Soo Song Dr. Sun-Uk Kim
Compensation	Mr. Kwang-Soo Song (Independent)	-	Mr. In-Ho Lee Dr. Jeong Kim
Governance	Mr. In-Ho Lee (Independent)	-	Mr. Kwang-Soo Song Dr. Jae-Wan Bahk Dr. Jeong Kim Dr. Sun-Uk Kim Dr. Byung-Gook Park

## Profile of BOD Members (Executive)

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*Sang Hoon Lee*

Birth: June 15, 1955  
Director since 2018

Mr. Sang Hoon Lee became the Chairman of the Board in 2018. He started his career with Samsung in 1982 as an accountant with Samsung Semiconductor & Telecommunications and joined Samsung Electronics in 1988. In 1990, he started serving in the Samsung Chairman Office and moved to the Corporate Management Group in 1994. Mr. Lee was appointed Chief of Finance/Management at Samsung Electronics North America in 1999, and then moved to the Finance Team of Samsung Corporate Restructuring Department in 2004. He became a part of the Strategy Management Team of Samsung Electronics Strategic Planning office in 2006 and Head of the Business Management Team in 2008. Mr. Lee expanded his role to Head of Samsung Future Strategy Office Team 1 in 2010, served as CFO, President, and Corporate Management Officer from 2012 to 2017, and was a member of the Board from 2013 to 2016. Mr. Lee also served on the Board at Harman International Industries from March 2017 until he stepped down as Samsung Electronics CFO in October 2017. He earned his BA in Economics from Kyungpook National University.



*Ki Nam Kim, PhD*

Birth: April 14, 1958  
Director since 2018

Dr. Ki Nam Kim is Vice Chairman and head of Device Solutions Division, overseeing global operations of the Memory, System LSI and Foundry business units of Samsung Electronics. He has been the Head of Device Solutions since 2017. Prior to that, he served as President of the Semiconductor (2014-2017) and Memory Businesses (2013-2014) after moving from the role of CEO at Samsung Display (2012-2013). Dr. Kim started with Samsung Electronics in 1981 and spent six years as an engineer at the Semiconductor R&D Group. From 1987, backed by his leadership in the development of numerous breakthroughs in semiconductor technology, his R&D responsibilities steadily increased and he rose to serve as Executive

Vice President and General Manager of the Semiconductor R&D Center from 2007 to 2009 and President of Samsung Advanced Institute of Technology from 2010 to 2012. Dr. Kim's current professional affiliations include Vice President of the Board of Directors of the Korean National Academy of Engineering, Chairman of Korea Printed Electronics Association, Member of the President's Council at Olin College (US), and Adjunct Professor of Electrical Engineering at Pohang University of Science and Technology, KAIST, and Seoul National University. He earned his PhD from UCLA in 1994, MS from KAIST in 1983, and BS from Seoul National University in 1981, all in Electrical Engineering.



*Hyun Suk Kim*

Birth: January 23, 1961  
Director since 2018

Mr. Hyun Suk Kim became Head of Consumer Electronics in late 2017. Mr. Kim joined the Company as a Senior Researcher in 1992 and developed a number of breakthrough technologies as Senior Vice President of the R&D team, leading to his promotion to the head of the Visual Display Business in December 2011. To prepare for growth, he also manages Samsung's B2B display business. In 2014, Mr. Kim was awarded the Bronze Medal of Industrial Effort, one of the most prestigious awards granted by the Korean government, in recognition of his exemplary leadership in industry. He also served as Chairman of the Korea-based Smart TV Forum from 2012 to 2015. Mr. Kim earned his Bachelor's degree in Electrical Engineering from Hanyang University and Master's degree in Electrical Engineering from Portland State University.



*Dong Jin Koh*

Birth: March 26, 1961  
Director since 2018

Mr. Dong Jin Koh became Head of IT & Mobile Communications in late 2017. Mr. Koh also has served as Samsung Electronics' President of Mobile

Communications Business since December 2015. Previously, he headed a number of teams and groups in the mobile business, including Mobile R&D from 2014 to 2015, the Technology Strategy Team from 2011 to 2014, the Development Management Team from 2007 to 2011, the Global Product Planning Group from 2006 to 2007, and the Samsung Electronics R&D Institute (UK) from 2002 to 2006. Mr. Koh was instrumental in helping Samsung establish a strong foothold in North America in the mid-2000s, and launch key devices and services including flagship models, the Galaxy Gear line, Samsung Pay, and Samsung Knox. Mr. Koh joined Samsung Electronics in 1984 and spent over a decade in Human Resources before joining the mobile business. He graduated from Sungkyunkwan University with a Bachelor of Arts in Industrial Engineering and earned a Master of Science in Technology Policy from the University of Sussex in 1993.



*Jae-Yong Lee*

Birth: June 23, 1968

Director since 2016

Jae-Yong Lee began his career at Samsung Electronics in 1991 and held the position of Chief Customer Officer from 2007 to 2008. He served as Executive Vice President and Chief Operating Officer in 2010 and then as President and COO from 2010-2012. In 2012, Mr. Lee advanced to his current position of Vice Chairman of the Company. He has been the Chairman of both the Samsung Foundation of Culture and Samsung Life Public Welfare Foundation since 2015. He also acted as an Independent Director for Exor N.V. from 2012 to 2017. Mr. Lee graduated from Seoul National University, received a Master's degree in business administration from Keio University in Japan, and completed doctoral coursework at Harvard Business School.

## Profile of BOD Members (Independent)



### *In-Ho Lee*

Birth: November 2, 1943

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

In-Ho Lee started his career with Korea Commercial Bank in 1966 and then joined Daegu Bank in 1973. In 1982, Mr. Lee moved to Shinhan Financial Group as an early member of Shinhan Bank. He served as a Director and Deputy President (Executive Vice President) of the Bank from 1991 to 1999, President & CEO from 1999 to 2003, and then Vice Chairman from 2003 to 2005. He progressed to the role of as CEO of Shinhan Financial Group over 2005 to 2009 and then acted as a Corporate Advisor for Shinhan Bank from 2009 to 2011. Mr. Lee holds BA in economics from Yonsei University. He has been an Independent Director for Samsung Electronics since 2010.



### *Kwang-Soo Song*

Birth: January 4, 1950

Director since 2013  
(Re-elected in 2016)

Kwang-Soo Song has been an advisor at Kim & Chang law office and an adjunct professor of law at Seoul National University since 2007. Mr. Song passed the Korean judicial/bar examination in 1971 and then held various positions as a prosecutor – including Senior Prosecutor at the Ministry of Justice from 2001 to 2002, Chief Prosecutor at Daegu High Prosecutors' office from 2002 to 2003, and Prosecutor General at the Supreme Prosecutors' Office from 2003 to 2005 – before becoming a solicitor in 2005. Mr. Song received BA in law from Seoul National University. He has been an Independent Director at Samsung Electronics since 2013.



### *Jae-Wan Bahk*

Birth: January 24, 1955

Director since 2016

Dr. Jae-Wan Bahk has been a professor at Sungkyunkwan University's Graduate School of Governance since 1996, and he served as Dean from 2015–2016.

Prior to that, he worked at the Board of Audit and Inspection (1983–1992), the Ministry of Finance (1992–1994) and served as an assistant Chief Secretary to the President for Policy Planning (1994–1996).

Dr. Bahk was a member of the 17th National Assembly from 2004 to 2008, and went on to serve as Senior Secretary to the President for National Vision, Agenda & Strategy from 2008 to 2010, Minister of Employment and Labor from 2010 to 2011, and Minister of Strategy and Finance from 2011 to 2013.

Dr. Bahk earned his BA in Economics from Seoul National University in 1977 and PhD in Public Policy from Harvard University in 1988. He has been President of the Hansun Foundation for Peace & Prosperity of the Korean Peninsula since 2014 and an Independent Director at Samsung Electronics since 2016.



### *Jeong Hun Kim, PhD*

Birth: August 13, 1960

Director since 2018

Dr. Jeong Hun Kim served as a nuclear submarine officer in the US Navy from 1982 until 1989. He founded Yurie Systems in 1992 and took the firm public in 1997. In 1998, Dr. Kim sold the company to and then served Lucent Technologies as a Senior Executive and Corporate Officer. He joined the University of Maryland from 2001 to 2013, teaching in both the Department of Electrical and Computer Engineering and the Department of Mechanical Engineering. From 2005 until 2013, he worked at what would become Alcatel-Lucent as president of the Bell Labs division and as Chief Strategy Officer in his final two years there. He co-founded and became Executive Chairman of Kiswe Mobile in 2013. Dr. Kim earned his BS in electrical engineering and computer science at Johns Hopkins University, his MS in technical management (also from Johns Hopkins), and his PhD in reliability engineering from the University of Maryland. He has been an Independent Director at Samsung Electronics since 2018.



### *Sun-Uk Kim, PhD*

Birth: December 21, 1952

Director since 2018

Dr. Sun Uk Kim joined the School of Law at Ewha Womans University as a Professor in 1995, and advanced to a President of the university from 2010 until 2014. Dr. Kim served as Minister of Government Legislation from 2005 to 2007, the first female to hold that position. She has been Chairperson of Alumninetzwerk Deutschland Korea (ADeKo) from 2011 to 2014 and a Co-President at Korea-Germany Forum from 2012 to 2016. She acted as a Co-President for the Advisory Panel of National Assembly Special Committee on Constitutional Amendment in 2017. She earned both her LL.B. and LL.M in law from Ewha Womans University and her Dr. juris in administrative law from University of Konstanz in Germany. She has been an Independent Director at Samsung Electronics since 2018.



***Byung Gook Park, PhD***

Birth: April 19, 1959

Director since 2018

Dr. Byung Gook Park worked at AT&T Bell Labs from 1990 until 1992 and then at Texas Instruments from 1993 until 1994. He joined the School of Electrical Engineering at Seoul National University in 1994 as a Professor and advanced to the position of Vice Chair. He took the position of Director at the Inter-University Semiconductor Research Center (ISRC) from 2008 to 2010. Dr. Park became a member of the National Academy of Engineering of Korea in 2014 and President of the Institute of Electronics and Information Engineers in 2015. Dr. Park was instrumental in developing NOR flash memory. He earned his BSc and MSc in electronics engineering at Seoul National University and his PhD in electrical engineering from Stanford University. He has been an Independent Director at Samsung Electronics since 2018.

## BOD Activities

The following table presents meetings and voting results that were held by the Board and the Committees under the Board between January 2018 and December 2018.

### □ BOD meetings in FY2018

#### Board meetings and voting results of Independent Directors

Date	Agenda	IH Lee	KS Song	JW Bahk	HJ Kim	BG Lee	SU Kim	BG Park	Jeong Kim
Jan 31 2018	① Approval of FY2017 financial statements and annual business report	For	For	For	For	For			
	② Royalty income from Samsung Medison	For	For	For	For	For			
	③ Approval of management plans for Social Contribution Fund for 2018	For	For	For	For	For			
	④ Charitable contribution to Samsung Dream Scholarship Foundation	For	For	For	For	For			
	⑤ Stock Split	For	Against	For	For	For			
Feb 23 2018	① Decision to convene the 49 <sup>th</sup> (FY2017) AGM	For	For	For	For	For			
	② Decision of the 49 <sup>th</sup> AGM agenda items	For	For	For	For	For			
	③ Test facility development contract and supply transaction with Samsung Display	For	For	For	For	For			
	④ Donation to Chung-nam Samsung Institute	For	For	For	For	For			
Mar 23 2018	① Appointment of BOD Chairman	For	For	For			For	For	For
	② Appointment of CEO	For	For	For			For	For	For
	③ Appointment of BOD Committee members	For	For	For			For	For	For
	④ Setting the remuneration of directors	For	For	For			For	For	For
	⑤ Appointment of compliance officer	For	For	For			For	For	For
	⑥ Approval of FY2018 business plan	For	For	For			For	For	For
	⑦ Application for product liability insurance	For	For	For			For	For	For
	⑧ Donation of electronics to celebrate Samsung's 80th anniversary	For	For	For			For	For	For
Apr 6 2018	① Participation in Samsung Heavy Industries' rights offering	For	For	For			For	For	For
Apr 26 2018	① Approval of the 1Q18 business report and first quarter dividend	For	For	For			For	For	For
	② Lease contract with Samsung Life Insurance	For	For	For			For	For	For
	③ Charitable contributions	For	For	For			For	For	For
	④ Application for employee insurance	For	For	For			For	For	For
	⑤ Acquisition of Samsung Pay and purchase of intellectual property	For	For	For			For	For	For
Jul 31 2018	① Approval of 2018 half-year report and second quarter dividends	For	For	For			For	For	For
	② Lease contract with Samsung Securities	For	For	For			For	For	For
	③ Smart factory support business	For	For	For			For	For	For
	④ Purchase of indemnity insurance	For	For	For			For	For	For
	⑤ Lease contract with Samsung Display	For	For	For			For	For	For
Oct 31 2018	① Approval of the 3Q18 business report and third quarter dividend	For	For	For			For	For	For
	② Approval of operation of Samsung Software Academy For Youth	For	For	For			For	For	For
	③ Application for Venture Capital Union	For	For	For			For	For	For



Nov 30 2018	① Approval of transactions with affiliate person(s)	For	For	For			For	For	For
	② Payment of retirement pensions	For	For	For			For	For	For
	③ Cancellation of treasury shares	For	For	For			For	For	For
	④ Charitable contribution to 2019 Annual Fundraising Campaign	For	For	For			For	For	For
	⑤ Provision of incentives to secondary suppliers of the DS division	For	For	For			For	For	For

\* IH Lee: In-Ho Lee, KS Song: Kwang-Soo Song, JW Bank: Jae-Wan Bahk, HJ Kim: Han-Joong Kim, BG Lee: Byeong-Gi Lee, SU Kim: Sun-Uk Kim, BG Park: Byung-Gook Park

## □ Committee participation of Independent Directors in FY2018

### Audit Committee

Date	Agenda
Jan 30 2018	① Report on 2017 financial statement and business report ② Report on 2017 internal accounting management system activities ③ Report on 4Q17 non-audit activities ④ Report on 4Q17 external contributions ⑤ Report on 2017 audit activities
Feb 23 2018	① Review on the 49 <sup>th</sup> AGM agenda ② Assessment of 2017 activities of internal compliance system
Apr 25 2018	① Report on 1Q18 business report ② Report on 1Q18 non-audit activities ③ Report on 1Q18 external contributions
Jul 30 2018	① Report on half-year report ② Report on 2Q18 non-audit activities ③ Report on 2Q18 external contributions ④ Report on 1H18 audit activities
Oct 30 2018	① Report on 3Q18 business report ② Report on 3Q18 non-audit activities ③ Report on 3Q18 external contributions

### Governance Committee

Date	Agenda
Feb 23 2018	① Report on updates of IR activities ② Report on agenda items of CSR risk management council
Apr 26 2018	① Appointment of the head of the committee ② Report on updates of IR activities ③ Report on agenda items of CSR Risk Management Council
Jul 31 2018	① Report on updates of IR activities
Oct 31 2018	① Report on ERP system upgrades

\* The Governance Committee was expanded from the CSR committee and will carry out activities to increase shareholder value in addition to the activities previously handled by the CSR Committee.



### *Related Party Transactions Committee*

Date	Agenda
Jan 30 2018	① Prior review on large-scale related party transactions 1) Royalty income from Samsung medison ② Report on 4Q17 related party transactions
Mar 23 2018	① Prior review on large-scale related party transactions 1) Application for product liability insurance
Apr 6 2018	① Prior review on large-scale related party transactions 1) Participation in Samsung Heavy Industries' rights offering
Apr 25 2018	① Prior review on large-scale related party transactions 1) Lease contract with Samsung Life Insurance 2) Charitable contributions 3) Application for employee insurance 4) Acquisition of Samsung Pay and purchase of intellectual property ② Report on 1Q18 related party transactions
Jul 30 2018	① Prior review on large-scale related party transactions 1) Lease contract with Samsung Securities 2) Purchase of indemnity insurance 3) Lease contract with Samsung Display ② Report on 2Q18 related party transactions
Oct 30 2018	① Prior review on large-scale related party transactions 1) Application for Venture Capital Union ② Report on 3Q18 related party transactions
Nov 30 2018	① Prior review on large-scale related party transactions 1) Payment of retirement pensions 2) Approval of large-scale goods and services transactions in 2019

### *Compensation Committee*

Date	Agenda
Feb 21 2018	① Prior review on 2018 remuneration ceiling for Directors

### *Independent Director Recommendation Committee*

Date	Agenda
Jan 31 2018	① Deadline for recommendation of independent director candidates
Feb 21 2018	② Recommendation of independent director candidates

### BOD Meeting Attendance

	Name	2016	2017	2018	Total	
		Mar 2016 - Feb 2017	Mar 2017 - Feb 2018	Mar 2018 - Dec 2018	Total meetings	Overall attendance
Independent Directors	In-Ho Lee	11/11	8/8	6/6	25	25
	Kwang-Soo Song	11/11	7/8	6/6	25	24
	Jae-Wan Bahk	11/11	7/8	6/6	25	24
	Sun-Uk Kim	-	-	6/6	6	6
	Byung-Gook Park	-	-	6/6	6	6
	Jeong Kim	-	-	6/6	6	6
	Han-Joong Kim	11/11	8/8	-	19	19
	Byeong-Gi Lee	11/11	8/8	-	19	19
Executive Directors	Sang-Hoon Lee <sup>1)</sup>	6/6	-	6/6	12	12
	Jae-Yong Lee <sup>2)</sup>	3/5	0/8	0/6	19	3
	Ki-Nam Kim	-	-	6/6	6	6
	Hyun-Suk Kim	-	-	6/6	6	6
	Dong-Jin Koh	-	-	5/6	6	5
	Oh-Hyun Kwon	11/11	8/8	-	19	19
	Boo-Keun Yoon	11/11	8/8	-	19	19
	Jong-Kyun Shin	10/11	7/8	-	19	17

1) Resigned in October 2016

2) Appointed in October 2016

## Share Ownership Structure

### □ Overview

As of the end of 2018, the total number of shares outstanding was 6,792,669,250. The number of common and preferred shares outstanding were 5,969,782,550 (87.9%) and 822,886,700 (12.1%), respectively.

- The Company conducted a 50:1 stock split effective from March 3, 2018, reducing face value per share from KRW 5,000 to KRW 100.
- The Company on December 4, 2018 cancelled all of its treasury holdings (449,542,150 common shares and 80,742,300 preferred shares). As of the end of 2018, the company does not hold any treasury shares.

### Ownership structure as of the end-FY2018

	Foreign	Domestic institutional	Domestic individual	Controlling Shareholders	Treasury Shares
<b>Common</b>	55%	19%	6%	21%	-
<b>Preferred</b>	89%	6%	4%	0.2%	-

### Major shareholders common stock as of end-FY2018

Ranking	Owner	Number	Portion of total
1	National Pension Service of Korea	597,123,271	10.0%
2	Samsung Life Insurance Co., Ltd. <sup>1</sup>	527,205,881	8.8%
3	Samsung C&T Corp.	298,818,100	5.0%
4	CITIBANK.N.A <sup>2</sup>	251,117,575	4.2%
5	Kun-Hee Lee	249,273,200	4.2%
<b>Total Number of Outstanding Common Stock</b>		<b>5,969,782,550</b>	<b>100.0%</b>

1) The number of shares owned and share ratio includes special accounts.

2) Reported as an independent shareholder in the shareholder registry but is a GDR depository institution of Samsung Electronics representing our GDR shareowners

## □ Voting shares

Samsung Electronics issued 5,969,782,550 common shares and 822,886,700 preferred shares.

As of the end of 2018, the Company does not hold any treasury shares. Preferred shares do not carry a voting right. The 598,070,738 shares owned by affiliated companies have limited voting rights under relevant laws. Thus, the number of shares with voting rights is 5,371,711,812.

### *Total shares with voting rights as of end-FY2018*

Category	Type	Number of shares	Note
Number of outstanding shares (A)	Common	5,969,782,550	-
	Preferred	822,886,700	-
Treasury shares (no voting rights; B)	Common	-	Article 369-2 of the Commercial Act "Treasury Shares"
Shares with voting rights eliminated by Articles of Incorporation (C)	Preferred	822,886,700	
Shares with limited voting rights under relevant laws (D)	Common	596,959,200	Restricted by the Monopoly Regulation and Fair Trade Act: 508,157,148 shares held by Samsung Life Insurance; 88,802,052 shares held by Samsung Fire & Marine Insurance
	Common	1,111,538	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	5,371,711,812	(F = A - B - C - D + E)

\* Among shares with limited voting rights under relevant laws, part of 596,959,200 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, 2018.

(Unit: Share)

Name	Status	Since	Common Shares
Sang-Hoon Lee	Executive Director	March 2018	28,500
Jae-Yong Lee	Executive Director	October 2016	42,020,150
Ki-Nam Kim	Executive Director	March 2018	175,000
Hyun-Suk Kim	Executive Director	March 2018	99,750
Dong-Jin Koh	Executive Director	March 2018	50,000
In-Ho Lee	Independent Director	March 2010	0
Kwang-Soo Song	Independent Director	March 2013	0
Sun-Uk Kim	Independent Director	March 2018	0
Jae-Wan Bahk	Independent Director	March 2016	0
Byung-Gook Park	Independent Director	March 2018	0
Jeong Kim	Independent Director	March 2018	0

## Independent Auditor Fees

The following table presents fees for professional audit services rendered by Samil PricewaterhouseCoopers (Samil PwC) for the audit of Samsung Electronics' annual financial statements for the past three years (FY2015–2017), and fees billed for other services rendered by Samil PwC during those periods.

(Unit: KRW Million)

Year of operation	Auditor	Audit Services	Non-Audit Services	Audit Opinion
49 <sup>th</sup> (Jan 1, 2017–Dec 31, 2017)	Samil PwC	4,030	1,006	Fair
48 <sup>th</sup> (Jan 1, 2016–Dec 31, 2016)	Samil PwC	3,690	1,353	Fair
47 <sup>th</sup> (Jan 1, 2015–Dec 31, 2015)	Samil PwC	3,690	550	Fair

\* Non-Audit Services include 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 its 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:

<https://www.samsung.com/global/ir/governance-csr/global-code-of-conduct/>

## Policy on related party transaction

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For transactions with specially related parties such as affiliates, the Company shall seek approval from the BOD and disclose the foregoing, in accordance with the Monopoly Regulation and Fair Trade Law and the Articles of Incorporation, in order to enhance 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 have the transaction approved at a Board meeting and disclose the foregoing.

## Corporate governance website

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

- Articles of Incorporation  
<https://www.samsung.com/global/ir/governance-csr/articles-of-incorporation/>
- Global Code of Conduct  
<https://www.samsung.com/global/ir/governance-csr/global-code-of-conduct/>
- Corporate Social Responsibility  
<https://www.samsung.com/us/aboutsamsung/sustainability/strategy/>
- Board of Directors  
<https://www.samsung.com/global/ir/governance-csr/board-of-directors/>
- Board Committees  
<https://www.samsung.com/global/ir/governance-csr/board-committee/>

## Business overview

Fiscal 2018 was another remarkable year for Samsung Electronics: our financial performance set new highs for a second straight year despite numerous challenges that included low growth in advanced nations and uncertainties caused by US-China trade issues, Brexit, *etc.*

Thanks to your trust and support alongside the dedication and hard work of our employees, we produced record-high financial results, with revenue of KRW 244 trillion and operating profit of KRW 59 trillion. We maintained a solid financial structure, and as of end-2018, we recorded a debt ratio of 37.0%, capital adequacy ratio of 73.0%, and an ROE of 19.2%. The Samsung brand increased 7% in value to USD 59.9 billion and maintained its rank as the world's 6th best (Interbrand, October 2018).

In terms of our businesses, we reinforced profitability and cost competitiveness in the component business, extending our technological capabilities to include mass production of the world's first 5th generation V-NAND. In the set business, we solidified our industry leadership and market dominance by launching the Galaxy S9 and Note 9 while expanding sales of ultra-large QLED TVs.

In 2019, global uncertainties, including trade conflicts and political instabilities, are likely to persist throughout the year; and intensifying competition in a rapidly changing IT industry, especially in our mainstay businesses, will present numerous hurdles. As we have done in the past, we aim to turn challenges into opportunities as we continue our preparation for the future and pursuit of innovation.

## Semiconductor

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The Memory Business achieved record-high earnings amid a rapid increase in demand from major applications such as mobile and server alongside sales growth in high-performance, high-value-added products. We focused on securing competitiveness and technological leadership by mass-producing 5th generation V-NAND, an industry first.

DRAM demand is likely to remain solid mainly for high-capacity products as machine-learning-based AI services expand and smartphones continue to adopt higher specifications. We expect market demand to concentrate on our products and supply to increase under our leadership. We will focus on strengthening our technological competitiveness while flexibly managing investments and production to address demand.

For NAND, although markets continue to move toward high-storage, high-performance chips for server SSD and mobile storage, uncertainty persists over supply-demand dynamics caused by capacity expansions in the industry and a potential slowdown in demand following inventory stocking by customers. We will respond to demand from all applications and continue to strengthen our cost competitiveness through expansion of V-NAND.

The System LSI Business achieved growth, with gains centered on products for mobile and OLED applications. Despite a weaker smartphone market, we expect demand for high-specification mobile products to increase thanks to accelerating 5G standardization and increasing adoption of multiple cameras and high-resolution sensors. Such demand is expected to stay strong as new applications such as IoT, wearable devices, automotives, and health care create new markets.

For SoC products, we expect growth in the AI, automotive, and 5G markets; and are seeking to continue growth in the mobile market by supplying mid-range-and-below models as well as high-performance mobile AP/modem solutions to counter struggles in the overall market caused by a lengthened replacement cycle, contracting tablet market, *etc.* In the 5G market, our preparations include the development of multi-mode modem chips, which would be an industry first. For image sensors, we provide customized solutions via our diverse lineup and advanced technology that includes Slim, ISOCELL, FDTI, *etc.*

The Foundry Business continues to cooperate with large-scale fabless manufacturers based on its advanced processes. In 2018, we started supply of 2nd generation 10nm products—an industry first—and plan to secure our leadership in advanced process technology by introducing the world’s first EUV process in 2019.

## **DP (Display Panel)**

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For the OLED business, we solidified our status in the small- and medium-sized panel markets by offering differentiated products and diversifying its customer portfolio amid intense competition with LTPS LCD.

We expect conditions to worsen in 2019 as competition rises amid a relatively stagnant market. We will focus on increasing penetration of OLED panels in the smartphone market by offering differentiated designs and power-efficient technology while also expanding the OLED market overall through our technological innovations in new applications.

For large panel business, we focused on improving yield, reducing costs, and increasing its sales portion of premium products.

In 2019, the business environment is likely to remain uncertain, led by external factors such as ASP pressure caused by supply expansion by Chinese players. We aim to achieve qualitative growth by increasing sales of premium products and delivering differentiation such as our ultra-large, UHD and 8K panels.

## **CE (Consumer Electronics)**

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The CE Division continued its growth trend led by strategic products boasting premium technology, which include Family Hub refrigerators equipped with Bixby functionalities, modular air purifiers, and clothes refreshers.

Our TV business maintained the top position in the global market for a thirteenth straight year. Our competitive edge, honed by our strength in technology and design, has enabled us to secure such an unrivalled position and set a very high bar in the process.

In 2019, we will deliver innovation and value through our new TVs equipped with QLED and Micro LED technologies. Our QLED TVs with Quantum Dot technology will focus on 4K and 8K models and come in sizes ranging from medium to ultra-large. Thanks to an even more improved Bixby, we have greatly increased convenience for TV users and also offer easier connected services with home appliances. Meanwhile, we aim to expand The Wall, a new micro-LED TV, to not only the B2B market, but also the B2C market.

In Home Appliances, we continue to release innovative products and services based on highly-efficient, eco-friendly technologies to ensure peak performance as well as those that enhance consumer convenience based on our deep understanding of changing consumer lifestyles. We are also creating new value in home appliances via our smart products that connect with other devices as well as a suite of services based on Bixby and SmartThings.



In 2019, we aim to further strengthen our status as a global home appliance brand by expanding sales of premium products such as our Breeze-Free Air Conditioners and cordless vacuum cleaners. We will focus on creating new demand by introducing innovative, easy-to-use products that offer differentiated features customized for individual lifestyles.

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

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Despite a fiercely competitive and highly saturated market, the IM Division achieved solid results thanks to lineup diversification and strengthened technological leadership, mainly in the Galaxy series.

In the first half of 2018, we launched the Galaxy S9, delivering an upgraded camera with the ability to capture slow motion videos at an incredible 960fps. In the second half of the year, we introduced the Galaxy Note 9, which gained acclaim for its innovative features such as the largest screen in the history of the Note series and the upgraded S-Pen which can now function as a remote control. In the mass market, the Galaxy A and J series also garnered positive reviews as a lineup that can meet the needs of various local markets amid high competition.

In 2019, we aim to create new markets by launching extraordinary products such as the world's first 5G and foldable devices. For the mid-range-and-below segment, we will improve competitiveness by adding features such as triple- and quad-cameras and Hole in Display, allowing a wider range of consumers to experience Samsung innovations. We are also working to provide our smartphone users with more robust and convenient experiences through other devices such as our tablets and smart watches, Bluetooth earphones, *etc.*

Alongside our efforts to keep raising the bar in hardware, we aim to expand Bixby and our ecosystem to create a seamless experience for users across all devices.

We will continue to invest in growth areas like 5G, AI, IoT, cloud, and the mobile B2B market, striving to add to our status as a leader in technology based on superior R&D capabilities.

## **Harman**

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For Harman, we are focusing on generating solid results in the markets for both car components and professional/consumer audio. Through innovations, strategic mergers and acquisitions, and a diverse brand and product lineup, we will continue to elevate our earnings.

As a leader in the car component market, we will continue to supply the quality made famous by the Harman brand across all segments, ranging from the mass-market through to and beyond premium models. In areas of automotive audio and connectivity, we will seek co-prosperity with auto manufacturers by delivering endless innovation.

In the consumer audio market, Harman's innovative technologies have firmly established the brand's reputation among consumers and music lovers. We will continue to launch products in promising areas, such as wireless smart speakers, to deliver new user experiences and push our brand reputation even higher.

We expect the business environment in 2019 to remain clouded by external uncertainties and intense competition. We plan to face such challenges head on and keep preparing thoroughly for the future, which includes improving our mainstay businesses and building core capabilities in new areas such as AI, 5G, and autonomous driving. Through these efforts, we will achieve solid earnings and, in turn, contribute to enhancing shareholder value.

### 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 but will be disclosed separately at the IR webpage of Samsung Electronics on February 28th.  
<https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/>

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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 U.S. dollars at the rate of ₩1,100.2 to US \$1, the average exchange rate for the year ended December 31, 2018. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in US dollars at this or at any other rate.

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	KRW	KRW	USD	USD
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	30,340,505	30,545,130	27,577,050	27,763,038
Short-term financial instruments	65,893,797	49,447,696	59,892,100	44,943,932
Short-term available-for-sale financial assets	-	3,191,375	-	2,900,700
Short-term financial assets at amortized cost	2,703,693	-	2,457,437	-
Short-term financial assets at fair value through profit or loss	2,001,948	-	1,819,608	-
Trade receivables	33,867,733	27,695,995	30,783,014	25,173,406
Non-trade receivables	3,080,733	4,108,961	2,800,136	3,734,711
Advance payments	1,361,807	1,753,673	1,237,772	1,593,946
Prepaid expenses	4,136,167	3,835,219	3,759,439	3,485,902
Inventories	28,984,704	24,983,355	26,344,738	22,707,837
Other current assets	2,326,337	1,421,060	2,114,450	1,291,629
<b>Total current assets</b>	<b>174,697,424</b>	<b>146,982,464</b>	<b>158,785,744</b>	<b>133,595,101</b>
<b>Non-current assets</b>				
Long-term available-for-sale financial assets	-	7,752,180	-	7,046,101
Held-to-maturity financial assets	-	106,751	-	97,028
Long-term financial assets at amortized cost	238,309	-	216,603	-
Financial assets at fair value through other comprehensive income	7,301,351	-	6,636,334	-
Financial assets at fair value through profit or loss	775,427	-	704,800	-
Investment in associates and joint ventures	7,313,206	6,802,351	6,647,109	6,182,784
Property, plant and equipment	115,416,724	111,665,648	104,904,411	101,494,988
Intangible assets	14,891,598	14,760,483	13,535,251	13,416,078
Long-term prepaid expenses	5,009,679	3,434,375	4,553,391	3,121,567
Net defined benefit assets	562,356	825,892	511,136	750,669
Deferred income tax assets	5,468,002	5,061,687	4,969,969	4,600,662
Other non-current assets	7,683,168	4,360,259	6,983,375	3,963,120
<b>Total assets</b>	<b>339,357,244</b>	<b>301,752,090</b>	<b>308,448,123</b>	<b>274,268,098</b>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	KRW	KRW	USD	USD
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade payables	8,479,916	9,083,907	7,707,554	8,256,532
Short-term borrowings	13,586,660	15,767,619	12,349,168	14,331,483
Other payables	10,711,536	13,899,633	9,735,915	12,633,635
Advances received	820,265	1,249,174	745,554	1,135,398
Withholdings	951,254	793,582	864,612	721,301
Accrued expenses	20,339,687	13,996,273	18,487,121	12,721,473
Income tax payable	8,720,050	7,408,348	7,925,816	6,733,586
Current portion of long-term liabilities	33,386	278,619	30,345	253,242
Provisions	4,384,038	4,294,820	3,984,734	3,903,642
Other current liabilities	1,054,718	403,139	958,653	366,421
<b>Total current liabilities</b>	<b>69,081,510</b>	<b>67,175,114</b>	<b>62,789,472</b>	<b>61,056,713</b>
<b>Non-current liabilities</b>				
Debentures	961,972	953,361	874,354	866,528
Long-term borrowings	85,085	1,814,446	77,335	1,649,184
Long-term other payables	3,194,043	2,043,729	2,903,125	1,857,583
Net defined benefit liabilities	504,064	389,922	458,153	354,407
Deferred income tax liabilities	15,162,523	11,710,781	13,781,500	10,644,147
Provisions	663,619	464,324	603,176	422,033
Other non-current liabilities	1,951,251	2,708,985	1,773,528	2,462,247
<b>Total liabilities</b>	<b>91,604,067</b>	<b>87,260,662</b>	<b>83,260,643</b>	<b>79,312,842</b>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	KRW	KRW	USD	USD
<b>Equity attributable to owners of the parent</b>				
Preference shares	119,467	119,467	108,586	108,586
Ordinary shares	778,047	778,047	707,181	707,181
Share premium	4,403,893	4,403,893	4,002,780	4,002,780
Retained earnings	242,698,956	215,811,200	220,593,604	196,154,822
Other components of equity	(7,931,370)	(13,899,191)	(7,208,969)	(12,633,234)
	<b>240,068,993</b>	<b>207,213,416</b>	<b>218,203,182</b>	<b>188,340,135</b>
<b>Non-controlling interests</b>	7,684,184	7,278,012	6,984,298	6,615,121
<b>Total equity</b>	<b>247,753,177</b>	<b>214,491,428</b>	<b>225,187,480</b>	<b>194,955,256</b>
 <b>Total liabilities and equity</b>	 <b>339,357,244</b>	 <b>301,752,090</b>	 <b>308,448,123</b>	 <b>274,268,098</b>

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,			
	2018	2017	2018	2017
	KRW	KRW	USD	USD
<b>Revenue</b>	243,771,415	239,575,376	221,568,382	217,754,524
<b>Cost of sales</b>	132,394,411	129,290,661	120,335,747	117,514,691
<b>Gross profit</b>	<b>111,377,004</b>	<b>110,284,715</b>	<b>101,232,635</b>	<b>100,239,833</b>
Selling and administrative expenses	52,490,335	56,639,677	47,709,444	51,480,858
<b>Operating profit</b>	<b>58,886,669</b>	<b>53,645,038</b>	<b>53,523,191</b>	<b>48,758,975</b>
Other non-operating income	1,485,037	3,010,657	1,349,778	2,736,442
Other non-operating expense	1,142,018	1,419,648	1,038,001	1,290,345
Share of profit of associates and joint ventures	539,845	201,442	490,675	183,094
Financial income	9,999,321	9,737,391	9,088,569	8,850,496
Financial expense	8,608,896	8,978,913	7,824,786	8,161,100
<b>Profit before income tax</b>	<b>61,159,958</b>	<b>56,195,967</b>	<b>55,589,426</b>	<b>51,077,562</b>
Income tax expense	16,815,101	14,009,220	15,283,559	12,733,241
<b>Profit for the period</b>	<b>44,344,857</b>	<b>42,186,747</b>	<b>40,305,867</b>	<b>38,344,321</b>
Profit attributable to owners of the parent	43,890,877	41,344,569	39,893,236	37,578,849
Profit attributable to non-controlling interests	453,980	842,178	412,631	765,472
Earnings per share (in Korean Won, in US dollars)				
- Basic	6,461	5,997	5.87	5.45
- Diluted	6,461	5,997	5.87	5.45

**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,			
	2018	2017	2018	2017
	KRW	KRW	USD	USD
<b>Profit for the period</b>	<b>44,344,857</b>	<b>42,186,747</b>	<b>40,305,867</b>	<b>38,344,321</b>
<b>Other comprehensive income (loss)</b>				
<b>Items not to be reclassified to profit or loss subsequently:</b>				
Changes in value of financial assets at fair value through other comprehensive income, net of tax	(235,865)	-	(214,382)	-
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	(10,631)	(6,347)	(9,663)	(5,769)
Remeasurement of net defined benefit liabilities (assets), net of tax	(410,151)	414,247	(372,794)	376,517
<b>Items to be reclassified to profit or loss subsequently:</b>				
Changes in value of available-for-sale financial assets, net of tax	-	511,207	-	464,646
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	6,688	(49,256)	6,079	(44,770)
Foreign currency translation, net of tax	590,638	(6,334,987)	536,842	(5,757,988)
Gain (loss) on valuation of derivatives	47,079	(37,121)	42,791	(33,740)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(12,242)</b>	<b>(5,502,257)</b>	<b>(11,127)</b>	<b>(5,001,104)</b>
<b>Total comprehensive income for the period</b>	<b>44,332,615</b>	<b>36,684,490</b>	<b>40,294,740</b>	<b>33,343,217</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	43,882,473	35,887,505	39,885,598	32,618,822
Non-controlling interests	450,142	796,985	409,142	724,395

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2017 KRW	Preference shares	Ordinary shares	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
<b>Balance as at January 1, 2017</b>	<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>193,086,317</b>	<b>(11,934,586)</b>	<b>(28,810)</b>	<b>186,424,328</b>	<b>6,538,705</b>	<b>192,963,033</b>
Profit for the period	-	-	-	41,344,569	-	-	41,344,569	842,178	42,186,747
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	489,150	-	489,150	22,057	511,207
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(54,300)	-	(54,300)	(1,303)	(55,603)
Foreign currency translation, net of tax	-	-	-	-	(6,289,926)	28,810	(6,261,116)	(73,871)	(6,334,987)
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	406,323	-	406,323	7,924	414,247
Gain (loss) on valuation of derivatives	-	-	-	-	(37,121)	-	(37,121)	-	(37,121)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,344,569</b>	<b>(5,485,874)</b>	<b>28,810</b>	<b>35,887,505</b>	<b>796,985</b>	<b>36,684,490</b>
Dividends	-	-	-	(6,747,123)	-	-	(6,747,123)	(64,277)	(6,811,400)
Capital transaction under common control	-	-	-	-	(2,992)	-	(2,992)	15,114	12,122
Changes in consolidated entities	-	-	-	-	(2,699)	-	(2,699)	(9,352)	(12,051)
Acquisition of treasury stock	-	-	-	-	(8,350,424)	-	(8,350,424)	-	(8,350,424)
Retirement of treasury stock	-	-	-	(11,872,563)	11,872,563	-	-	-	-
Others	-	-	-	-	4,821	-	4,821	837	5,658
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,619,686)</b>	<b>3,521,269</b>	<b>-</b>	<b>(15,098,417)</b>	<b>(57,678)</b>	<b>(15,156,095)</b>
<b>Balance as at December 31, 2017</b>	<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>215,811,200</b>	<b>(13,899,191)</b>	<b>-</b>	<b>207,213,416</b>	<b>7,278,012</b>	<b>214,491,428</b>



Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of US dollars)*

<b>2017 USD</b>	<b>Preference shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Other components of equity</b>	<b>Accumulated other comprehensive income attributable to assets held-for- sale</b>	<b>Equity attributable to owners of the parent</b>	<b>Non- controlling interests</b>	<b>Total</b>
<b>Balance as at January 1, 2017</b>	<b>108,586</b>	<b>707,181</b>	<b>4,002,780</b>	<b>175,499,753</b>	<b>(10,847,568)</b>	<b>(26,186)</b>	<b>169,444,546</b>	<b>5,943,151</b>	<b>175,387,697</b>
Profit for the period	-	-	-	37,578,849	-	-	37,578,849	765,472	38,344,321
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	444,598	-	444,598	20,048	464,646
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(49,355)	-	(49,355)	(1,184)	(50,539)
Foreign currency translation, net of tax	-	-	-	-	(5,717,031)	26,186	(5,690,845)	(67,143)	(5,757,988)
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	369,315	-	369,315	7,202	376,517
Gain (loss) on valuation of derivatives	-	-	-	-	(33,740)	-	(33,740)	-	(33,740)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,578,849</b>	<b>(4,986,213)</b>	<b>26,186</b>	<b>32,618,822</b>	<b>724,395</b>	<b>33,343,217</b>
Dividends	-	-	-	(6,132,586)	-	-	(6,132,586)	(58,423)	(6,191,009)
Capital transaction under common control	-	-	-	-	(2,720)	-	(2,720)	13,737	11,017
Changes in consolidated entities	-	-	-	-	(2,454)	-	(2,454)	(8,500)	(10,954)
Acquisition of treasury stock	-	-	-	-	(7,589,855)	-	(7,589,855)	-	(7,589,855)
Retirement of treasury stock	-	-	-	(10,791,194)	10,791,194	-	-	-	-
Others	-	-	-	-	4,382	-	4,382	761	5,143
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,923,780)</b>	<b>3,200,547</b>	<b>-</b>	<b>(13,723,233)</b>	<b>(52,425)</b>	<b>(13,775,658)</b>
<b>Balance as at December 31, 2017</b>	<b>108,586</b>	<b>707,181</b>	<b>4,002,780</b>	<b>196,154,822</b>	<b>(12,633,234)</b>	<b>-</b>	<b>188,340,135</b>	<b>6,615,121</b>	<b>194,955,256</b>

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

	Preference shares	Ordinary shares	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
<b>2018 KRW</b>									
<b>Balance as at January 1, 2018</b>	<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>215,811,200</b>	<b>(13,899,191)</b>	-	<b>207,213,416</b>	<b>7,278,012</b>	<b>214,491,428</b>
Cumulative effect of changes in accounting policy	-	-	-	246,529	(261,734)	-	(15,205)	-	(15,205)
<b>Restated total equity at the beginning of the financial year</b>	<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>216,057,729</b>	<b>(14,160,925)</b>	-	<b>207,198,211</b>	<b>7,278,012</b>	<b>214,476,223</b>
Profit for the period	-	-	-	43,890,877	-	-	43,890,877	453,980	44,344,857
Changes in value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	(3,007)	(236,343)	-	(239,350)	3,485	(235,865)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(4,036)	-	(4,036)	93	(3,943)
Foreign currency translation, net of tax	-	-	-	-	579,260	-	579,260	11,378	590,638
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	(391,357)	-	(391,357)	(18,794)	(410,151)
Gain (loss) on valuation of derivatives	-	-	-	-	47,079	-	47,079	-	47,079
<b>Total comprehensive income (loss)</b>	-	-	-	<b>43,887,870</b>	<b>(5,397)</b>	-	<b>43,882,473</b>	<b>450,142</b>	<b>44,332,615</b>
Dividends	-	-	-	(10,143,345)	-	-	(10,143,345)	(50,657)	(10,194,002)
Capital transaction under common control	-	-	-	-	1,719	-	1,719	7,991	9,710
Changes in consolidated entities	-	-	-	-	-	-	-	41	41
Acquisition of treasury stock	-	-	-	-	(875,111)	-	(875,111)	-	(875,111)
Retirement of treasury stock	-	-	-	(7,103,298)	7,103,298	-	-	-	-
Others	-	-	-	-	5,046	-	5,046	(1,345)	3,701
<b>Total transactions with owners</b>	-	-	-	<b>(17,246,643)</b>	<b>6,234,952</b>	-	<b>(11,011,691)</b>	<b>(43,970)</b>	<b>(11,055,661)</b>
<b>Balance as at December 31, 2018</b>	<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>242,698,956</b>	<b>(7,931,370)</b>	-	<b>240,068,993</b>	<b>7,684,184</b>	<b>247,753,177</b>

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of US dollars)*

<b>2018 USD</b>	<b>Preference shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Other components of equity</b>	<b>Accumulated other comprehensive income attributable to assets held-for- sale</b>	<b>Equity attributable to owners of the parent</b>	<b>Non- controlling interests</b>	<b>Total</b>
<b>Balance as at January 1, 2018</b>	<b>108,586</b>	<b>707,181</b>	<b>4,002,780</b>	<b>196,154,822</b>	<b>(12,633,234)</b>	-	<b>188,340,135</b>	<b>6,615,121</b>	<b>194,955,256</b>
Cumulative effect of changes in accounting policy	-	-	-	224,074	(237,894)	-	(13,820)	-	(13,820)
<b>Restated total equity at the beginning of the financial year</b>	<b>108,586</b>	<b>707,181</b>	<b>4,002,780</b>	<b>196,378,896</b>	<b>(12,871,128)</b>	-	<b>188,326,315</b>	<b>6,615,121</b>	<b>194,941,436</b>
Profit for the period	-	-	-	39,893,236	-	-	39,893,236	412,631	40,305,867
Changes in value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	(2,733)	(214,817)	-	(217,550)	3,168	(214,382)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(3,668)	-	(3,668)	84	(3,584)
Foreign currency translation, net of tax	-	-	-	-	526,500	-	526,500	10,342	536,842
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	(355,711)	-	(355,711)	(17,083)	(372,794)
Gain (loss) on valuation of derivatives	-	-	-	-	42,791	-	42,791	-	42,791
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,890,503</b>	<b>(4,905)</b>	<b>-</b>	<b>39,885,598</b>	<b>409,142</b>	<b>40,294,740</b>
Dividends	-	-	-	(9,219,475)	-	-	(9,219,475)	(46,043)	(9,265,518)
Capital transaction under common control	-	-	-	-	1,563	-	1,563	7,263	8,826
Changes in consolidated entities	-	-	-	-	-	-	-	37	37
Acquisition of treasury stock	-	-	-	-	(795,405)	-	(795,405)	-	(795,405)
Retirement of treasury stock	-	-	-	(6,456,320)	6,456,320	-	-	-	-
Others	-	-	-	-	4,586	-	4,586	(1,222)	3,364
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,675,795)</b>	<b>5,667,064</b>	<b>-</b>	<b>(10,008,731)</b>	<b>(39,965)</b>	<b>(10,048,696)</b>
<b>Balance as at December 31, 2018</b>	<b>108,586</b>	<b>707,181</b>	<b>4,002,780</b>	<b>220,593,604</b>	<b>(7,208,969)</b>	<b>-</b>	<b>218,203,182</b>	<b>6,984,298</b>	<b>225,187,480</b>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	For the year ended December 31,			
	2018	2017	2018	2017
	KRW	KRW	USD	USD
<b>Cash flows from operating activities</b>				
Profit for the period	44,344,857	42,186,747	40,305,867	38,344,321
Adjustments	43,604,573	36,211,232	39,633,009	32,913,064
Changes in assets and liabilities arising from operating activities	(9,924,366)	(10,620,547)	(9,020,441)	(9,653,214)
<b>Cash generated from operations</b>	<b>78,025,064</b>	<b>67,777,432</b>	<b>70,918,435</b>	<b>61,604,171</b>
Interest received	1,788,520	1,581,117	1,625,619	1,437,108
Interest paid	(548,272)	(542,715)	(498,335)	(493,284)
Dividends received	215,992	173,305	196,319	157,520
Income tax paid	(12,449,441)	(6,827,098)	(11,315,529)	(6,205,277)
<b>Net cash inflow from operating activities</b>	<b>67,031,863</b>	<b>62,162,041</b>	<b>60,926,509</b>	<b>56,500,238</b>
<b>Cash flows from investing activities</b>				
Net (increase)decrease in short-term financial instruments	(12,368,298)	387,627	(11,241,777)	352,321
Net acquisition of short-term financial assets at amortized cost	(1,436,844)	-	(1,305,974)	-
Net acquisition of short-term financial assets at fair value through profit or loss	(139,668)	-	(126,947)	-
Disposal of short-term available-for-sale financial assets	-	499,856	-	454,328
Disposal of long-term financial instruments	255,850	1,750,221	232,547	1,590,808
Acquisition of long-term financial instruments	(7,678,654)	(1,079,355)	(6,979,272)	(981,046)
Disposal of long-term available-for-sale financial assets	-	191,826	-	174,354
Acquisition of long-term available-for-sale financial assets	-	(358,497)	-	(325,845)
Acquisition of held-to-maturity financial assets	-	(106,751)	-	(97,028)
Acquisition of financial assets at amortized cost	(158,716)	-	(144,260)	-
Disposal of financial assets at fair value through other comprehensive income	16,211	-	14,734	-
Acquisition of financial assets at fair value through other comprehensive income	(456,134)	-	(414,589)	-
Disposal of financial assets at fair value through profit or loss	80,138	-	72,839	-
Acquisition of financial assets at fair value through profit or loss	(193,848)	-	(176,192)	-
Disposal of investment in associates and joint ventures	148	355,926	135	323,508
Acquisition of investment in associates and joint ventures	(51,226)	(25,293)	(46,560)	(22,989)
Disposal of property, plant and equipment	556,973	308,354	506,243	280,269
Acquisition of property, plant and equipment	(29,556,406)	(42,792,234)	(26,864,368)	(38,894,659)
Disposal of intangible assets	11,935	733	10,848	666
Acquisition of intangible assets	(1,020,517)	(983,740)	(927,567)	(894,140)
Cash outflow from business combinations	(99,108)	(8,754,268)	(90,081)	(7,956,917)
Cash inflow from business transfers	-	1,248,834	-	1,135,088
Others	(2,289)	(28,455)	(2,080)	(25,861)
<b>Net cash outflow from investing activities</b>	<b>(52,240,453)</b>	<b>(49,385,216)</b>	<b>(47,482,321)</b>	<b>(44,887,143)</b>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	For the year ended December 31,			
	2018	2017	2018	2017
	KRW	KRW	USD	USD
<b>Cash flows from financing activities</b>				
Net increase (decrease) in short-term borrowings	(2,046,470)	2,730,676	(1,860,075)	2,481,962
Acquisition of treasury stock	(875,111)	(8,350,424)	(795,405)	(7,589,856)
Proceeds from long-term borrowings and debentures	3,580	998,311	3,254	907,383
Repayment of long-term borrowings and debentures	(1,986,597)	(1,140,803)	(1,805,655)	(1,036,897)
Dividends paid	(10,193,695)	(6,804,297)	(9,265,239)	(6,184,552)
Net increase in non-controlling interests	8,071	5,670	7,336	5,154
<b>Net cash outflow from financing activities</b>	<b>(15,090,222)</b>	<b>(12,560,867)</b>	<b>(13,715,784)</b>	<b>(11,416,806)</b>
Effect of exchange rate changes on cash and cash equivalents	94,187	(1,782,270)	85,608	(1,619,939)
<b>Net decrease in cash and cash equivalents</b>	<b>(204,625)</b>	<b>(1,566,312)</b>	<b>(185,988)</b>	<b>(1,423,650)</b>
<b>Cash and cash equivalents</b>				
<b>Beginning of the period</b>	<b>30,545,130</b>	<b>32,111,442</b>	<b>27,763,038</b>	<b>29,186,688</b>
<b>End of the period</b>	<b>30,340,505</b>	<b>30,545,130</b>	<b>27,577,050</b>	<b>27,763,038</b>

**Samsung Electronics Co., Ltd.**

**SEPARATE STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS**

for the years ended December 31, 2018

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

	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	KRW	KRW	USD	USD
<b>Retained earnings before appropriations</b>				
Unappropriated retained earnings carried over from prior year	30	31	27	28
Cumulative effect of changes in accounting policy, etc.	58,324	-	53,013	-
Interim dividends:				
In 2018 - ₩1,062 (dividend rate: 1062%)	(7,213,815)	(2,896,772)	(6,556,771)	(2,632,930)
In 2017 - ₩21,000 (dividend rate: 420%)				
Retirement of treasury stock	(7,103,298)	(11,872,563)	(6,456,320)	(10,791,193)
Profit for the period	32,815,127	28,800,837	29,826,280	26,177,617
<b>Total</b>	<b>18,556,368</b>	<b>14,031,533</b>	<b>16,866,229</b>	<b>12,753,522</b>
<b>Transfers from other reserves</b>	-	-	-	-
<b>Appropriations of retained earnings</b>				
Reserve for business rationalization	5,000,000	3,000,000	4,544,593	2,726,756
Cash dividends:				
In 2018:				
Ordinary shares - ₩354 (dividend rate: 354%)				
Preference shares - ₩355 (dividend rate: 355%)				
In 2017:				
Ordinary shares - ₩21,500 (dividend rate: 430%)				
Preference shares - ₩21,550 (dividend rate: 431%)				
Reserve for research and human resources development	10,000,000	8,000,000	9,089,186	7,271,349
Reserve for capital expenditure	1,150,910	101,973	1,046,085	92,686
<b>Total</b>	<b>18,556,338</b>	<b>14,031,503</b>	<b>16,866,202</b>	<b>12,753,495</b>
<b>Unappropriated retained earnings to be carried forward</b>	<b>30</b>	<b>30</b>	<b>27</b>	<b>27</b>