SAMSUNG

2020 Annual General Meeting of Shareholders

Reference Material

SAMSUNG ELECTRONICS Co., Ltd.

Note about forward-looking statements

Certain statements in this reference statement, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our financial reports available on our website at https://www.samsung.com/global/ir

Dear Shareholder,

You are cordially invited to attend the 2020 Annual General Meeting of Shareholders (AGM) of Samsung Electronics Co., Ltd. to be held at the Convention Hall, 3F, 140, Gwanggyojungang-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Korea, on March 18, 2020, at 9:00 a.m. Korea Standard Time (UTC+9).

This Reference Material contains details of the matters expected to be acted upon at the AGM.

Regardless of whether you attend the AGM, it is important that your shares are represented and voted at the meeting. You may cast your vote through means allowing remote voting, such as by proxy. Returning the proxy does not deprive you of your right to attend the AGM and to vote your shares in person.

On behalf of the Board of Directors, thank you for your ongoing support of and continued interest in Samsung Electronics.

Sincerely,

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

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Notice of Annual Meeting of Shareholders

Date/Time : March 18, 2020 at 09:00 Korea Standard Time (UTC+9)

Place : Convention Hall, 3F, 140, Gwanggyojungang-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, 16514, Korea

Record date : December 31, 2019 (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 (FY2019)

☐ 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 24th.
  https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/

☐ Annual dividends

- Based on the three-year shareholder return program for 2018 to 2020, the annual dividend for FY2019 will be KRW 9.6 trillion upon approval at the AGM. Dividend per common share is KRW 1,416.

Agenda 2. Election of Executive Directors

The Board recommends the election of two Executive Directors at the 2020 AGM to add needed expertise to enhance the performance of the Board. The Board proposes candidates (2.1) Jong-Hee Han, President and Head of Visual Display Division, and (2.2) Yoon-Ho Choi, President and CFO, for election as Executive Directors. The nominees offer a wealth of experience and would contribute significantly to discussions and decision making on important matters.

In addition, The Board on February 21 appointed Independent Director Jae-Wan Bahk to Chairman of the Board to strengthen the Board's independence and transparency and better represent shareholder interests.

Agenda 2.1 Appointment of Jong-Hee Han (President & Head of Visual Display Division)

- Jong-Hee Han is an expert with over 30 years of experience in the Visual Display Division. He has been at the forefront of Samsung's innovation, contributing significantly to the development of a wide range of market leading products, enabling the Company to continuously demonstrate its technology leadership and stay atop the global TV market for 14 consecutive years.
- Mr. Han will contribute to the Board's strategy development based on his deep business knowledge and insights into industry trends.
- He also served as the President of Korea Association of Smart Home (KASH) from 2018-2019—his expertise in IoT technology can lead to the creation of synergies with our other businesses, thus helping the Board better understand new growth opportunities for the Company.

Agenda 2.2 Appointment of Yoon-Ho Choi (President & CFO)

- Yoon-Ho Choi has more than 30 years of experience in financial management of the Company and has clearly demonstrated his skills and capabilities during his service
- The addition of the CFO, who oversees corporate-level resource management, will enhance the Board's decision making and effectuate deeper discussions on capital management issues, which include investment for future growth, large scale M&As and shareholder return policies—areas of keen interest to shareholders.

- In his role of Chief Risk Officer (CRO), the CFO leads the Risk Council, which manages risks across the company, including those related to ESG. Considering shareholders' increasing focus on ESG, we believe the CFO and his experience in this area would help the Board more efficiently address ESG matters.

Agenda 3. Approval of Director Remuneration limit (FY2020)

(Unit: KRW billion)

	FY2020	FY2019	
	Proposed	Approved	Actual
General compensation	***30.0***	37.5	9.8
Long-term incentive (LTI)	***25.0***	9.0	8.1
Total	***55.0***	46.5	17.9

The Board of Directors recommends a remuneration limit of KRW 55.0 billion for FY2020.

General compensation

- The Board recommends reducing the general compensation limit for FY2020 to KRW 30 billion, down compared to last year's figure.
- Total number of Directors stays the same at 11 (5 Executive Directors and 6 Independent Directors) with 2 Executive Directors having either retired or resigned from the Board—Jae-Yong Lee's term expired and Sang-Hoon Lee resigned —and 2 Executive Directors newly appointed.
- However, the limit for FY2020 was adjusted based on the actual amount of general compensation in the recent years, which was lower than the limit due to an absence of special bonus payments to Directors in the semiconductor business and a smaller annual incentive compared to previous years.
- Even amid lower-than-limit general compensation in the recent years, it was deemed that a buffer was still needed, to be prepared for potential changes in the business environment.

Long- term incentive (LTI)

- For FY2020, the Board recommends an LTI limit of KRW 25 billion.
- FY2020 is Year 1 of a three-year LTI term, based on performance evaluation during the period of FY2017-2019. Under the payment scheme, 50% of the LTI payment for this term will be remunerated in FY2020. FY2021 (Year 2) and FY2022 (Year 3) will each represent 25% of the total LTI, or half of the actual amount to be paid in FY2020
- The LTI limit for FY2020 was set at the same level as it was in FY2017, Year 1 of the previous term, at KRW 25 billion, even though the number of Directors increased.
- FY2019, Year 3 of the previous term, represented 25% of the term's LTI payment, but FY2020 represents 50% of the LTI payment for the new term. As a result, the LTI limit increases year-on-year.

1 Agendas

Agenda 1. Approval of Audited Financial Statements and Annual Dividends (FY2019)

I. Audited Financial Statements

Overview

The Board of Directors is seeking your approval of the following financial statements for FY2019 beginning on January 1, 2019 and ending on December 31, 2019.

- 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 24h.
https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/

☐ Financial performance (K-IFRS, consolidated)

(Unit: KRW trillion)

	FY2019	FY2018	Change
Revenue	***230.4***	243.8	-5.5%
Operating profit	***27.8***	58.9	-52.8%
Net profit	***21.7***	44.3	-51.0%
EPS (KRW)	***3,166***	6,461	-51.0%
Assets	***352.6***	339.4	3.9%
Liabilities	***89.7***	91.6	-2.1%
Equity	***262.9***	247.8	6.1%
Liabilities/equity	***34.1%***	37.0%	-2.9%p
ROE	***8.5%***	19.2%	-10.7%p

* See Section 5. (page 35) for detailed financial statement.

☐ Summary of key financial metrics, by business division

(Unit: KRW trillion)

	Category	FY2019	FY2018	FY2017
Semiconductor	Revenue	***64.9***	86.3	74.3
	Operating profit	***14.0***	44.6	35.2
	Margin	***21.6%***	51.7%	47.4%
Display Panel	Revenue	***31.1***	32.5	34.5
	Operating profit	***1.6***	2.6	5.4
	Margin	***5.1%***	8.1%	15.7%
Consumer Electronics	Revenue	***44.8***	42.1	44.6
	Operating profit	***2.6***	2.0	1.8
	Margin	***5.8%***	4.8%	4.0%
IT & Mobile Communications	Revenue	***107.3***	100.7	106.7
	Operating profit	***9.3***	10.2	11.8
	Margin	***8.6%***	10.1%	11.1%
Overall	Revenue	***230.4***	243.8	239.6
	Operating profit	***27.8***	58.9	53.6
	Margin	***12.1%***	24.2%	22.4%

In 2019, total revenue was about 230 trillion won, and operating profit came in at approximately 28 trillion won. Our performance was hindered by uncertainties at home and abroad, which included global trade issues, coupled with difficult business conditions, especially for the memory business. Against this backdrop, we dedicated ourselves to laying a foundation for sustainable growth by strengthening technology and product competitiveness and by making strategic investments in new growth engines.

In the Memory Business, earnings decreased due to a weak business environment and external uncertainties. However, we continued to strengthen our technology competitiveness by developing third generation 10-nano DRAM, a world first, increase cost competitiveness based on our advanced node processes, and lead the memory market by expanding sales of differentiated products, including high-capacity server chips.

In System LSI, we expanded our customer base and enhanced our technological capabilities, highlighted by the commercialization of 5G modem integrated AP chips and release of the world's first 100Mp image sensor. The Foundry Business introduced 7-nano EUV chips—another world first—and diversified its process portfolio of FD-SOI and 8-inch offerings.

The Mobile Display Business solidified its technology leadership by constantly launching products with differentiated features and designs, releasing a new form factor in foldable panels ahead of competitors, and strengthening our readiness for accelerated growth of 5G. Amid an exacerbated supply-demand imbalance, the Large Display Business is working to secure profit by increasing its value-added portion of products such as ultra-large and 8k high-resolution panels, and is preparing to reorganize its business structure to focus on QD-Display.

In the Mobile Business, we are leading trends in the global mobile market: we adopted differentiated features, such as high performance cameras; secured early dominance by releasing world's first 5G smartphone; and created a new market by introducing a foldable phone. Moreover, we achieved solid results by fully revamping our low-end to mid-range lineups and making them more cost competitive.

The TV Business introduced a full lineup of QLED 8K TVs into the global market to embrace rising demand for ultra-large, ultra-high resolution models. In addition, we captured the highest global market share for a 14th consecutive year, aided by the release of a series of innovatively designed products, namely our lifestyle lineup The Serif, The Frame, and The Sero. Digital Appliances achieved earnings growth as profit improved significantly on a strengthened premium lineup, including Bespoke refrigerators, and due to strong sales of newlife appliances.

Capital Expenditures and Other Investments

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

(Unit: KRW trillion)

Category	FY2019	FY2018	FY2017
Capex (as percentage of revenue)	**26.9** **(11.7%)**	29.4 (12.1%)	43.4 (18.1%)
R&D (as percentage of revenue)	**19.9** **(8.6%)**	18.4 (7.5%)	16.4 (6.8%)
Advertising & sales promotion (as percentage of revenue)	**11.3** **(4.9%)**	11.1 (4.6%)	12.6 (5.3%)
Total (as percentage of revenue)	**58.1** **(25.2%)**	58.9 (24.1%)	72.4 (30.2%)

Total capex in FY2019 was approximately KRW 26.9 trillion, with KRW 22.6 trillion allocated to semiconductor and KRW 2.2 trillion to display. On a year-on-year basis, capex in the memory business declined while foundry investments increased as we expanded capacity of advanced process nodes, including that for 7-nano EUV. Expenditures on OLED declined compared to 2018 as investments in the A4 line for mobile panels were completed in 2018.

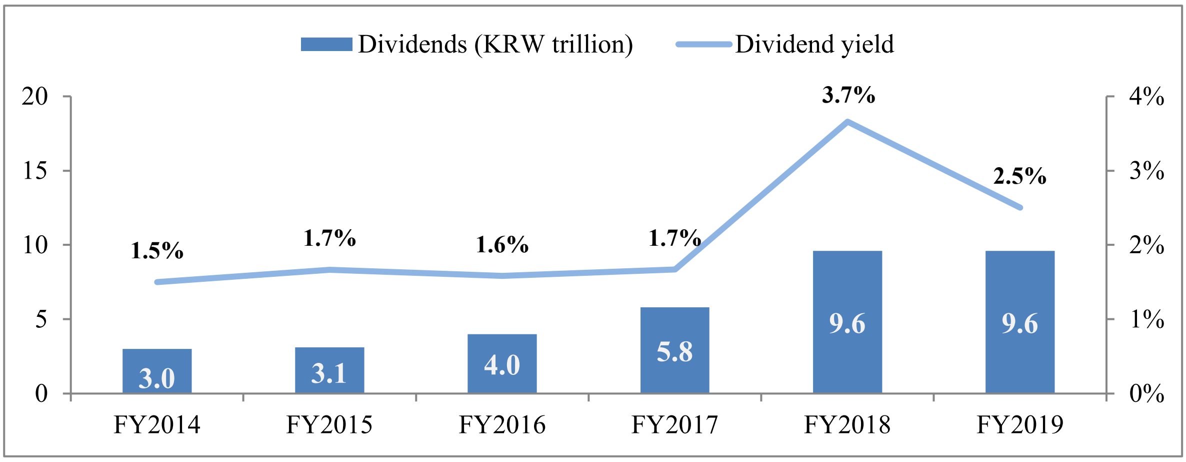
R&D expenses increased KRW 1.56 trillion year-on-year, reaching KRW 19.9 trillion or approximately 8.6% of total revenue, the largest portion being related to the semiconductor business. Our Global R&D activities focus on delivering advanced technology and innovations to strengthen competitiveness and secure long-term growth.

Advertising and S&P expenses in FY2019 remained mostly flat at KRW 11.3 trillion.

Ⅱ. Shareholder Return

Shareholder Return Program for FY2018–2020

- The three-year shareholder return program for 2018 to 2020, announced in October 2017, is currently in effect.
- Based on the program, the total annual dividend was 9.6 trillion for 2018, marking a significant increase from previous years. It will be the same for 2019 upon approval at the AGM. The annual dividend in 2020 is also set at 9.6 trillion won.
- Once free cash flow for the period of 2018 to 2020 is confirmed, the remaining portion of the 50% of FCF for the three-year period after dividend payout will be returned to shareholders as promised. Under our corporate vision of shareholder-value oriented management, we are exploring ways to execute an early return of part of the amount beyond the committed dividends prior to the close of the accounting books for FY2020.



- Although the total annual dividend was the same for 2018 and 2019, the dividend yield decreased in 2019 due to a surge in the stock price. However, the total shareholder return on the stock—the change in the stock price plus the dividend—was 47.8%.

(Unit: KRW)

Category	FY 2019	FY 2018	FY 2017
Year-end stock price (common share)	**55,800**	38,700	50,960
- Stock price change %	***44.2%***	*(24.1%)*	*41.4%*
Dividends per common share	**1,416**	1,416	850
Total shareholder return [1)]	**47.8%**	(21.3%)	43.8%

1) Total shareholder return = {(end-year stock price – start-year stock price) + annual dividend} ÷ start-year stock price

Agenda 2. Election of Executive Directors

Overview

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.

At the 2019 AGM, the Board elected two new Independent Directors to enhance its financial expertise and to facilitate deeper discussions on ESG-related issues. Meanwhile, the Board also experienced some changes in its Executive Directors—i.e., Jae-Yong Lee's term of directorship expired in October 2019 and Sang-Hoon Lee resigned from the Board in February 2020. As a result, the Board recommends the election of two Executive Directors at the 2020 AGM to add needed expertise to enhance the performance of the Board.

Following the resignation of Chairman, Sang-Hoon Lee, the Board resolved to appoint Independent Director Jae-Wan Bahk to be the new Chairman. As part of our continued endeavors to improve Board independence and oversight, the Board elected an Independent Chairman for the first time in the Company's history. The Board believes Jae-Wan Bahk's extensive leadership experience and accumulated knowledge during his directorship will enable him to excel in his role as Chairman.

In the 2020 AGM, the Board proposes candidates (2.1) Jong-Hee Han, President and Head of Visual Display Division, and (2.2) Yoon-Ho Choi, President and CFO, for election as Executive Directors.

Agenda 2.1 Appointment of Jong-Hee Han

The Board nominates (2.1) Jong-Hee Han, President and Head of Visual Display Division, for Executive Director

- Jong-Hee Han is an expert with over 30 years of experience in the Visual Display Business. He has been at the forefront of Samsung's innovation, contributing significantly to the development of a wide range of market leading products, enabling the Company to continuously demonstrate its technology leadership and stay atop the global TV market for 14 consecutive years.
- Mr. Han will contribute to the Board's strategy development based on his deep business knowledge and insights into industry trends.
- He also served as the President of Korea Association of Smart Home (KASH) from 2018-2019—his expertise in IoT technology can lead to the creation of synergies with our other businesses, thus helping the Board better understand new growth opportunities for the Company.

Agenda 2.2 Appointment of Yoon-Ho Choi

The Board nominates (2.2) Yoon-Ho Choi, President and CFO, for Executive Director

- Mr. Choi has more than 30 years of experience in financial management of the Company and has clearly demonstrated his skills and capabilities during his service.
- The addition of the CFO, who oversees corporate-level resource management, will enhance the Board's decision making and effectuate deeper discussions on capital management issues, which include investment for future growth, large scale M&As and shareholder return policies—areas of keen interest to shareholders.

- In his role of Chief Risk Officer (CRO), the CFO leads the Risk Council, which manages risks across the Company, including those related to ESG. Considering shareholders' increasing focus on ESG, we believe the CFO and his experience in this area would help the Board more efficiently address ESG matters.

Samsung Electronics will strive to enhance long-term shareholder value. To this end, we recommend the election of the candidates named above for Executive Director, whose skills and expertise are considered the most appropriate at this time. We ask for your support and interest in this move.

Executive Director Nominees

2.1 Jong-Hee Han

(newly-nominated)

2.2 Yoon-Ho Choi

(newly-nominated)

Jong-Hee Han

Date of birth: Mar 15, 1962

Jong-Hee Han has been President and Head of the Visual Display Division of Samsung Electronics since 2017. Previously, he served as the business's Head of Research and Development from 2013-2017. Mr. Han joined the Company in 1988 and has been influential in the development of a wide range of market leading products. He played a pivotal role in taking Samsung's TV business to the pinnacle of the global market in 2006 and keeping it there since. Mr. Han was a key figure in the unveiling of Samsung's world-class LED TV, and his numerous other innovations enabled the Company to continuously demonstrate its technology leadership. Mr. Han was also instrumental in the development of Samsung's own video processing technologies. He served as the President of Korea Association of Smart Home (KASH; from 2018-2019), and earned his Bachelor's degree in electrical engineering from Inha University in 1988.

Yoon-Ho Choi

Date of birth: January 11, 1963

Yoon-Ho Choi was appointed to his current role of President and CFO of Samsung Electronics in 2020. Since joining Samsung Electronics in 1987, he has held numerous positions involving the financial management of the Company, serving as Vice President and CFO of Samsung Electronics Europe and Head of Financial Management (UK) from 2006–2010; Vice President of Future Strategy Group from 2010–2013, Senior Vice President and CFO of Mobile Communication Business from 2014–2017, and Executive Vice President of the Business Support Task Force from 2017–2019. Mr. Choi earned his Bachelor's degree in business from Sungkyunkwan University in 1988.

Agenda 3. Approval of Remuneration Limits for Directors (FY2020)

Compensation Committee

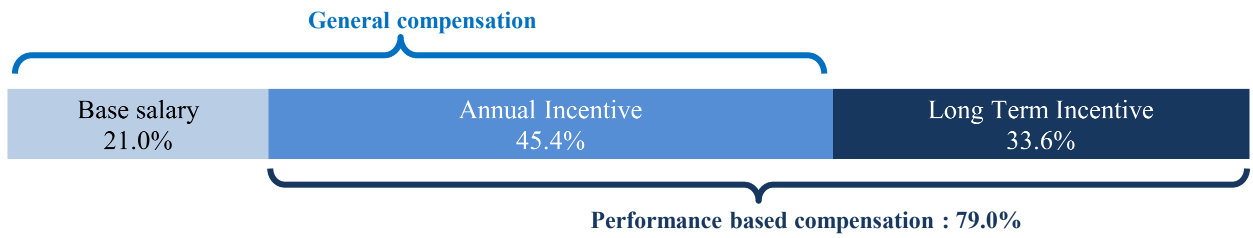
Samsung Electronics in 2009 established the Compensation Committee by a resolution of the Board, without legal mandates. The Committee is comprised entirely of Independent Directors to ensure the objectivity and transparency of decision making regarding director remuneration. It is responsible for assessing 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

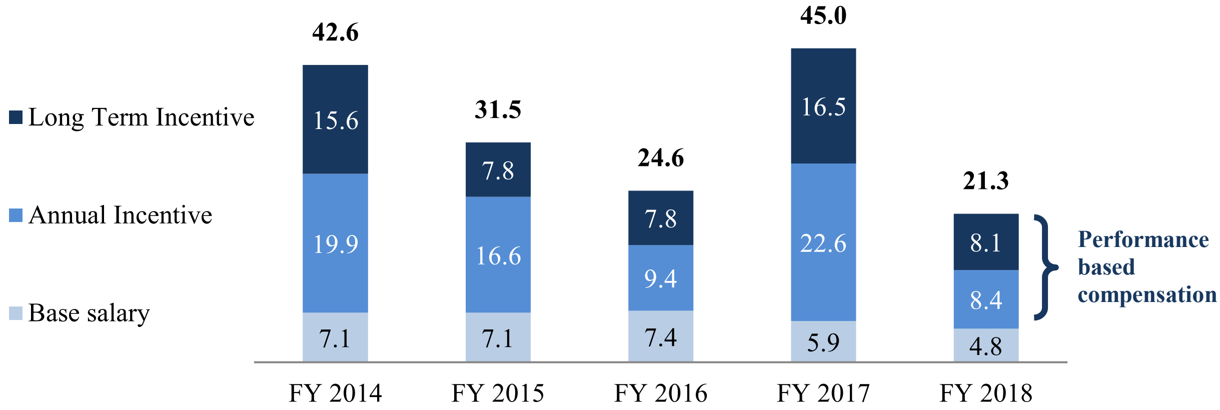
Our Director Remuneration program is designed to emphasize the link between performance and compensation. The remuneration plan consists of two elements: 1) general compensation; and 2) three-year long-term incentive (LTI).

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

※ FY2014–FY2018, 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—*e.g.,* 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	Term 5
Evaluation period:	2005–2007	2008–2010	2011–2013	2014–2016	**2017–2019**
Payment period:	2008	2011–2013	2014–2016	2017–2019	**2020–2022**

Evaluation criteria

Comparison of 3-year **ROE, EBIT margin, Stock Performance**

- 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 - FY2019

(Unit: KRW billion)

	FY2019 Approved	FY2019 Actual	FY2018 Actual
General compensation[1]	37.5	9.8	13.2
Long-term incentive (LTI)	9.0	8.1	8.1
Total	46.5	17.9	21.3

[1] Includes Independent Directors

1) General compensation of FY2019 decreased year-on-year.

- Base salary remained similar compared to FY2018 since the number of Directors and their positions remained the same.
- Annual incentive, on the other hand, decreased due to smaller OPI and TAI payments amid weak earnings in FY2019, compared to FY2018.
- The actual amounts paid in recent years turned out to be lower than the approved limit, due to absence of special bonus payments to Directors in the semiconductor business and smaller annual incentive payments compared to previous years.

2) LTI of FY2019 remained the same as it was in FY2018

- Long-term incentive paid in FY2019 remained at the same level as it was in FY2018, since FY2018 (Year2) and FY2019 (Year3) each represent 25% of the total LTI for the term, according to the LTI payment scheme.

☐ Executive Directors

- In accordance with relevant regulations, remuneration of Executive Directors is disclosed semiannually. Individual remuneration for FY2019 will be disclosed in April 2020.

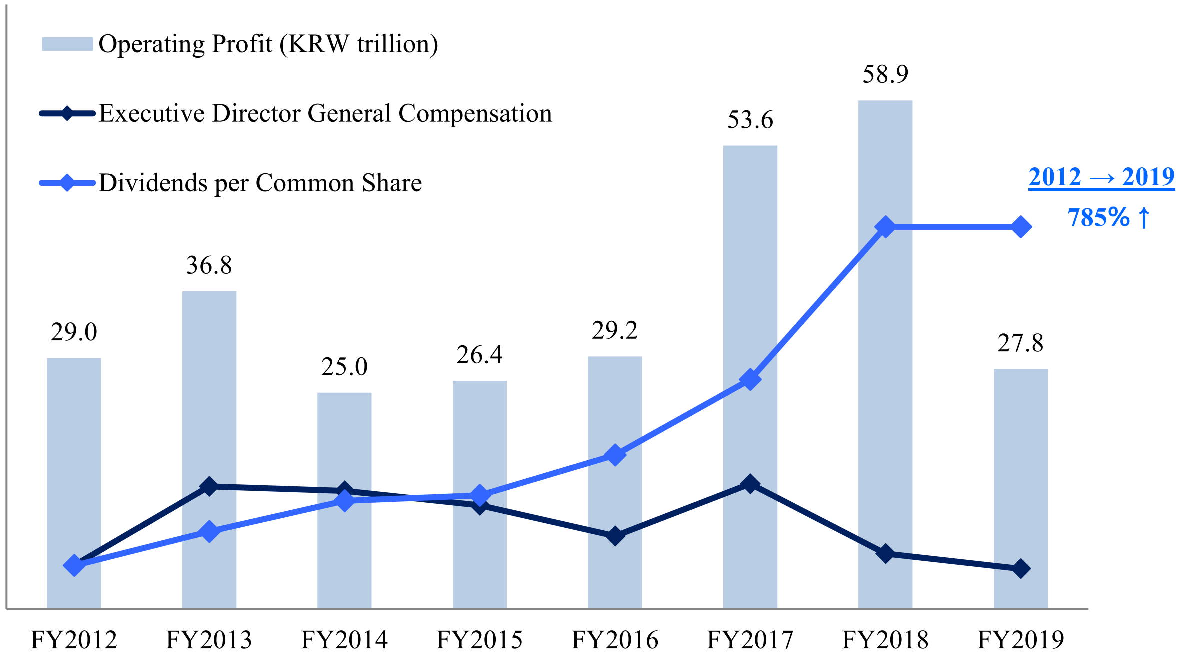
(Unit: KRW billion)

	FY2019			FY2018					
	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*	0.4	1.8	2.2	0.8	2.4	3.3
JY Lee	*-*	*-*	*-*	-	-	-	-	-	-
KN Kim	*0.6*	*0.7*	*1.4*	0.6	0.7	1.4	1.3	3.1	4.5
HS Kim	*0.5*	*0.5*	*1.0*	0.5	0.5	1.0	0.9	1.6	2.6
DJ Koh	*0.6*	*0.5*	*1.1*	0.6	0.5	1.1	1.2	1.8	3.1

- Jae-Yong Lee has not been remunerated from the second half of 2017 and his term expired in October 2019.
- Sang-Hoon Lee, Chairman of the Board, resigned in the middle of the term on February 14, 2020.

Actual - FY2019

※ 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	***39.9***	74.5	117.1	43.1	45.0
Per person	***8.0***	14.9	23.4	8.6	9.0
As percentage of net profit	***0.2%***	0.4%	0.2%	0.5%	0.8%

* Compared SEC's FY2019 remuneration limit approved in the 50th AGM (KRW 46.5 billion) to the actual remuneration paid to the top five executives at global peer companies.
(Based on the latest disclosure - FY2019 for Apple, FY2018 for Intel, IBM, HP)

☐ Independent Directors

- Remuneration for Independent Directors is included in general compensation. In FY2019, total remuneration stayed similar to that of FY2018, with the number of Independent Directors staying the same.
- We are continuing our efforts to improve compensation of our Independent Directors to meet global standards.

(Unit: KRW billion)

	FY2019	FY2018
Number of Independent Directors	***6***	6
Total remuneration	***0.8***	0.8
Average remuneration	***KRW 137m***	KRW 137m

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

To be approved - FY2020

The Board of Directors recommends a remuneration limit of KRW 55.0 billion for FY2020.

(Unit: KRW billion)

		FY2020	FY2019
Number of Directors		*11*	11
	General Compensation[1]	*30.0*	37.5
	Long-term Incentive (LTI)	*25.0*	9.0
Total		*55.0*	46.5

[1] Includes Independent Directors

1) General compensation

- The Board recommends reducing the general compensation limit for FY2020 to KRW 30 billion, down compared to last year.
- Total number of Directors stays the same at 11 (5 Executive Directors and 6 Independent Directors) with 2 Executive Directors having either retired or resigned from the Board—Jae-Yong Lee's term expired and Sang-Hoon Lee resigned—and 2 Executive Directors newly appointed.
- However, the limit for FY2020 was adjusted based on the actual amount of general compensation in the recent years, which was lower than the limit due to absence of special bonus to Directors in the semiconductor business and a smaller annual incentive compared to previous years.
- Even amid lower-than-limit general compensation in the recent years, it was deemed that buffer was still needed, to be prepared for any changes in business environment.

2) Long-term incentive (LTI)

- For FY2020, the Board recommends an LTI limit of KRW 25 billion.
- FY2020 is Year 1 of a three-year LTI term, based on performance evaluation during the period of FY2017-2019. Under the payment scheme, 50% of the LTI payment for this term will be remunerated in FY2020. FY2021 (Year 2) and FY2022 (Year 3) will each represent 25% of the total LTI, or half of the actual amount to be paid in FY2020.
- The LTI limit for FY2020 was set at the same level as it was in FY2017, Year 1 of the previous term, at KRW 25 billion, even though the number of Directors increased.
- FY2019, Year 3 of the previous term, represented 25% of the term's LTI payment, but FY2020 represents 50% of the LTI payment for the new term. As a result, the LTI limit has increased year-on-year.

(Unit: KRW billion)

	Current term			Previous term		
Evaluation period	*FY2017–FY2019*			*FY2014–FY2016*		
Payment period	*FY2020–FY2022*			*FY2017–FY2019*		
		Limit	*Actual*		*Limit*	*Actual*
Payment Year 1	*FY2020*	*25*	*(50%)*	*FY2017*	*25*	*16.5*
Payment Year 2	*FY2021*	*-*	*(25%)*	*FY2018*	*9*	*8.1*
Payment Year 3	*FY2022*	*-*	*(25%)*	*FY2019*	*9*	*8.1*

- 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 2, 25%) and FY2019 (Year 3, 25%) of the current term.

2 Information About the Meeting And Shareholder Rights

Overview

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 three or four weeks prior to the general meeting of shareholders.

Operation

In accordance with our Article of Incorporation, each shareholder is entitled to one vote per share. The Company does not have any system or method (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 M&As subject to a resolution at a General Meeting, 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.

3 Corporate Governance

Overview – The Board of Directors

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 (the "Board") 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 an Annual General Meetings of shareholders (AGM).

As of Feb, 2020, the Board of Samsung Electronics is composed of three Executive Directors and six Independent Directors, with an Independent Directors majority guaranteeing independence and transparency. In addition, the Board has established decision-making process that seeks input from a broad spectrum of outside experts. Pursuant to the Articles of Incorporation, the Independent Directors Recommendation Committee 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, economics, accounting, law, technology, and CSR.

The Independent Directors meet separately from the Board'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 Board. This arrangement is to prevent a conflict between interests as specified in the Korean Commerce Act and the Company's Articles of Incorporation.

☐ Board of Directors (as of February 2020)

Executive Directors (3):	Kinam Kim	Hyun-Suk Kim	Dong-Jin Koh
Independent Directors(6):	Jae-Wan Bahk (Chairman) Sun-Uk Kim Curie Ahn	 Byung-Gook Park Han-Jo Kim	 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).

The Board separated the role of CEO and Chairman in 2018, and it recently appointed an Independent Director as Chairman of the Board in its continued efforts to strengthen the Board's independence and transparency.

☐ Responsibilities and duties of Directors

Pursuant to Article 27-2 of our Articles of Incorporation, each Director shall have a fiduciary duty in performing his or her duties. Pursuant to Article 32 Prohibition of Competition by Directors, no Director shall effect any transaction which falls within the same class of business as that of the Company without the consent of the Board or such committee as authorized by the Board, 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 Board 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 Article 24 and there is no difficulty in the administration of business, the foregoing shall not be applicable.

☐ Convening of the meeting of the Board of Directors

There are two types of the Board meetings.

- Regular meetings—generally held four times a year (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 Board, 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 consists of 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 Board committees (as of February 2020)

	Members		
	Chair	**Executive Directors**	**Independent Directors**
Management Committee	Kinam Kim (Executive)	Hyun-Suk Kim Dong-Jin Koh	-
Audit Committee	Jae-Wan Bahk (Independent)	-	Sun-Uk Kim Han-Jo Kim
Independent Director Recommendation Committee	Jeong Kim (Independent)	-	Byung-Gook Park Curie Ahn
Related Party Transactions Committee	Sun-Uk Kim (Independent)	-	Jae-Wan Bahk Han-Jo Kim
Compensation Committee	Byung-Gook Park (Independent)	-	Jae-Wan Bahk Jeong Kim
Governance Committee	Jae-Wan Bahk (Independent)	-	Sun-Uk Kim Byung-Gook Park Jeong Kim Curie Ahn Han-Jo Kim

Profile of Board Members (Executive)

Kinam Kim, PhD

Birth: April 14, 1958
Director since 2018

Dr. Kinam Kim has been Vice Chairman and CEO of Samsung Electronics since 2018 and has been the Head of Device Solutions overseeing global operations of the Memory, System LSI and Foundry business units of Samsung Electronics since 2017. Previously, he served as President of the Semiconductor Business (2014–2017) and Memory Business (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 President and CEO of Samsung Electronics in 2018, and has been the Head of Consumer Electronics since 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 has been President and CEO of Samsung Electronics since 2018, and has been Head of IT & Mobile Communications since 2017. Mr. Koh also has served as Samsung Electronics' President of Mobile Communications Business from 2015-2020. 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.

Profile of Board Members (Independent)

Jae-Wan Bahk, PhD
Chairman

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 to 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 served as President of the Hansun Foundation for Peace & Prosperity of the Korean Peninsula since 2014. He has been an Independent Director since 2016 and was appointed Chairman of the Board, Samsung Electronics in February 2020

Byung-Gook Park, PhD

Birth: April 19, 1959

Director since 2018

Dr. Park is a professor of School of Electrical Engineering, Seoul National University. He was named a Fellow of the Institute of Electrical and Electronics Engineers in 2020. He is a Fellow of Korean Academy of Science and Technology and Member of the National Academy of Engineering of Korea since 2019 and has been a member of National Academy of Engineering since 2014. In 2015, he served as President of the Institute of Electronics and Information Engineers. He worked at AT&T Bell Labs from 1990 until 1992 and then at Texas Instruments from 1993 until 1994. He took the position of Director at the Inter-University Semiconductor Research Center (ISRC) from 2008 to 2010.

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

Sun-Uk Kim, PhD

Birth: December 21, 1952

Director since 2018

Dr. Sun-Uk Kim is a professor emeritus of the School of Law at Ewha Womans University. She joined Ewha Womans University as a Professor in 1995, and was 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 J.D. in administrative law from University of Konstanz in Germany. She has been an Independent Director at Samsung Electronics since 2018.

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 worked at 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

Curie Ahn, PhD

Birth: March 17, 1955

Director since 2019

Dr. Curie Ahn is a transplant nephrologist and immunologist with major interest in xeno transplantation. She has been Secretary General of the Asian Society of Translation since 2019 and Chairperson of the Board at the Korean Organ Transplantation Registry (KOTRY) since 2016. She has served as the Chair of the Board of the Korean Society for Transplantation from 2015 to 2017, Director of the SNU Hospital Transplantation Center from 2008 to 2015. Dr. Ahn is an active volunteer, offering her medical expertise to social contribution activities. She established the Raphael Clinic in 1997 to provide free medical services to migrant workers and has continued to volunteer for over 20 years. She has been the Chair of the Board of Raphael International since 2018. Dr. Ahn has been serving as the Director of Social Contribution Professor Conference of Seoul National University since 2017.

She graduated from the Seoul National University College of Medicine and gained her master's and doctor's degree from the same institution. She has been an Independent Director at Samsung Electronics since 2019.

Han-Jo Kim

Birth: July 12, 1956

Director since 2019

Mr. Han-Jo Kim served as Chairman of Hana Nanum Foundation from 2015 to 2019 and became Chairman of Hana Foundation in 2019. He served as Vice Chairman of Hana Financial Group from 2015 to 2016. Previously, he was President and CEO of Korea Exchange Bank from 2014 to 2015 and President of KEB Capital from 2013 to 2014.

He received his Bachelor's degree in French Language and Literature at Yonsei University. He has been an Independent Director at Samsung Electronics since 2019.

Board Activities

The following table presents meetings and voting results that were held by the Board and the Committees under the Board between January 2019 and December 2019.

☐ Board meetings in FY2019

Board meetings and voting results of Independent Directors

Date	Agenda	IH Lee	KS Song	JW Bahk	SU Kim	BG Park	Jeong Kim	Curie Ahn	HJ Kim
Jan 31 2019	① Approval of FY18 financial statements and annual business report	For	For	For	For	For	For		
	② Revision of internal accounting management regulations	For	For	For	For	For	For		
	③ Approval of business plan for 2019	For	For	For	For	For	For		
	④ Lease contract with Samsung Display	For	For	For	For	For	For		
	⑤ Purchase of research equipment and lease contract with Samsung SDI	For	For	For	For	For	For		
	⑥ Approval of the 2019 social contribution matching fund	For	For	For	For	For	For		
	⑦ Charitable contribution to Samsung Dream Scholarship Foundation	For	For	For	For	For	For		
Feb 26 2019	① Decision to convene the 50th AGM	For	For	For	For	For	For		
	② Decisions on the 50th AGM agenda items	For	For	For	For	For	For		
	③ Application for product liability insurance	For	For	For	For	For	For		
	④ Sponsoring the WorldSkills Competition	For	For	For	For	For	For		
	⑤ Donation to Chung-nam Samsung Institute	For	For	For	For	For	For		
Mar 20 2019	① Appointment of Board committee members			For	For	For	For	For	For
	② Setting remuneration of Directors			For	For	For	For	For	For
Apr 30 2019	① Approval of 1Q19 interim business report and quarterly dividend			For	For	For	For	For	For
	② Application for New Technology Business Investment Association			For	For	For	For	For	For
	③ Acquisition of PLP business			For	For	For	For	For	For
	④ Group health insurance plan for employees			For	For	For	For	For	For
	⑤ Charitable contributions			For	For	For	For	For	For
	⑥ Donation to Korea Occupational Safety and Health Agency			For	For	For	For	For	For
	⑦ Donation to incentive fund for DS Division's suppliers			For	For	For	For	For	For
Jul 31 2019	① Approval of 1H19 half year business report and quarterly dividend			For	For	For	For	For	For
	② Revision of audit committee regulations			For	For	For	For	For	For
	③ Package insurance policy for our sites			For	For	For	For	For	For
	④ Financial support for startup program at Daegu, Gyeongbuk Creative Economy Innovation Center			For	For	For	For	For	For
Oct 31 2019	① Approval of 3Q19 business report and quarterly dividend			For	For	For	For	For	For
	② Payment of retirement pension plan			For	For	For	For	For	For
Nov 29 2019	① Approval of transaction with affiliate company			For	For	For	For	For	For
	② Payment of retirement pension plan			For	For	For	For	For	For
	③ Approval of business plan for 2020			For	For	For	For	For	For
	④ Contribution to Community Chest of Korea's annual fundraising campaign for 2020			For	For	For	For	For	For

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

☐ Committee participation of Independent Directors in FY2019

Audit Committee

Date	Agenda
Jan 30 2019	① Report on 2018 internal accounting management system activities ② Approval of revisions of internal accounting management regulations ③ Report on 2018 financial statement and business report ④ Report on 4Q18 non-audit activities ⑤ Report on 4Q18 external contributions ⑥ Report on 2018 audit activities
Feb 26 2019	① Review on the 50th AGM agenda ② Report on activities of internal compliance system in 2018
Apr 29 2019	① Appointment to head of the Audit Committee ② Report on 1Q19 interim business report ③ Report on 1Q19 non-audit activities ④ Inspection plans for 2019 internal accounting management system activities ⑤ Report on 1Q19 external contributions ⑥ Evaluation plans for 2019 internal accounting management system activities ⑦ Plans for 2019 and 1Q19 review for external audit activities
Jul 30 2019	① Report on 1H19 half year business report ② Report on 2Q19 non-audit activities ③ Report on Inspection plans for 2Q19 internal accounting management system activities ④ Report on 2Q19 external contributions ⑤ Report on revision of audit committee regulations (proposal) ⑥ Approval of external auditor appointment regulation ⑦ Report on 1H19 audit activities ⑧ Report on review of 2Q19 external audit activities
Oct 28 2019	① Report on 3Q19 interim business report ② Report on 3Q19 non-audit activities ③ Report on 3Q19 external contributions ④ Report on review of 3Q19 external audit activities
Nov 14 2019	① Determination of contract terms and conditions with designated external auditor

Governance Committee

Date	Agenda
Apr 30 2019	① Appointment of the head of the committee
Jul 31 2019	① Reporting on updates of IR activities
Oct 31 2019	① Reporting on updates of IR activities ② Reporting on IR-Sustainability roadshow investor meeting results
Nov 29 2019	① Reporting on Company’s sustainable management scheme

Related Party Transactions Committee

Date	Agenda
Jan 30 2019	① Prior review on large-scale related party transactions 1) Lease contract with Samsung Display 2) Purchase of research equipment and lease contract with Samsung SDI ② Report on 4Q18 related party transactions
Feb 26 2019	① Prior review on large-scale related party transactions 1) Application for product liability insurance
Apr 29 2019	① Appointment of the head of the Related Party Transactions Committee ② Prior review on large-scale related party transactions 1) Application for new technology business investment association 2) Acquisition of PLP business 3) Group health insurance plan for employees 4) Charitable contributions ③ Report on 1Q19 related party transactions
Jul 30 2019	① Prior review on large-scale related party transactions 1) Package insurance policy for our sites ② Report on 2Q19 related party transactions
Oct 28 2019	① Prior review on large-scale related party transactions 1) Payment of retirement pension plan ② Report on 3Q19 related party transactions
Nov 29 2019	① Prior review on large-scale related party transactions 1) Payment of retirement pension plan 2) Approval of 2020 large-scale product and service transactions

Compensation Committee

Date	Agenda
Feb 25 2019	① Review on 2019 remuneration limit for Directors

Independent Director Recommendation Committee

Date	Agenda
Jan 31 2019	① Appointment of head of Committee ② Determination of deadline for recommendation of independent director candidates
Feb 25 2019	① Recommendation of independent director candidates

Board Meeting Attendance

	Name	2017	2018	2019	Total	
		Mar 2017 - Feb 2018	*Mar 2018 - Dec 2018*	*Jan 2019 - Dec 2019*	Meetings	Overall attendance
Independent Directors	Jae-Wan Bahk	7/8	6/6	7/7	*21*	*20*
	Sun-Uk Kim	-	6/6	7/7	*13*	*13*
	Byung-Gook Park	-	6/6	7/7	*13*	*13*
	Jeong Kim	-	6/6	7/7	*13*	*13*
	Curie Ahn			5/5	*5*	*5*
	Han-Jo Kim			5/5	*5*	*5*
	In-Ho Lee	8/8	6/6	2/2	*16*	*16*
	Kwang-Soo Song	7/8	6/6	2/2	*16*	*15*
	Han-Joong Kim	8/8	-		*8*	*8*
	Byeong-Gi Lee	8/8	-		*8*	*8*
Executive Directors	Kinam Kim	-	6/6	7/7	*13*	*13*
	Hyun-Suk Kim	-	6/6	7/7	*13*	*13*
	Dong-Jin Koh	-	5/6	6/7	*13*	*11*
	Sang-Hoon Lee[1)]	-	6/6	7/7	*13*	*13*
	Jae-Yong Lee [2)]	0/8	0/6	0/5	*19*	*0*
	Oh-Hyun Kwon	8/8	-	-	*8*	*8*
	Boo-Keun Yoon	8/8	-	-	*8*	*8*
	Jong-Kyun Shin	7/8	-	-	*8*	*7*

1) Resigned in February 2020

2) Resigned in October 2019

Share Ownership Structure

☐ Overview

As of the end of 2019, 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 held no treasury shares as of the end of 2019 as it previously cancelled all treasury holdings in two phases, which occurred in May 2017 and December 2018.

Ownership structure as of end-FY2019

	Foreign	Domestic institutional	Domestic individual	Controlling Shareholders	Treasury Shares
Common	56%	19%	4%	21%	-
Preferred	89%	7%	4%	0.2%	-

Major shareholders common stock as of end-FY2019

Ranking	Owner	Number	Portion of total
1	National Pension Service of Korea	633,716,703	10.6%
2	Samsung Life Insurance Co., Ltd. [1]	526,443,741	8.8%
3	Samsung C&T Corp.	298,818,100	5.0%
4	CITIBANK.N.A [2]	250,488,500	4.2%
5	Kun-Hee Lee	249,273,200	4.2%
Total Number of Outstanding Common Stock		**5,969,782,550**	**100.0%**

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 2019, the Company does not hold any treasury shares. Preferred shares do not carry a voting right. The 598,026,259 shares owned by affiliated companies have limited voting rights under relevant laws. Thus, the number of shares with voting rights is 5,371,756,291.

Total shares with voting rights as of end-FY2019

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	1,067,059	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	5,371,756,291	(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 Board Members

The following table presents shares and stock options held by BOD members as of December 31, 2019

(Unit: Share)

Name	Status	Since	Common Shares
Sang-Hoon Lee	Executive Director	March 2018	16,000
Kinam Kim	Executive Director	March 2018	200,000
Hyun-Suk Kim	Executive Director	March 2018	99,750
Dong-Jin Koh	Executive Director	March 2018	75,000
Jae-Wan Bahk	Independent Director	March 2016	0
Sun-Uk Kim	Independent Director	March 2018	0
Byung-Gook Park	Independent Director	March 2018	0
Jeong Kim	Independent Director	March 2018	0
Curie Ahn	Independent Director	March 2019	800
Han-Jo Kim	Independent Director	March 2019	2,175

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 (FY2016–2018), 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
50th (Jan 1, 2018-Dec 31, 2018)	Samil PwC	4,400	596	Fair
49th (Jan 1, 2017–Dec 31, 2017)	Samil PwC	4,030	1,006	Fair
48th (Jan 1, 2016–Dec 31, 2016)	Samil PwC	3,690	1,353	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

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

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/

4 Business Report

Business overview

The business environment remained challenging in 2019 as a slowdown in developed markets weighed on the global economy, while uncertainties such as a US-China trade conflict intensified. Despite the formidable economic conditions, and thanks to the support of our shareholders and hard work of our employees, Samsung Electronics in 2019 achieved total revenue of 230 trillion won and operating profit of 28 trillion won on a consolidated basis, and total revenue of 155 trillion won and operating profit of 14 trillion won on a parent basis.

Our financial structure remained sound—we recorded a debt ratio of 34.1%, capital adequacy ratio of 74.6%, and ROE of 8.5% on a consolidated basis. On a parent basis, the respective figures were 21.5%, 82.3%, and 8.8%. Our brand value in 2019 was evaluated at USD 61.1 billon (Interbrand; October 2019), up 2% from last year's figure and maintaining its position as the world's sixth most valuable brand.

On the business side, we further strengthened competitiveness of the component business, extending our capabilities in core technologies to include the world's first mass production of 3rd generation 10nm DRAM and 6th generation V-NAND. In addition, we solidified our industry leadership by launching the Galaxy S10, Note10, and Fold while expanding sales of ultra-large QLED TVs.

In 2020, we expect the external environment to remain difficult: macro uncertainties such as trade conflicts and political unrest are likely to persist, while intensifying competition for our main products amid a rapidly changing paradigm in the IT industry will present numerous hurdles. As always, we plan to face challenges head on and use our meticulous preparation to turn them into opportunities.

Semiconductor

In the memory business, growth slowed slightly due to shrinking mobile demand caused by a sluggish smartphone market and contracting tablet market. However, we expect demand to rebound with the creation of new markets in areas such as IoT and automotives. Supply and demand are likely to show less volatility than they had previously, backed by a diversifying demand base.

For DRAM, weakness in 2019 caused by inventory adjustments mainly at data centers is forecast to turn around, as normalizing inventories in the industry contribute to an overall demand recovery in 2020. Although external factors, including trade conflicts, are likely to exacerbate uncertainties, we will strive to increase our market share via timely responses to the expansion of 5G smartphones and by securing an early foothold in the high-capacity market for high-end CPU.

For NAND, a trend toward high-capacity, high-performance chips for server SSD and mobile storage is expected to continue and contribute to positive business conditions. As we expect the memory market to remain solid, we will improve our performance by expanding sales of our differentiated products based on advanced node processes as well as high-performance, high-bandwidth products.

System LSI continues to grow, mainly led by demand from mobile products such as smartphones and tablets. We expect demand to remain solid as new markets in IoT, wearable devices, and automotives expand.

For SoC products, growth will probably be limited by a lengthening replacement period of smartphones. That said, demand in areas of new technologies, such as 5G, automotives, and AI, is expanding. We are leading 5G technology by offering products for low-end to mid-range mobile devices through to high-performance AP-modem integrated chips, while also developing a multi-mode modem that supports 2G through 5G networks. We will strive to keep providing solutions that satisfy our customers' needs in image sensors, as shown in the introduction of the world's first 100Mp product, based on ISOCELL technology, which minimizes optical loss and light reflection.

In the first half of 2019, Foundry successfully showcased 7-nano EUV chips, a world first. In 2020, we will continue development of advanced node processes—including 4- and 5-nano as well as next generation 3-nano technology—in a timely manner to lead the market.

DP (Display Panel)

In mobile display, market uncertainties were aggravated by rising competition resulting from expanding capacity in the industry. Yet, we solidified our position in the smartphone panel market by increasing our customer base thanks to our continuous efforts to offer differentiated technology.

In 2020, amid accelerating penetration of 5G smartphones, we will continue to improve the basic features of OLED panels as smartphone makers are likely to increasingly adopt the technology in their growing number of 5G models for advantages such as power efficiency and ultra-thin design. We will also use our differentiated technology to expand our customer base. Moreover, we will secure technologies needed to increase accessibility of foldable products and enhance product quality through cooperation with our clients.

In large displays, we increased our value-added portion of products and bolstered efforts to improve production and cost efficiency amid intensifying competition in the industry.

In 2020, we expect market demand to be stagnant, while supply has potential to keep rising due to expansion of ultra-large lines at Chinese players, among other uncertainties. Against this backdrop, we will differentiate through the introduction of premium products such as ultra-large, ultra-high resolution panels, and by expanding sales of value-added products.

CE (Consumer Electronics)

The CE Division stayed on its growth path, led mainly by its strategic products such as our market-leading ultra-large QLED TVs featuring premium technology; and products tailored to a modern lifestyle that emphasize experiences, like our Bespoke refrigerators, large dryers, modular air purifiers, and AirDressers.

In the TV business, we continue to extend the boundaries of the overall market with innovative products such as 8K ultra-large TVs, our Lifestyle TVs The Frame, The Serif, and The Sero, as well as with microLED displays, soundbars, and outdoor signage.

We remained atop the TV market, having captured the highest market share for a 14th consecutive year, by utilizing our AI and IoT technologies and innovative designs to offer new audio/visual product experiences.

In 2020, we will keep executing our strategy in the premium TV market. For QLED, we aim to expand our market share based on our even further enhanced picture quality and by upgrading TV experiences with various ultra-large TVs. Moreover, we also will increase competitiveness of our UHD models by improving their design and features.

In the home appliance business, we continue to add and increase conveniences in our consumers' lives with innovative products and services based on highly-efficient, eco-friendly technologies that are a result of a deep understanding of changing lifestyles. We are also creating new value with smart appliances that connect with other devices as well as a suite of services based on Bixby and SmartThings.

In 2020, we will keep fortifying our status as a global brand in home appliances by expanding sales of premium products like Bespoke refrigerators, which offer a new experience, and our Grande AI washing machine featuring upgraded AI functionality, to name a few. Furthermore, we will focus on generating new demand by introducing even more innovative and easy-to-use products that offer differentiated functions that reflect users' individual lifestyles.

IM (IT & Mobile Communications)

Despite rapidly developing technologies and mounting global uncertainties, the IM Division achieved solid results by adopting new technologies and strengthening our lineup, focusing mainly the Galaxy Series, our premium models.

Starting with the April 2019 launch of the Galaxy S10 5G, the world's first 5G smartphone, we quickly addressed the initial stages of the 5G market by introducing a number of 5G models. In the third quarter, we opened a new chapter in the mobile experience by releasing an innovative form factor, the Galaxy Fold. In addition, we enhanced our product competitiveness by revamping our mass-market lineup, mainly the A Series, a move that was well received by the market and contributed to bolstering business efficiency.

In 2020, aiming to lead market changes amid fierce competition, we will differentiate our premium products by expanding our 5G lineup and diversifying foldable designs. We will also quickly embrace state-of-the-art technologies to keep strengthening competitiveness of our mass-market models. Moreover, we will offer new and innovative user experiences by leading the convergence of technologies such as 5G, AI, and IoT with a wide range of smart devices that extend beyond smartphones, wearables, PCs, and tablets.

Harman

Harman is working to continue its outstanding performance in automotive components and in the professional and consumer audio markets. To do so, we constantly strive to enhance our competitiveness through innovations, strategic mergers and acquisitions, and offerings of a variety of brands and product groups.

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 2020 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.

5 Financial Statements (FY2019)

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 24th.
https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/

Consolidated Financial Statements **Page**

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 ₩1,165.46 to US $1, the average exchange rate for the year ended December 31, 2019. 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)

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	KRW	KRW	USD	USD
Assets				
Current assets				
Cash and cash equivalents	26,885,999	30,340,505	23,069,002	26,033,073
Short-term financial instruments	76,252,052	65,893,797	65,426,571	56,538,875
Short-term financial assets at amortized cost	3,914,216	2,703,693	3,358,516	2,319,851
Short-term financial assets at fair value through profit or loss	1,727,436	2,001,948	1,482,192	1,717,732
Trade receivables	35,131,343	33,867,733	30,143,757	29,059,541
Non-trade receivables	4,179,120	3,080,733	3,585,812	2,643,362
Advance payments	1,426,833	1,361,807	1,224,266	1,168,472
Prepaid expenses	2,406,220	4,136,167	2,064,610	3,548,957
Inventories	26,766,464	28,984,704	22,966,437	24,869,754
Other current assets	2,695,577	2,326,337	2,312,887	1,996,067
Total current assets	**181,385,260**	**174,697,424**	**155,634,050**	**149,895,684**
Non-current assets				
Financial assets at amortized cost	-	238,309	-	204,476
Financial assets at fair value through other comprehensive income	8,920,712	7,301,351	7,654,241	6,264,780
Financial assets at fair value through profit or loss	1,049,004	775,427	900,077	665,340
Investment in associates and joint ventures	7,591,612	7,313,206	6,513,833	6,274,952
Property, plant and equipment	119,825,474	115,416,724	102,813,888	99,031,047
Intangible assets	20,703,504	14,891,598	17,764,234	12,777,442
Net defined benefit assets	589,832	562,356	506,094	482,518
Deferred income tax assets	4,505,049	5,468,002	3,865,469	4,691,711
Other non-current assets	7,994,050	12,692,847	6,859,137	10,890,850
Total assets	**352,564,497**	**339,357,244**	**302,511,023**	**291,178,800**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	KRW	KRW	USD	USD
Liabilities and Equity				
Current liabilities				
Trade payables	8,718,222	8,479,916	7,480,499	7,276,025
Short-term borrowings	14,393,468	13,586,660	12,350,032	11,657,766
Other payables	12,002,513	10,711,536	10,298,520	9,190,823
Advances received	1,072,062	820,265	919,862	703,812
Withholdings	897,355	951,254	769,958	816,205
Accrued expenses	19,359,624	20,339,687	16,611,144	17,452,068
Current income tax liabilities	1,387,773	8,720,050	1,190,751	7,482,067
Current portion of long-term liabilities	846,090	33,386	725,971	28,646
Provisions	4,068,627	4,384,038	3,491,005	3,761,637
Other current liabilities	1,037,030	1,054,718	889,802	904,980
Total current liabilities	**63,782,764**	**69,081,510**	**54,727,544**	**59,274,029**
Non-current liabilities				
Debentures	975,298	961,972	836,835	825,401
Long-term borrowings	2,197,181	85,085	1,885,248	73,006
Long-term other payables	2,184,249	3,194,043	1,874,152	2,740,586
Net defined benefit liabilities	470,780	504,064	403,944	432,502
Deferred income tax liabilities	17,053,808	15,162,523	14,632,684	13,009,904
Long-term provisions	611,100	663,619	524,342	569,405
Other non-current liabilities	2,408,896	1,951,251	2,066,906	1,674,233
Total liabilities	**89,684,076**	**91,604,067**	**76,951,655**	**78,599,066**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	KRW	KRW	USD	USD
Equity attributable to owners of the parent company				
Preference shares	119,467	119,467	102,506	102,506
Ordinary shares	778,047	778,047	667,588	667,588
Share premium	4,403,893	4,403,893	3,778,674	3,778,674
Retained earnings	254,582,894	242,698,956	218,439,838	208,243,059
Other components of equity	(4,968,829)	(7,931,370)	(4,263,406)	(6,805,356)
	254,915,472	**240,068,993**	**218,725,200**	**205,986,471**
Non-controlling interests	7,964,949	7,684,184	6,834,168	6,593,263
Total equity	**262,880,421**	**247,753,177**	**225,559,368**	**212,579,734**
Total liabilities and equity	**352,564,497**	**339,357,244**	**302,511,023**	**291,178,800**

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,			
	2019	**2018**	**2019**	**2018**
	KRW	KRW	USD	USD
Revenue	230,400,881	243,771,415	197,690,938	209,163,262
Cost of sales	147,239,549	132,394,411	126,335,995	113,598,417
Gross profit	**83,161,332**	**111,377,004**	**71,354,943**	**95,564,845**
Selling and administrative expenses	55,392,823	52,490,335	47,528,721	45,038,298
Operating profit	**27,768,509**	**58,886,669**	**23,826,222**	**50,526,547**
Other non-operating income	1,778,666	1,485,037	1,526,149	1,274,207
Other non-operating expense	1,414,707	1,142,018	1,213,861	979,886
Share of net profit of associates and joint ventures	412,960	539,845	354,332	463,203
Financial income	10,161,632	9,999,321	8,718,988	8,579,720
Financial expense	8,274,871	8,608,896	7,100,090	7,386,694
Profit before income tax	**30,432,189**	**61,159,958**	**26,111,740**	**52,477,097**
Income tax expense	8,693,324	16,815,101	7,459,135	14,427,866
Profit for the year	**21,738,865**	**44,344,857**	**18,652,605**	**38,049,231**
Profit attributable to owners of the parent company	21,505,054	43,890,877	18,451,988	37,659,703
Profit attributable to non-controlling interests	233,811	453,980	200,617	389,528
Earnings per share (in Korean Won, in US dollars)				
- Basic	3,166	6,461	2.72	5.54
- Diluted	3,166	6,461	2.72	5.54

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,			
	2019	**2018**	**2019**	**2018**
	KRW	KRW	USD	USD
Profit for the year	**21,738,865**	**44,344,857**	**18,652,605**	**38,049,231**
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss subsequently:				
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	1,146,599	(235,865)	983,817	(202,380)
Share of other comprehensive loss of associates and joint ventures, net of tax	(16,896)	(10,631)	(14,497)	(9,122)
Remeasurement of net defined benefit liabilities (assets), net of tax	(1,180,468)	(410,151)	(1,012,877)	(351,922)
Items that may be reclassified to profit or loss subsequently:				
Share of other comprehensive income of associates and joint ventures, net of tax	48,649	6,688	41,742	5,739
Foreign currency translation, net of tax	3,016,499	590,638	2,588,248	506,786
Gain on valuation of cash flow hedge derivatives	1,811	47,079	1,553	40,395
Other comprehensive income (loss) for the year, net of tax	**3,016,194**	**(12,242)**	**2,587,986**	**(10,504)**
Total comprehensive income for the year	**24,755,059**	**44,332,615**	**21,240,591**	**38,038,727**
Comprehensive income attributable to:				
Owners of the parent company	24,466,985	43,882,473	20,993,415	37,652,492
Non-controlling interests	288,074	450,142	247,176	386,235

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2018 KRW	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent company	Non-controlling interests	Total
Balance as of January 1, 2018	**119,467**	**778,047**	**4,403,893**	**215,811,200**	**(13,899,191)**	**207,213,416**	**7,278,012**	**214,491,428**
Cumulative effect of changes in accounting principles	-	-	-	246,529	(261,734)	(15,205)	-	(15,205)
Restated total equity at the beginning of the financial year	**119,467**	**778,047**	**4,403,893**	**216,057,729**	**(14,160,925)**	**207,198,211**	**7,278,012**	**214,476,223**
Profit for the year	-	-	-	43,890,877	-	43,890,877	453,980	44,344,857
Gain (loss) on valuation 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 on valuation of cash flow hedge derivatives	-	-	-	-	47,079	47,079	-	47,079
Total comprehensive income (loss)	-	-	-	**43,887,870**	**(5,397)**	**43,882,473**	**450,142**	**44,332,615**
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 shares	-	-	-	-	(875,111)	(875,111)	-	(875,111)
Retirement of treasury shares	-	-	-	(7,103,298)	7,103,298	-	-	-
Other	-	-	-	-	5,046	5,046	(1,345)	3,701
Total transactions with owners	-	-	-	**(17,246,643)**	**6,234,952**	**(11,011,691)**	**(43,970)**	**(11,055,661)**
Balance as of December 31, 2018	**119,467**	**778,047**	**4,403,893**	**242,698,956**	**(7,931,370)**	**240,068,993**	**7,684,184**	**247,753,177**

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars)

2018 USD	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent company	Non-controlling interests	Total
Balance as of January 1, 2018	**102,506**	**667,588**	**3,778,674**	**185,172,550**	**(11,925,927)**	**177,795,391**	**6,244,755**	**184,040,146**
Cumulative effect of changes in accounting principles	-	-	-	211,529	(224,576)	(13,047)	-	(13,047)
Restated total equity at the beginning of the financial year	**102,506**	**667,588**	**3,778,674**	**185,384,079**	**(12,150,503)**	**177,782,344**	**6,244,755**	**184,027,099**
Profit for the year	-	-	-	37,659,703	-	37,659,703	389,528	38,049,231
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	-	-	-	(2,581)	(202,789)	(205,370)	2,990	(202,380)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(3,463)	(3,463)	80	(3,383)
Foreign currency translation, net of tax	-	-	-	-	497,023	497,023	9,763	506,786
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	(335,796)	(335,796)	(16,126)	(351,922)
Gain on valuation of cash flow hedge derivatives	-	-	-	-	40,395	40,395	-	40,395
Total comprehensive income (loss)	-	-	-	**37,657,122**	**(4,630)**	**37,652,492**	**386,235**	**38,038,727**
Dividends	-	-	-	(8,703,297)	-	(8,703,297)	(43,465)	(8,746,762)
Capital transaction under common control	-	-	-	-	1,474	1,474	6,856	8,330
Changes in consolidated entities	-	-	-	-	-	-	35	35
Acquisition of treasury shares	-	-	-	-	(750,872)	(750,872)	-	(750,872)
Retirement of treasury shares	-	-	-	(6,094,845)	6,094,845	-	-	-
Other	-	-	-	-	4,330	4,330	(1,153)	3,177
Total transactions with owners	-	-	-	**(14,798,142)**	**5,349,777**	**(9,448,365)**	**(37,727)**	**(9,486,092)**
Balance as of December 31, 2018	**102,506**	**667,588**	**3,778,674**	**208,243,059**	**(6,805,356)**	**205,986,471**	**6,593,263**	**212,579,734**

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2019 KRW	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent company	Non-controlling interests	Total
Balance as of January 1, 2019	**119,467**	**778,047**	**4,403,893**	**242,698,956**	**(7,931,370)**	**240,068,993**	**7,684,184**	**247,753,177**
Profit for the year	-	-	-	21,505,054	-	21,505,054	233,811	21,738,865
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	-	-	-	(1,265)	1,111,264	1,109,999	36,600	1,146,599
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	(608)	31,477	30,869	884	31,753
Foreign currency translation, net of tax	-	-	-	-	2,966,973	2,966,973	49,526	3,016,499
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	(1,147,721)	(1,147,721)	(32,747)	(1,180,468)
Gain on valuation of cash flow hedge derivatives	-	-	-	-	1,811	1,811	-	1,811
Total comprehensive income	**-**	**-**	**-**	**21,503,181**	**2,963,804**	**24,466,985**	**288,074**	**24,755,059**
Dividends	-	-	-	(9,619,243)	-	(9,619,243)	(21,359)	**(9,640,602)**
Capital transaction under common control	-	-	-	-	(85)	(85)	7,356	**7,271**
Changes in consolidated entities	-	-	-	-	-	-	5,730	**5,730**
Other	-	-	-	-	(1,178)	(1,178)	964	**(214)**
Total transactions with owners	-	-	**-**	**(9,619,243)**	**(1,263)**	**(9,620,506)**	**(7,309)**	**(9,627,815)**
Balance as of December 31, 2019	**119,467**	**778,047**	**4,403,893**	**254,582,894**	**(4,968,829)**	**254,915,472**	**7,964,949**	**262,880,421**

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars)

2019 USD	**Preference shares**	**Ordinary shares**	**Share premium**	**Retained earnings**	**Other components of equity**	**Equity attributable to owners of the parent company**	**Non-controlling interests**	**Total**
Balance as of January 1, 2019	**102,506**	**667,588**	**3,778,674**	**208,243,059**	**(6,805,356)**	**205,986,471**	**6,593,263**	**212,579,734**
Profit for the year	-	-	-	18,451,988	-	18,451,988	200,617	18,652,605
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	-	-	-	(1,085)	953,498	952,413	31,404	983,817
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	(522)	27,009	26,487	758	27,245
Foreign currency translation, net of tax	-	-	-	-	2,545,753	2,545,753	42,495	2,588,248
Remeasurement of net defined benefit liabilities (assets), net of tax	-	-	-	-	(984,779)	(984,779)	(28,098)	(1,012,877)
Gain on valuation of cash flow hedge derivatives	-	-	-	-	1,553	1,553	-	1,553
Total comprehensive income	**-**	**-**	**-**	**18,450,381**	**2,543,034**	**20,993,415**	**247,176**	**21,240,591**
Dividends	-	-	-	(8,253,602)	-	(8,253,602)	(18,327)	(8,271,929)
Capital transaction under common control	-	-	-	-	(73)	(73)	6,312	6,239
Changes in consolidated entities	-	-	-	-	-	-	4,917	4,917
Other	-	-	-	-	(1,011)	(1,011)	827	(184)
Total transactions with owners	**-**	**-**	**-**	**(8,253,602)**	**(1,084)**	**(8,254,686)**	**(6,271)**	**(8,260,957)**
Balance as of December 31, 2019	**102,506**	**667,588**	**3,778,674**	**218,439,838**	**(4,263,406)**	**218,725,200**	**6,834,168**	**225,559,368**

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,			
	2019	**2018**	**2019**	**2018**
	KRW	KRW	USD	USD
Cash flows from operating activities				
Profit for the year	21,738,865	44,344,857	18,652,605	38,049,231
Adjustments	37,442,682	43,604,573	32,126,956	37,414,045
Changes in assets and liabilities arising from operating activities	(2,545,756)	(9,924,366)	(2,184,336)	(8,515,406)
Cash generated from operations	**56,635,791**	**78,025,064**	**48,595,225**	**66,947,870**
Interest received	2,306,401	1,788,520	1,978,962	1,534,604
Interest paid	(579,979)	(548,272)	(497,640)	(470,434)
Dividends received	241,801	215,992	207,473	185,328
Income tax paid	(13,221,099)	(12,449,441)	(11,344,104)	(10,681,998)
Net cash inflow from operating activities	**45,382,915**	**67,031,863**	**38,939,916**	**57,515,370**
Cash flows from investing activities				
Net increase in short-term financial instruments	(2,030,913)	(12,368,298)	(1,742,585)	(10,612,375)
Net increase in short-term financial assets at amortized cost	(818,089)	(1,436,844)	(701,945)	(1,232,856)
Net decrease (increase) in short-term financial assets at fair value through profit or loss	374,982	(139,668)	321,746	(119,839)
Disposal of long-term financial instruments	4,586,610	255,850	3,935,450	219,527
Acquisition of long-term financial instruments	(12,725,465)	(7,678,654)	(10,918,835)	(6,588,518)
Disposal of financial assets at amortized cost	694,584	-	595,974	-
Acquisition of financial assets at amortized cost	(825,027)	(158,716)	(707,898)	(136,183)
Disposal of financial assets at fair value through other comprehensive income	1,575	16,211	1,351	13,910
Acquisition of financial assets at fair value through other comprehensive income	(63,773)	(456,134)	(54,719)	(391,377)
Disposal of financial assets at fair value through profit or loss	64,321	80,138	55,189	68,761
Acquisition of financial assets at fair value through profit or loss	(135,826)	(193,848)	(116,543)	(166,327)
Disposal of investment in associates and joint ventures	12,149	148	10,424	127
Acquisition of investment in associates and joint ventures	(12,778)	(51,226)	(10,964)	(43,953)
Disposal of property, plant and equipment	513,265	556,973	440,397	477,900
Acquisition of property, plant and equipment	(25,367,756)	(29,556,406)	(21,766,303)	(25,360,292)
Disposal of intangible assets	7,241	11,935	6,213	10,241
Acquisition of intangible assets	(3,249,914)	(1,020,517)	(2,788,525)	(875,635)
Cash outflow from business combinations	(1,019,405)	(99,108)	(874,680)	(85,038)
Cash inflow (outflow) from other investing activities	46,048	(2,289)	39,512	(1,965)
Net cash outflow from investing activities	**(39,948,171)**	**(52,240,453)**	**(34,276,741)**	**(44,823,892)**

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,			
	2019	**2018**	**2019**	**2018**
	KRW	KRW	USD	USD
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	865,792	(2,046,470)	742,876	(1,755,933)
Acquisition of treasury shares	-	(875,111)	-	(750,872)
Proceeds from long-term borrowings	-	3,580	-	3,072
Repayment of debentures and long-term borrowings	(709,400)	(1,986,597)	(608,687)	(1,704,560)
Dividends paid	(9,639,202)	(10,193,695)	(8,270,727)	(8,746,499)
Net increase (decrease) in non-controlling interests	(1,700)	8,071	(1,459)	6,924
Net cash outflow from financing activities	**(9,484,510)**	**(15,090,222)**	**(8,137,997)**	**(12,947,868)**
Effect of exchange rate changes on cash and cash equivalents	595,260	94,187	510,751	80,816
Net decrease in cash and cash equivalents	**(3,454,506)**	**(204,625)**	**(2,964,071)**	**(175,574)**
Cash and cash equivalents				
Beginning of the year	30,340,505	30,545,130	**26,033,073**	**26,208,647**
End of the year	**26,885,999**	**30,340,505**	**23,069,002**	**26,033,073**

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS

for the years ended December 31, 2019

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

	2019	2018	2019	2018
	KRW	KRW	USD	USD
Retained earnings before appropriations				
Unappropriated retained earnings carried over from prior year	30	30	26	26
Cumulative effect of changes in accounting principles, etc.	(1,286)	58,324	(1,103)	50,044
Interim dividends:				
In 2019 - ₩ 1,062 (dividend rate: 1062%)	(7,213,815)	(7,213,815)	(6,189,672)	(6,189,672)
In 2018 - ₩ 1,062 (dividend rate: 1062%)				
Retirement of treasury shares	-	(7,103,298)	-	(6,094,845)
Profit for the year	15,353,323	32,815,127	13,173,616	28,156,373
Retained earnings available for appropriations	**8,138,252**	**18,556,368**	**6,982,867**	**15,921,926**
Transfers from other reserves	**-**	**-**	**-**	**-**
Appropriations of retained earnings				
Reserve for business rationalization	2,500,000	5,000,000	2,145,076	4,290,152
Cash dividends:				
In 2019:				
Ordinary shares - ₩ 354 (dividend rate: 354%)				
Preference shares - ₩ 355 (dividend rate: 355%)	2,405,428	2,405,428	2,063,930	2,063,930
In 2018:				
Ordinary shares - ₩ 354 (dividend rate: 354%)				
Preference shares - ₩ 355 (dividend rate: 355%)				
Reserve for research and human resources development	3,000,000	10,000,000	2,574,091	8,580,303
Reserve for capital expenditure	232,794	1,150,910	199,744	987,515
Total appropriations of retained earnings	**8,138,222**	**18,556,338**	**6,982,841**	**15,921,900**
Unappropriated retained earnings to be carried forward	**30**	**30**	**26**	**26**