



**SAMSUNG ELECTRONICS Co., Ltd.**  
**Proxy Material**

The 45<sup>th</sup> Annual General Meeting of Shareholders

**Note about forward-looking statements**

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Certain statements in this proxy 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.

# Letter to Shareholders

**Dear Shareholders,**

I wish you and your family happy and prosperous 2014, the year of Horse.

Throughout 2013, our business environment experienced challenges led by continued uncertainty of global fiscal policies coupled with delayed recovery in Europe, and currency volatility and weak consumer sentiment in Korea and other emerging markets.

Despite challenges, thanks to sacrifice and dedication from our employees to enhance our competitiveness, the company achieved record revenues and profits and maintained the global IT leadership position.

I want to thank you, our shareholders, for your continued trust and support in making this possible, and would like to elaborate on key achievements during the past year.

**First, we achieved record-high earnings results by strengthening competitiveness and expanding market leadership in the Mobile, Memory, and OLED businesses.**

In 2013, we delivered record sales of KRW 229 trillion, up 14% from the previous year, and both operating profit and net profit increased by 27% and 28%, respectively, over the year to KRW 37 trillion and KRW 30 trillion.

In the mobile business, both revenue and profits significantly increased from the prior year driven by strong smartphone sales momentum outperforming the market growth and more than double tablet sales in 2013.

In the TV business, despite slowing demand amid global economic downturn, we delivered the industry best profitability and reinforced our market leadership by maintaining our global No. 1 position for eight consecutive years since 2006.

Our Memory business earnings improved significantly, amid stable supply and demand, driven by effective cost savings through advanced process technology migration and increased shipments of differentiated and high value added products such as SSD. For System LSI, we sharpened the future technology leadership such as advanced process technology competitiveness and developed next-gen products initiatives.

Our OLED business posted solid earnings growth led by competitive advantages based on product differentiation. We achieved commercialization of the world's first curved display while focusing on technology and product competitiveness for future growth.

**Second, we concentrated our efforts on developing key competitive advantages such as technology and brand image, and expanding a foundation for new growth engines.**

Amid revolutionary changes recently seen in the IT industry, we have put efforts to enhance our R&D capabilities by increasing R&D personnel and revamping our organization structure. We expanded partnership with external research institutions by establishing an open innovation system, newly built internal research centers including SofTech and Big Data Center to strengthen our software capabilities, and also plan to open a material and future technology R&D center going forward.

To expand the base for future growth engines, we are focusing our resources and competencies onto not only existing medical devices, LED, and B2B businesses, but also on Smart Home, mobile health, and other life-care areas, which could improve quality of life. In particular, our efforts are concentrated on education, medical institutions, public sector, and retail for the B2B business. For instance, we are running a pilot program of Smart School Solution in UAE, and Turkey while introducing our new mobile security solution KNOX, which gained positive response from the market. In addition, we released new Smart Home connected with smartphones at CES and it was well received by the media and audience.

With such efforts, we registered 4,676 patents in the US, won nine IDEA awards and 24 CES Innovation Awards, and ranked second in the innovative corporation list made by BCG. As seen in these achievements, our products are widely acknowledged for the best design and innovative corporate image in the world. According to the Interbrand survey, our brand value recorded USD 39.6 billion – a 20% increase compared to the previous year and ranked eighth in the list.

### **Third, we continued our efforts to raise the shareholder return.**

As part of our efforts to share the 2013 earnings results with shareholders, we declared the total dividend of KRW 14,300 per common share and KRW 14,350 per preferred share, which is approximately 80% increase from the last year. We believe such significant over the year increase in dividends demonstrates the management's firm commitment of putting shareholders at the heart of the management.

Despite facing challenges in the global business environment, we held the Samsung Analyst Day to enhance our corporate value and improve communication with investors. Our CEO, CFO, and heads from all businesses gave a presentation in person to around 400 global investors from across the world, and proposed mid-to-longer term vision and business strategies to clearly show our commitment to the sustainable growth for the future. Thanks to the support from participating investors, the investor event concluded successfully.

### **Dear Shareholders**

While U.S. and Europe are expected to lead the global economic recovery in 2014, some macro uncertainties, such as increased emerging market currency volatility are expected to continue. Meanwhile, we anticipate that competitions will intensify further in the IT industry given the trend of value chain extension, emergence of Chinese players in the global market, and weak Yen. However, we will rather turn these challenges into opportunities. We will do our best to improve our business results, thereby increasing shareholder value.

### **First, we will increase profitability through enhanced business competitiveness and sound business management while solidifying our leadership in the IT industry.**

In our core businesses - handset, TV, memory and other semiconductor products, and OLED – we will solidify our number 1 position through premium product development and technological differentiation.

In the mobile business, we will expand new product line ups beyond flagship smartphones and lead the LTE market. For tablets, we will create a new large screen product category while reinforcing strategic model line ups.

For TV business, we will strive to increase sales of premium products with high value including UHD, Curved, and over 60" large-size TVs amid UHD TV market expansion. Especially for Set products, we will improve retail efficiency and synergy through innovative retail system including Experience Shop.

In the memory business, we will expand cutting-edge process migration, and increase the mix of high performance high value added products and solutions. Meanwhile, we will also solidify our technological leadership based on mass production of vertical NAND.

For OLED panels, we will expand its application beyond smartphones and achieve mass production of upgraded flexible panels to create a strong foundation for future growth.

In our growth businesses - home appliances, network equipment, system LSI, etc. – we will develop key technologies and expand the customer base for future growth.

We will focus on enhancing global operation capability and reinforcing premium product strategies for home appliances, maximize sales opportunities in the LTE equipment market for network equipment, and enhance product competitiveness and prepare for migration towards next gen 14nm class for system LSI.

In addition, we will improve efficiency of the company-wide resource management including investment and continue efforts to enhance our global SCM capability.

### **Second, we will reinforce our risk management capability and future competitiveness for sustainable growth.**

For a company to continue its growth momentum in the mid to longer term, the key is to have an ability to make prompt response to uncertainties and risks in the business environment. We will take preventive measures and thoroughly manage all the risks related to possible compliance issues. In addition, we will make social contribution to local communities, as well as enhance communication with various stakeholders.

We will establish a differentiated ecosystem to maximize competitive advantages in our extended value chain such as components, set products, services, and solutions. We will also continue to pursue technological innovation to strengthen our leadership.

For set business, we will continue to innovate and develop new product categories, such as the future mobile communication, UHD, 3D, Real Sound, and Energy Efficiency technologies. Meanwhile, for components, we will focus on future technologies such as the cutting-edge process, packaging, multi-processing, solutions, and flexible OLED.

At the same time, we will continue our efforts to develop and secure advanced electronic materials that will be the main source of our competitiveness to obtain meaningful results from our future growth engine such as B2B business.

**Third, we are committed to delivering shareholder focused management in 2014.**

We are committed to the principle that the Company's strong business performance will ultimately enhance shareholder value. For this year, we will continuously strive to deliver outstanding business performance led by our commitment. Additionally, we will better communicate with our shareholders and other members of the investor community to share our sustainable growth vision through proactive IR activities.

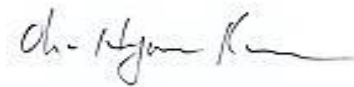
**Dear Shareholders**

For the last 20 years, Samsung has always been committed to the Company's motto of "New Management" to take on challenges resulted from the rapid pace of globalization. As a result, we were able to become a leading company of the global IT industry today.

We will continue to face a number of challenges this year. However, we are determined to renew the commitment that we desperately made 20 years ago to make Samsung Electronics the world's best company.

Again, I wish you and your family the best in 2014.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Oh-Hyun Kwon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Oh-Hyun Kwon  
Vice Chairman & CEO  
Samsung Electronics Co., Ltd

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**Samsung Electronics Co., Ltd. and Subsidiaries**  
 (Seocho-dong) 11, 74-gil  
 Seochodaero Seocho-gu, Seoul 137-965, Korea

Dear Shareholders of Samsung Electronics,

Notice is hereby given that the 2014 annual meeting of shareholders (the “AGM”) of Samsung Electronics Co., Ltd. will be held on Friday, March 14, 2014 at 9:00 a.m. Korea Standard Time, in a multifunctional hall, located at the fifth floor of Samsung Electronics building located at the address shown above for the following agenda (more details of agenda are described in accompanying proxy material document):

**Notice of the 45th Annual General Meeting of Shareholders**

**Date:** March 14, 2014

**Time:** 9:00 a.m. Korea Standard Time

**Place:** (Seocho-dong) 11, 74-gil  
 Seochodaero Seocho-gu, Seoul 137-965, Korea

**Record date:** December 31, 2013. Only common shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual General Shareholder Meeting.

**Proxy voting:** Please vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting.

**Items of business:** 1. To approve, Audited Financial Statements for FY 2013 (45<sup>th</sup>)  
 (1 Jan. 2013 – 31 Dec. 2013)

- Approval of Statements of Financial Position, Income, and Cash Flow

- The total dividend per share in 2013 is KRW 14,300 for common and KRW 14,350 for preferred shares, including interim dividend of KRW 500 per share paid in August 2013.

2. To approve, the Remuneration Limit for the Directors for FY 2014 (46<sup>th</sup>)

	<b>FY 2014 (46<sup>th</sup>)</b>		<b>FY 2013 (45<sup>th</sup>)</b>
	Proposed	Actual	Approved
<b>Total Remuneration</b>	<b>KRW 48 Billion</b>	KRW 33.9 Billion	KRW 38 Billion
- General Compensation	<b>KRW 30 Billion</b>	KRW 28 Billion	KRW 30 Billion
- Long-Term Incentive	<b>KRW 18 Billion</b>	KRW 5.9 Billion	KRW 8 Billion

Our Proxy Material and supplementary information for Shareholders are available at our website:  
[http://www.samsung.com/us/aboutsamsung/investor\\_relations/stock\\_info/meeting\\_shareholder](http://www.samsung.com/us/aboutsamsung/investor_relations/stock_info/meeting_shareholder).

# Proxy Summary

This summary highlights information contained in the accompanying Proxy Material.

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## Agenda 1. Approval of Audited Financial Statement for FY 2013

### **Key Voting Items**

- Consolidated Statement of Financial Position
- Consolidated Statement of Income
- Consolidated Statement of Cash Flow

### **Business highlights**

In FY 2013, we reported record earnings and continued to move our businesses forward.

- KRW 228.69 trillion in revenue, an increase of 14% from FY 2012
- KRW 36.79 trillion in operating profit, an increase of 27% from FY 2012
- ROE increased to 22.4% from 21.4% (2012) and EBITDA Margin increased to 22.8% from 21.8% (2012)

### **We delivered these results while preparing for the year ahead, including:**

- Invested KRW 23.8 trillion in capital expenditures (KRW 12.6 trillion in Semiconductor and KRW 5.5 trillion in Display)
- Invested KRW 14.32 trillion in R&D

### **We continued to increase shareholder returns, including:**

- Allocated 10% of Free Cash Flow (FCF) to Shareholder Return in FY 2013  
*\* For FY 2014, we will conduct a comprehensive review of our business environment with a goal to significantly increase the percent of FCF allocated for TSR in comparison to FY 2013*
- KRW 2,157 billion returned to shareholders through dividend, an increase of 79% from FY 2012

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## Agenda 2. Approval of the Remuneration Limit for the Directors for FY 2014

\* In FY 2013, we executed KRW 33.9 billion for total remuneration for Directors: KRW 28 billion general compensation and KRW 5.9 billion Long-Term Incentive (LTI)

### **Key Voting Items**

Total Remuneration Limit: KRW 48 billion (General Compensation KRW 30 billion and Long-Term Incentive KRW 18 billion)

### **General Compensation**

- The general compensation limit remained at the same level that of the previous fiscal year.

### **Long-Term Incentive**

- The BOD recommends LTI limit of KRW 36 billion to be paid over subsequent three years (2014 – 2016) at 50%, 25%, and 25%, respectively.
  - The increase of KRW 5 billion from the previous LTI limit of KRW 31 billion represents an annual average increase of 5% over three years to reflect base salary increase during the same period.
- The proposed FY 2014 LTI limit of KRW 18 billion represents 50% (year 1) of the KRW 36 billion.

# 1 Agenda 1

## Approval of Audited Financial Statements For FY 2013

### Overview

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The Board of Directors is seeking your approval of the following audited financial statements for FY 2013 beginning on January 1, 2013 and ending on December 31, 2013.

- Consolidated Statement of Financial Position
- Consolidated Statement of Income
- Consolidated Statement of Cash Flow

\* We enclosed “the report of independent auditor” for your reference.

In addition, we are reporting the total dividend per share in 2013 is KRW 14,300 for Common Share and KRW 14,350 for Preferred Shares, including interim dividend of KRW 500 per share paid in August 2013.

### Business Performance

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Throughout 2013, we continuously faced macro headwinds, such as delayed economic recovery in Europe and the economic downturn in emerging markets. The uncertainty of the US Fed’s fiscal policies coupled with unstable global financial market resulted in increased global currency volatility.

With respect to our business environment, while price competition intensified in the set businesses including smartphones, memory market conditions continued to improve, and OLED panel demand growth continued led by smartphone growth. As for LCD panels, the continued industry overcapacity caused the profitability to decline. Despite such challenging business conditions, we achieved record high earnings in 2013 led by sustained growth in the IM business and improved earnings in the component businesses, including memory and OLED.

Our 2013 revenue was up by 14% from the previous year led by growth in handsets and semiconductor. Our operating profit increased by more than KRW 7 trillion to around KRW 37 trillion and operating margin improving to 16% and ROE to 22.4%.

**For our component business**, the memory business increased sales in low-power and high performance DRAMs based on our 20nm-class cutting-edge process. And we reinforced solid foundation for future growth by developing V-NAND mass production technology, a first in the industry.

For system LSI, we improved mobile AP technology with *BigLittle Octa-Core* products and developed high pixel CIS (CMOS Image Sensor) business. Despite our efforts, we saw the earnings decline significantly due to lower AP demand from major customers and high investments in R&D.

For display, we strengthened our market leadership position and reinforced the foundation for future growth through our technological innovations, including launching 480ppi full HD OLED panels, commercializing the world’s first curved flexible display and introducing prototypes of bended and foldable flexible panels.

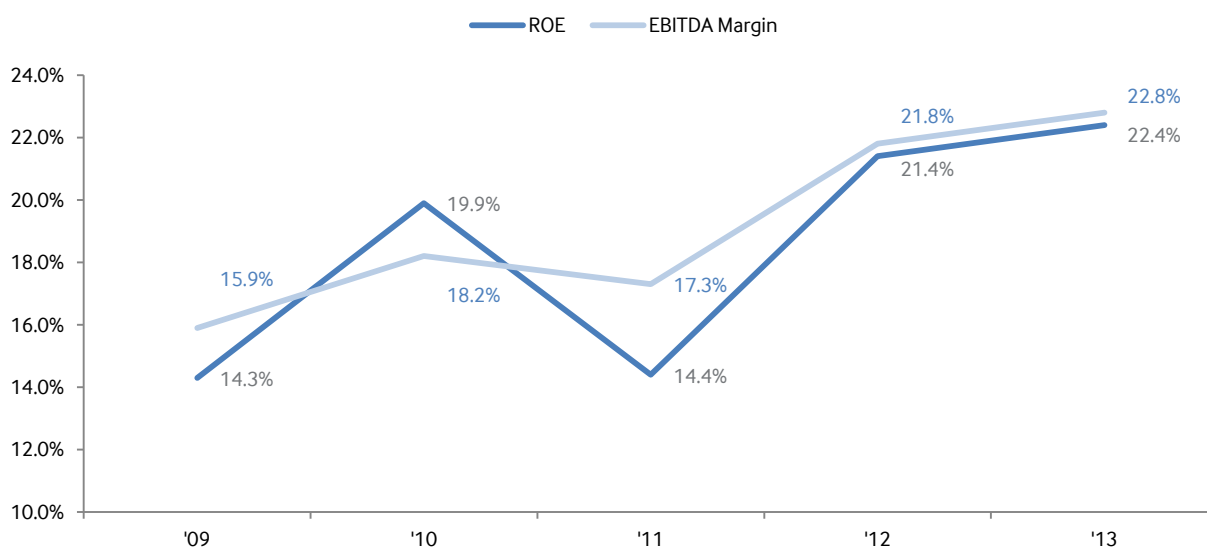
**Moving onto our set business**, for mobile business, our smartphone products maintained over 30% market share in both developed and emerging markets and achieved the number one position in the global market.



Our tablet sales were up sharply and the total shipments doubled from the previous year's level, enhancing our leadership position in the mobile industry. Additionally, we strengthened retail channel strategies, such as opening *Samsung Experience Shops* in *BestBuy* stores. We led the wearable device market by launching *Galaxy Gear* smart watch, and entered the B2B market with our *KNOX* enterprise-security solution, thereby laying the foundation for continuous growth.

For TV business, despite the market growth remained flat, we solidified our market leadership position by maintaining industry best profit margin and the top market share position for eight consecutive years.

The following graph presents our **ROE** and **EBITDA Margin** performance for the past five years (2009- 2013).



## Summary of Financials by Business Division (FY 2011 – FY 2013)

### □ Summary of key financial metrics by Business Division

(Unit: KRW Trillion, %)

Division Name	Category	FY 2013		FY 2012		FY 2011	
		Amount	Portion	Amount	Portion	Amount	Portion
Semiconductor	Revenue	37.44	16%	34.89	17%	36.99	22%
	Operating profit	6.89	19%	4.17	14%	6.38	41%
	OP Margin	18%	-	12%	-	17%	-
DP	Revenue	29.84	13%	33.00	16%	29.24	18%
	Operating profit	2.98	8%	3.21	11%	-0.35	-2%
	OP Margin	10%	-	10%	-	-1%	-
CE	Revenue	50.33	22%	51.11	25%	47.30	29%
	Operating profit	1.67	5%	2.32	8%	1.26	8%
	OP Margin	3%	-	5%	-	3%	-
IM	Revenue	138.82	61%	105.84	53%	67.45	41%
	Operating profit	24.96	68%	19.42	67%	8.12	52%
	OP Margin	18%	-	18%	-	12%	-
Total	Revenue	228.69		201.10		165.00	
	Operating Profit	36.79		29.05		15.64	
	OP Margin	16%		14%		9.5%	

## Capital Expenditures and Other Investments

In 2013, we invested KRW 23.8 trillion in capital expenditures, which was in line with our plan. Looking at the expenditures by business segment, we invested about KRW 12.6 trillion in Semiconductor and about KRW 5.5 trillion in Display. For 2014, we expect capital investments to remain at the similar level of 2013, as we continue to strengthen our future competitiveness and secure future technologies, such as cutting-edge process migration for memory, developing next-generation process technologies for System LSI, and expanding OLED Flexible Panel Capa for Display.

For R&D, we invested KRW 14.32 trillion, or 6.3% of total revenue, in 2013. This is an increase of KRW 2.79 trillion from the prior year. Our global R&D strategic priority is focused on creating a sustainable competitiveness for long-term growth through technology and innovation. For Advertising and Sales & Promotion expenses, we invested KRW 12.18 trillion in 2013. Over the years, we have increased our brand value through various high profile marketing and advertisement activities. As a result, we remain top smartphone and TV brands according to various consumer brand surveys. Going forward, we are going to manage our investments on high ROI areas and further improve efficiency across all investment areas.

We are continuing to pursue M&A opportunities in new technologies, such as software development, as a strategic priority to reinforce our future competitiveness and to secure top talents to further enhance our capabilities.

The following table presents Capex, R&D, Advertising and Sales Promotion investments for the past three years.

### □ R&D, Capex, Advertising & Sales Promotion Investments (FY 2011 – FY 2013)

(Unit: KRW Trillion/%)

Year	Category	Amount	% to Revenue
2011	Capex	22.67	13.7%
	R&D	9.98	6.0%
	Advertising & Sales Promotion	7.63	4.6%
	<b>Total</b>	<b>40.28</b>	<b>24.4%</b>
2012	Capex	22.85	11.4%
	R&D	11.53	5.7%
	Advertising & Sales Promotion	10.94	5.4%
	<b>Total</b>	<b>45.32</b>	<b>22.5%</b>
2013	Capex	<b>23.76</b>	<b>10.4%</b>
	R&D	<b>14.32</b>	<b>6.3%</b>
	Advertising & Sales Promotion	<b>12.18</b>	<b>5.3%</b>
	<b>Total</b>	<b>50.26</b>	<b>22.0%</b>

## Shareholder Return

The total dividend per share in 2013 is KRW 14,300 for common shares and KRW 14,350 for preferred shares, including interim dividend of KRW 500 per share paid in August 2013.

We have increased our 2013 dividend per share by 79%, and the total dividends for year 2013 will be KRW 2.2 trillion (dividend yield: 1%, dividend payout ratio: 7.1%), which is about 10% of Free Cash Flow.

In 2014, we will determine the amount of shareholder return through a comprehensive review of our business environment with a goal to significantly increase the percent of FCF allocated to the shareholder return in comparison to 2013 (10% in 2013).

The following table highlights our shareholder returns, including 3-year average TSR, for the past three years.

### □ Dividend, Stock Price, and TSR over the Past 3 Fiscal Years

(Unit: KRW billion)

Category	FY 2011	FY 2012	FY 2013
Net profit	13,759	23,845	<b>30,475</b>
Dividends	827	1,207	<b>2,157</b>
(Per common share, KRW)	(5,500)	(8,000)	<b>(14,300)</b>
Payout ratio	6%	5%	<b>7%</b>
Year-end stock price (KRW)	1,058,000	1,522,000	<b>1,372,000</b>
Dividend yield	0.5%	0.5%	<b>1.0%</b>
Annual TSR (%)	12%	45%	<b>△9%</b>
3-yr Average TSR (%)	37%	26%	<b>16%</b>

※  $TSR = \frac{(\text{Year End Stock Price} - \text{Beginning Year Stock Price}) + \text{Dividend}}{\text{Beginning Year Stock Price}}$

The following table presents our stock performance and EPS for the past three years.

### □ Stock Price and EPS over the Past 3 Fiscal Years

(Unit: KRW)

	FY 2011	FY 2012	FY 2013
Stock Price (Change)	1,058,000 (11%)	1,522,000 (44%)	<b>1,372,000 (△10%)</b>
EPS (Change)	89,073 (△16%)	154,020 (73%)	<b>197,841 (28%)</b>

# 2 Agenda 2

## Approval of the Remuneration Limit For the Directors for FY 2014

### Overview

The Board of Directors is seeking your approval of the total remuneration limit for the fiscal year 2014.

- **Total Remuneration Limit:** **KRW 48 Billion**
- Limit on General Compensation: KRW 30 Billion
- Limit on Long-Term Incentive: KRW 18 Billion

### Director Remuneration Structure

Our Director Remuneration practices are designed specifically to put strong emphasis on the link between performance and pay. The Director Remuneration plan consists of two elements: 1) General Compensation and 2) 3 Year Long-Term Incentives (LTI). The General Compensation includes base salary and annual incentives that reflect actions and results over 12 months. LTI awards the three year performance results to be paid over subsequent three year period.

### Compensation Committee

We established "Compensation Committee" in 2009 consists of Independent Directors to ensure the objectivity and transparency of decision making on director remuneration. The Committee is responsible for assessing the appropriateness of director compensation and reviews and approves the next fiscal year limit on director compensation, which will be approved by the shareholders at the Annual General Shareholders meeting.

### FY 2013 Remuneration (Actual)

Total limit on the remuneration for FY 2013 was KRW 38 billion (KRW 30 billion, general compensation and KRW 8 billion, LTI). The actual amount paid during FY 2013 was KRW 33.9 billion (KRW 28 billion, general compensation and KRW 5.9 billion, LTI).

#### □ Directors Remuneration Paid in FY 2012 and FY 2013

(Unit: KRW billion)

	FY 2012		FY 2013	
	Approved	Actual	Approved	Actual
General Compensation	22	10.1	30	28
Long-term Incentive	8	5.9	8	5.9
<b>Total</b>	<b>30</b>	<b>16</b>	<b>38</b>	<b>33.9</b>

The general compensation paid in FY 2013 increased by KRW 18 billion from the prior year for the following reasons:

- The number of Executive Directors increased from 3 to 4, including Heads of IM and CE businesses who are the highly compensated executives based on business performance
- Retirement compensation executed for an Executive Board member (former CFO & President Mr. Yoon)
- Increased annual incentives reflecting the company's record earnings in FY 2013

While our company continued to deliver strong business performance in 2013, the actual remuneration amount executed during the same period is substantially below those of global peer IT companies.

#### □ The Global Peer Comparison

(Unit: \$ Million, %)

	SEC	IBM	Intel	MS	Google	Apple	HP
<b>Total</b>	<b>31</b>	44	67	32	129	292	42
<b>Per person</b>	<b>7.7</b>	<b>11.1</b>	<b>16.7</b>	<b>8.0</b>	<b>32.2</b>	<b>73.0</b>	<b>10.4</b>
<b>% of Net Profit</b>	<b>0.1%</b>	0.3%	0.6%	0.2%	1.2%	0.7%	(Net Loss)

\* Figures shown above represent comparison between SEC's four executive Directors' remuneration (FY 2013) and Global Peers' top four executives. Please note global peer remuneration figures are based on FY 2012 data from their proxy statements.

## FY 2014 Remuneration (To Be Approved)

The Board recommends KRW 48 billion for FY 2014's the total remuneration limit (KRW 30 billion for general compensation and KRW 18 billion for LTI).

#### □ Directors Remuneration for FY2013 - FY2014

(Unit: KRW billion)

Category	FY 2013		FY 2014
	Approved	Actual	Proposed
<b>General Compensation</b>	30	28	<b>30</b>
<b>Long-term Incentive</b>	8	5.9	<b>18</b>
<b>Total</b>	38	33.9	<b>48</b>

#### □ 3 year LTI Comparison

(Unit: KRW billion/Year)

Category	Previous Term	Current Term
<b>Evaluation Period</b>	2008-2010	<b>2011-2013</b>
<b>Payment Period</b>	2011-2013	<b>2014-2016</b>
<b>LTI Limit</b>	31 (15/8/8)	<b>36</b> <b>(18/9/9)</b>
<b>Actual</b>	23.5 (11.7/5.9/5.9)	<b>Proposed</b>

### Analysis

The Compensation Committee took the following considerations in assessing the remuneration limit of Directors in fiscal year 2014:

#### - General Compensation

- The general compensation limit remained at the same level that of the previous fiscal year.

#### - Long-Term Incentive

The LTI plan awards executives based on the Company's performances measured on three criteria (ROE: 40%, Stock Performance: 30%, EBIT Margin: 30%) compared with selected global peer companies and the equity market. The Compensation Committee evaluated the past three years' performance and determined that the Company outperformed comparables on each of the three criteria.

As such, the BOD recommends LTI limit of KRW 36 billion to be paid over subsequent three years (2014 – 2016) at 50%, 25%, and 25%, respectively. The increase of KRW 5 billion from the previous LTI limit of KRW 31 billion represents an annual average increase of 5% over three years to reflect Directors' salary increase during the same period.

The proposed FY 2014 LTI limit of KRW 18 billion represents 50% (year 1) of the KRW 36 billion.

## Long-Term Incentive Plan (LTI)

The Company adopted the "Long-Term Performance Incentive Plan (LTI)" in 2005. Under our LTI plan, a performance evaluation on three criteria is conducted at a three-year interval and payments are made over subsequent three years at Year 1 (50%), Year 2 (25%), and Year 3(25%).

	Term 1	Term2	Term 3
The evaluation period:	2005 – 2007	2008 – 2010	2011 – 2013
The payment period:	2008	2011 – 2013	2014 – 2016

*The evaluation criteria for the LTI plan are as follows:*

- Comparison of 3-year ROE (40%), Stock Performance (30%), EBIT Margin (30%)
  - The comparison companies:
    1. ROE and EBIT Margin: Global peer IT companies in each business segment
    2. Stock Performance: KOSPI and Global peer IT companies in each business segment

### Clawback Policy (Recovery Plan)

Our LTI plan features a Clawback policy (i.e., recovery plan), which is designed to enhance the management responsibility by deferring payment of long-term incentives. Directors' awarded LTI may be reduced accordingly if any financial losses, such as contingent liabilities, are found afterwards. As such, payments are made in deferred method with 50% of total LTI paid in the first year and the remaining 50% during the second and third year (25% each year).

## Historical Trend of the Remuneration for Directors

### Director Remunerations from FY 2011 – FY 2013 and Proposed FY 2014

(Unit: KRW billion)

	FY 2011		FY 2012		FY 2013		FY 2014
	Approved	Actual	Approved	Actual	Approved	Actual	Proposed
General Compensation	22	21.2	22	10.1	30	28	30
Long-term Incentive	15	11.7	8	5.9	8	5.9	18
Total	37	32.9	30	16	38	33.9	48
Net Profit (Trillion)	13.8		23.8		30.5		-

## Remuneration for Independent Directors

### Independent Director Remunerations for FY 2011 - FY 2013

(Unit: KRW Million, Person)

	FY 2011	FY 2012	FY 2013
Number of Directors	4	4	5
Total Amount	220	354	302
Average (per person)	55	88.5	60.4

# Audited Financial Statements

## FY 2013

### CONSOLIDATED FINANCIAL STATEMENTS OF SAMSUNG ELECTRONICS CO., LTD. AND SUBSIDIARIES

#### INDEX TO FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

Notes	December 31, 2013 KRW	December 31, 2012 KRW	December 31, 2013 USD	December 31, 2012 USD
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	16,284,780	18,791,460	15,431,422	17,806,747
Short-term financial instruments	36,722,702	17,397,937	34,798,353	16,486,248
Available-for-sale financial assets	1,488,527	1,258,874	1,410,525	1,192,906
Trade and other receivables	27,875,934	26,674,596	26,415,175	25,276,790
Advances	1,928,188	1,674,428	1,827,147	1,586,684
Prepaid expenses	2,472,950	2,262,234	2,343,362	2,143,688
Inventories	19,134,868	17,747,413	18,132,160	16,817,410
Other current assets	2,135,589	1,462,075	2,023,680	1,385,459
Assets held for sale	2,716,733	-	2,574,370	-
<b>Total current assets</b>	<b>110,760,271</b>	<b>87,269,017</b>	<b>104,956,194</b>	<b>82,695,932</b>
<b>Non-current assets</b>				
Available-for-sale financial assets	6,238,380	5,229,175	5,911,475	4,955,155
Associates and joint ventures	6,422,292	8,785,489	6,085,750	8,325,110
Property, plant and equipment	75,496,388	68,484,743	71,540,214	64,895,995
Intangible assets	3,980,600	3,729,705	3,772,008	3,534,260
Long-term prepaid expenses	3,465,783	3,515,479	3,284,168	3,331,260
Deferred income tax assets	4,621,780	2,516,080	4,379,589	2,384,232
Other non-current assets	3,089,524	1,541,882	2,927,627	1,461,085
<b>Total assets</b>	<b>214,075,018</b>	<b>181,071,570</b>	<b>202,857,025</b>	<b>171,583,029</b>



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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

Notes	December 31, 2013 KRW	December 31, 2012 KRW	December 31, 2013 USD	December 31, 2012 USD
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables	17,633,705	16,889,350	16,709,661	16,004,312
Short-term borrowings	6,438,517	8,443,752	6,101,125	8,001,281
Advances received	1,706,313	1,517,672	1,616,899	1,438,143
Withholdings	1,176,046	966,374	1,114,419	915,734
Accrued expenses	11,344,530	9,495,156	10,750,052	8,997,589
Income tax payable	3,386,018	3,222,934	3,208,583	3,054,045
Current portion of long-term borrowings and debentures	2,425,831	999,010	2,298,712	946,660
Provisions	6,736,476	5,054,853	6,383,470	4,789,968
Other current liabilities	467,973	343,951	443,450	325,927
<b>Total current liabilities</b>	<b>51,315,409</b>	<b>46,933,052</b>	<b>48,626,371</b>	<b>44,473,659</b>
<b>Non-current liabilities</b>				
Long-term trade and other payables	1,053,756	1,165,881	998,537	1,104,786
Debentures	1,311,068	1,829,374	1,242,365	1,733,511
Long-term borrowings	985,117	3,623,028	933,495	3,433,174
Net defined benefit liabilities	1,854,902	1,729,939	1,757,701	1,639,286
Deferred income tax liabilities	6,012,371	3,429,467	5,697,310	3,249,756
Provisions	460,924	408,529	436,771	387,121
Other non-current liabilities	1,065,461	472,094	1,009,628	447,355
<b>Total liabilities</b>	<b>64,059,008</b>	<b>59,591,364</b>	<b>60,702,178</b>	<b>56,468,648</b>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

Notes	December 31, 2013 KRW	December 31, 2012 KRW	December 31, 2013 USD	December 31, 2012 USD
<b>Equity attributable to owners of the parent</b>				
Preferred stock	119,467	119,467	113,207	113,207
Common stock	778,047	778,047	737,276	737,276
Share premium	4,403,893	4,403,893	4,173,119	4,173,119
Retained earnings	148,600,282	119,985,689	140,813,307	113,698,180
Other components of equity	(9,459,073)	(8,193,044)	(8,963,398)	(7,763,711)
<b>Non-controlling interests</b>	5,573,394	4,386,154	5,281,336	4,156,310
<b>Total equity</b>	150,016,010	121,480,206	142,154,847	115,114,381
<b>Total liabilities and equity</b>	214,075,018	181,071,570	202,857,025	171,583,029

**Samsung Electronics Co., Ltd. and its subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

	Notes	For the year ended December 31,			
		2013 KRW	2012 KRW	2013 USD	2012 USD
<b>Revenue</b>		228,692,667	201,103,613	216,708,677	190,565,349
<b>Cost of sales</b>		137,696,309	126,651,931	130,480,725	120,015,096
<b>Gross profit</b>		90,996,358	74,451,682	86,227,952	70,550,253
Selling and administrative expenses		54,211,345	45,402,344	51,370,553	43,023,163
<b>Operating profit</b>		36,785,013	29,049,338	34,857,399	27,527,090
Other non-operating income		2,429,551	1,552,989	2,302,237	1,471,609
Other non-operating expense		1,614,048	1,576,025	1,529,468	1,493,438
Share of profit of associates and joint ventures		504,063	986,611	477,649	934,910
Finance income		8,014,672	7,836,554	7,594,686	7,425,902
Finance expense		7,754,972	7,934,450	7,348,595	7,518,667
<b>Profit before income tax</b>		38,364,279	29,915,017	36,353,908	28,347,406
Income tax expense		7,889,515	6,069,732	7,476,087	5,751,665
<b>Profit for the year</b>		30,474,764	23,845,285	28,877,821	22,595,741
Profit attributable to owners of the parent		29,821,215	23,185,375	28,258,519	21,970,411
Profit attributable to non-controlling interests		653,549	659,910	619,302	625,330
Earnings per share for profit attributable to owners of the parent (in Korean Won, in 1/1000 US dollars)					
- Basic		197,841	154,020	187,474	145,949
- Diluted		197,800	153,950	187,435	145,883

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

	<b>For the year ended December 31,</b>				
	<b>Notes</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		KRW	KRW	USD	USD
<b>Profit for the year</b>		30,474,764	23,845,285	28,877,821	22,595,741
<b>Other comprehensive income</b>					
<b>Items not to be reclassified subsequently to profit or loss :</b>					
Remeasurement of net defined benefit liabilities, net of tax		(213,113)	(504,120)	(201,946)	(477,703)
<b>Items to be reclassified subsequently to profit or loss :</b>					
Changes in value of available-for-sale financial assets, net of tax		186,480	962,184	176,708	911,763
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		20,756	(350,491)	19,668	(332,125)
Foreign currency translation, net of tax		(1,000,961)	(1,824,653)	(948,508)	(1,729,037)
<b>Other comprehensive income (loss) for the year, net of tax</b>		(1,006,838)	(1,717,080)	(954,078)	(1,627,102)
<b>Total comprehensive income for the year</b>		29,467,926	22,128,205	27,923,743	20,968,639
<b>Comprehensive income attributable to :</b>					
Owners of the parent		28,837,590	21,499,343	27,326,438	20,372,732
Non-controlling interests		630,336	628,862	597,305	595,907

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

2012 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance at January 1, 2012</b>		119,467	778,047	4,403,893	97,622,872	(5,833,896)	97,090,383	4,223,247	101,313,630
Profit for the year		-	-	-	23,185,375	-	23,185,375	659,910	23,845,285
Changes in value of available-for-sale financial assets, net of tax		-	-	-	-	960,688	960,688	1,496	962,184
Share of other comprehensive loss of associates and joint ventures, net of tax		-	-	-	-	(350,491)	(350,491)	-	(350,491)
Foreign currency translation, net of tax		-	-	-	-	(1,789,877)	(1,789,877)	(34,776)	(1,824,653)
Remeasurement of net defined benefit liabilities, net of tax		-	-	-	-	(506,351)	(506,351)	2,231	(504,120)
<b>Total comprehensive income (loss)</b>		-	-	-	23,185,375	(1,686,031)	21,499,344	628,861	22,128,205
Dividends		-	-	-	(827,501)	-	(827,501)	(373,632)	(1,201,133)
Capital transaction under common control		-	-	-	-	(1,089,835)	(1,089,835)	(104,395)	(1,194,230)
Changes in consolidated entities		-	-	-	-	-	-	12,844	12,844
Disposal of treasury stock		-	-	-	-	455,377	455,377	-	455,377
Stock option activities		-	-	-	-	(33,071)	(33,071)	-	(33,071)
Others		-	-	-	4,943	(5,588)	(645)	(771)	(1,416)
<b>Total transactions with owners</b>		-	-	-	(822,558)	(673,117)	(1,495,675)	(465,954)	(1,961,629)
<b>Balance at December 31, 2012</b>		119,467	778,047	4,403,893	119,985,689	(8,193,044)	117,094,052	4,386,154	121,480,206

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of US dollars (Note 2.28))*

2012 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance at January 1, 2012</b>		113,207	737,276	4,173,119	92,507,223	(5,528,187)	92,002,638	4,001,940	96,004,578
Profit for the year		-	-	-	21,970,411	-	21,970,411	625,330	22,595,741
Changes in value of available-for-sale financial assets, net of tax		-	-	-	-	910,345	910,345	1,418	911,763
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		-	-	-	-	(332,125)	(332,125)	-	(332,125)
Foreign currency translation, net of tax		-	-	-	-	(1,696,083)	(1,696,083)	(32,954)	(1,729,037)
Remeasurement of net defined benefit liabilities, net of tax		-	-	-	-	(479,816)	(479,816)	2,113	(477,703)
<b>Total comprehensive income (loss)</b>		-	-	-	21,970,411	(1,597,679)	20,372,732	595,907	20,968,639
Dividends		-	-	-	(784,138)	-	(784,138)	(354,053)	(1,138,191)
Capital transaction under common control		-	-	-	-	(1,032,725)	(1,032,725)	(98,924)	(1,131,649)
Changes in consolidated entities		-	-	-	-	-	-	12,171	12,171
Disposal of treasury stock		-	-	-	-	431,514	431,514	-	431,514
Stock option activities		-	-	-	-	(31,338)	(31,338)	-	(31,338)
Others		-	-	-	4,684	(5,296)	(612)	(731)	(1,343)
<b>Total transactions with owners</b>		-	-	-	(779,454)	(637,845)	(1,417,299)	(441,537)	(1,858,836)
<b>Balance at December 31, 2012</b>		113,207	737,276	4,173,119	113,698,180	(7,763,711)	110,958,071	4,156,310	115,114,381

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

2013 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance at January 1, 2013</b>		119,467	778,047	4,403,893	119,985,689	(8,193,044)	117,094,052	4,386,154	121,480,206
Profit for the year		-	-	-	29,821,215	-	29,821,215	653,549	30,474,764
Changes in value of available-for-sale financial assets, net of tax		-	-	-	-	187,477	187,477	(997)	186,480
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		-	-	-	-	20,949	20,949	(193)	20,756
Foreign currency translation, net of tax		-	-	-	-	(986,691)	(986,691)	(14,270)	(1,000,961)
Remeasurement of net defined benefit liabilities, net of tax		-	-	-	-	(205,360)	(205,360)	(7,753)	(213,113)
<b>Total comprehensive income (loss)</b>		-	-	-	29,821,215	(983,625)	28,837,590	630,336	29,467,926
Dividends		-	-	-	(1,206,622)	-	(1,206,622)	(42,155)	(1,248,777)
Capital transaction under common control		-	-	-	-	(312,959)	(312,959)	600,042	287,083
Changes in consolidated entities		-	-	-	-	-	-	(918)	(918)
Disposal of treasury stock		-	-	-	-	41,817	41,817	-	41,817
Stock option activities		-	-	-	-	(11,999)	(11,999)	-	(11,999)
Others		-	-	-	-	737	737	(65)	672
<b>Total transactions with owners</b>		-	-	-	(1,206,622)	(282,404)	(1,489,026)	556,904	(932,122)
<b>Balance at December 31, 2013</b>		119,467	778,047	4,403,893	148,600,282	(9,459,073)	144,442,616	5,573,394	150,016,010

Samsung Electronics Co., Ltd. and its subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.28))

2013 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance at January 1, 2013</b>		113,207	737,276	4,173,119	113,698,180	(7,763,711)	110,958,071	4,156,310	115,114,381
Profit for the year		-	-	-	28,258,519	-	28,258,519	619,302	28,877,821
Changes in value of available-for-sale financial assets, net of tax		-	-	-	-	177,653	177,653	(945)	176,708
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		-	-	-	-	19,851	19,851	(183)	19,668
Foreign currency translation, net of tax		-	-	-	-	(934,986)	(934,986)	(13,522)	(948,508)
Remeasurement of net defined benefit liabilities, net of tax		-	-	-	-	(194,599)	(194,599)	(7,347)	(201,946)
<b>Total comprehensive income (loss)</b>		-	-	-	28,258,519	(932,081)	27,326,438	597,305	27,923,743
Dividends		-	-	-	(1,143,392)	-	(1,143,392)	(39,946)	(1,183,338)
Capital transaction under common control		-	-	-	-	(296,559)	(296,559)	568,599	272,040
Changes in consolidated entities		-	-	-	-	-	-	(870)	(870)
Disposal of treasury stock		-	-	-	-	39,626	39,626	-	39,626
Stock option activities		-	-	-	-	(11,370)	(11,370)	-	(11,370)
Others		-	-	-	-	697	697	(62)	635
<b>Total transactions with owners</b>		-	-	-	(1,143,392)	(267,606)	(1,410,998)	527,721	(883,277)
<b>Balance at December 31, 2013</b>		113,207	737,276	4,173,119	140,813,307	(8,963,398)	136,873,511	5,281,336	142,154,847



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

	Notes	<b>For the year ended December 31,</b>			
		<b>2013</b> KRW	<b>2012</b> KRW	<b>2013</b> USD	<b>2012</b> USD
<b>Cash flows from operating activities</b>					
Profit for the year		30,474,764	23,845,285	28,877,821	22,595,741
Adjustments		23,804,832	22,759,559	22,557,407	21,566,909
Changes in operating assets and liabilities		(1,313,245)	(5,777,949)	(1,244,428)	(5,475,173)
Cash flows from operating activities		52,966,351	40,826,895	50,190,800	38,687,477
Interest received		1,034,074	789,397	979,886	748,031
Interest paid		(434,857)	(576,379)	(412,070)	(546,175)
Dividend received		592,217	1,112,940	561,184	1,054,620
Income tax paid		(7,450,345)	(4,180,044)	(7,059,931)	(3,961,001)
<b>Net cash generated from operating activities</b>		46,707,440	37,972,809	44,259,869	35,982,952
<b>Cash flows from investing activities</b>					
Net increase in short-term financial instruments		(19,391,643)	(5,965,611)	(18,375,479)	(5,653,000)
Net decrease (increase) in short-term available-for-sale financial assets		33,663	(589,072)	31,899	(558,203)
Proceeds from disposal of long-term available-for-sale financial assets		1,691,463	106,208	1,602,827	100,642
Acquisition of long-term available-for-sale financial assets		(1,531,356)	(870,249)	(1,451,110)	(824,646)
Proceeds from disposal of associates and joint ventures		240	41,091	227	38,938
Acquisition of associates and joint ventures		(181,307)	(279,022)	(171,806)	(264,401)
Disposal of property and equipment		377,445	644,062	357,666	610,312
Purchases of property and equipment		(23,157,587)	(22,965,271)	(21,944,079)	(21,761,841)
Disposal of intangible assets		4,562	61,497	4,323	58,274
Purchases of intangible assets		(934,743)	(650,884)	(885,760)	(616,776)
Cash outflows from business combination		(167,155)	(464,279)	(158,396)	(439,950)
Others		(1,490,601)	(390,024)	(1,412,491)	(369,586)
<b>Net cash used in investing activities</b>		(44,747,019)	(31,321,554)	(42,402,179)	(29,680,237)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of US dollars (Note 2.28))*

Notes	For the year ended December 31,			
	2013	2012	2013	2012
	KRW	KRW	USD	USD
<b>Cash flows from financing activities</b>				
Net repayment of short-term borrowings	(1,861,536)	(800,579)	(1,763,987)	(758,627)
Disposal of treasury stock	34,390	88,473	32,588	83,837
Proceeds from long-term borrowings and debentures	26,672	1,862,256	25,274	1,764,670
Repayment of long-term borrowings and debentures	(1,368,436)	(522,899)	(1,296,727)	(495,498)
Payment of dividends	(1,249,672)	(1,265,137)	(1,184,186)	(1,198,841)
Net increase (decrease) in non-controlling interests	281,551	(1,200,134)	266,797	(1,137,244)
Others	-	(26,488)	-	(25,101)
<b>Net cash used in financing activities</b>	<b>(4,137,031)</b>	<b>(1,864,508)</b>	<b>(3,920,241)</b>	<b>(1,766,804)</b>
Effect of exchange rate changes on cash and cash equivalents	(330,070)	(687,048)	(312,774)	(651,045)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,506,680)</b>	<b>4,099,699</b>	<b>(2,375,325)</b>	<b>3,884,866</b>
<b>Cash and cash equivalents</b>				
<b>Beginning of the year</b>	18,791,460	14,691,761	17,806,747	13,921,881
<b>End of the year</b>	16,284,780	18,791,460	15,431,422	17,806,747

**2.28 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 won amounts are expressed in US dollars at the rate of ₩1,055.30 to US \$1, the exchange rate in effect on December 31, 2013. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

## Business Overview

For 2013, a new measure of challenges in our business environment persisted amid continued macro uncertainties in the Eurozone, domestic economic contraction, risk exposure to volatile currency exchange rate, and intensified competitions in the industry. Despite such challenging business environment, our company outperformed the industry and the market at large thanks to our shareholders support and relentless hard work by our employees. In 2013, we achieved record consolidated sales of KRW 229 trillion, up 14 percent from the previous year, and produced record operating profit of KRW 37 trillion, up 27 percent from 2012.

From our financial management perspective, we maintained a strong balance sheet and consolidated ROE rose by 1% and the net debt to equity ratio increased by about 10%. According to the Interbrand, our brand value rose 20% to USD 39.6 billion from 2012, and ranked eighth after climbing one notch compared to the year before.

In terms of our shareholder return, the year-end dividend per share was approved at KRW 13,800, a 79% increase compared with the previous year. We will continue to deliver sustainable growth and generate stable profit as the cornerstones of building our shareholder value.

In 2013, we continued to improve our industry leadership position by launching products featuring our most advanced design and the industry leading technology. Last year, we introduced the world's best performing and highest density server DRAM memory module and the industry leading Android based smartphone, Galaxy S 4 and Galaxy Note 3. In addition, we redefined the wearable device market by launching Galaxy Gear smart watch.

In 2013, we are seeing the early signs of recovery in the developed countries, coupled with the consumer confidences and corporate investments in R&D and manufacturing. At the same time, developing countries are challenged by both political and economic issues that will ultimately hinder the recovery of the local and global economy. To overcome this difficult time, we have to continuously improve the efficiency of our operation and strengthen our competitiveness by creating new growth opportunities in our industry and beyond.

### □ Financial Performance (K-IFRS, Consolidated)

(Unit: KRW trillion, %)

	FY 2013	FY 2012	Change
Revenue	<b>228.7</b>	201.1	14%
Operating Profit	<b>36.8</b>	29.0	27%
Net Profit	<b>30.5</b>	23.8	28%
ROE	<b>22.4%</b>	21.4%	1%p
Net Debt Ratio	<b>Δ28.9%</b>	Δ18.6%	Δ10.3%p
Dividend (KRW)	<b>14,300</b>	8,000	79%
Share Price (KRW)	<b>1,372,000</b>	1,522,000	Δ10%

## Semiconductor Business

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### *Market Condition*

In 2013, profit-oriented supply policies led to increased PC DRAM prices and mobile/server DRAM price stabilization. Overall, the memory market dynamics shifted towards suppliers. Market demand growth was mainly driven up by increased density in mobile devices, and higher SSD demand for data center and ultra-books.

As we expect overall smartphone demand to slow and certain product demand to be stagnant in 2014, we will expand our customer base into emerging markets including China based on our enormous technological advantages, and enhance our cost competitiveness further by increasing offerings of 3bit NAND and other profitable products.

### *Business Performance*

We are leading the semiconductor market by maximizing the benefits of cost reduction as we continuously move faster than competitors in the leading-edge process development and mass production.

*For DRAM*, we are leading the market demand by increasing 20nm product mix and stabilizing yield. As we increase offerings of products with high profitability such as mobile/server DRAMs, we generate relatively more stable profits than competitors do.

*For NAND*, we succeeded in developing the world's first vertical NAND. We are also putting efforts to develop high-performance solutions (SSD, e MMC, and etc.) and 3bit products to further widen the gap from the competition.

Looking forward, we will sustain our industry leadership position based on our technological advantages and cost saving from advanced process development. We will continue to expand our market dominance by improving cost competitiveness and offering differentiated products through advanced process development.

## Display Panel

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### *Market Condition*

Low growth of TV panel demand seems likely to continue in developed markets in 2014. Meanwhile, we expect demand from emerging markets (mostly Latin American countries) to increase driven by upcoming World Cup in Brazil. In addition, sales growth of high-end TVs including 60"+ large size and UHD TV is expected to gain momentum from 2014.

For IT panel business, while laptop/monitor market demand is expected to show modest growth given saturation in the developed markets, solid tablet demand is likely to continue on the back of new product launches in the entry and large-size models.

For the mid to small size panels, we expect solid demand growth mainly led by smartphones. However, the market growth is expected to slow gradually going forward given already high penetration rate of smartphones and longer replacement period. (Source: Display Search 4Q13 Report)

Since we succeeded in the OLED panel commercialization for the first time in the world in 2007, we have maintained the largest market share in the mid to small size OLED panel segment. However, other TFT-LCD makers are likely to venture into the mid to small and even large size OLED panel markets. While investment in TFT-LCD panels has declined since 2011, we are seeing intensified global competition these days due to Chinese makers backed by government support.

### *Business Performance*

For the large size panel business, we improved our manufacturing competitiveness by enhancing yield and reducing product defect rate across the product line ups based on our TFT-LCD technologies. We strengthened our competitive advantages by offering full line ups in large size and developing Curved TV.

Regarding the cost efficiency, we are continuing our efforts to develop highly transparent panels and localize key manufacturing equipment. We will strengthen partnership with customers in technology and product development to

maintain our industry-highest utilization rate and maximize profitability. In addition, we will better deal with demand from China, world's largest TV consumer, leveraging our China fab where mass production began in 2013.

For the mid to small size panel business, we continue to enhance our competitiveness as a market leader by successfully commercializing the world's first flexible panels based on AM-OLED technologies and improving our capacity through improved productivity

## IM (IT & Mobile Communications)

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### Market Condition

In 2013, overall mobile market size was around 1.7 billion units, and it is expected to grow by 6% year on year to 1.8 billion units in 2014. Smartphone market is expected to grow by 15% yoy from approx.1 billion units in 2013 to 1.2billion units in 2014. Tablet market size is expected to increase as well from 230million units in 2013 to 290million units in 2014 by 22% year on year. (As of September 2013 / source: Strategy Analytics)

### Business Performance

Mobile market competition intensified in 2013 as major makers including Samsung competitively released their entry models for smartphones and tablets. We diversified our product line ups from premium smartphones to mass market models. We also enhanced our market leadership by leading new product markets such as LTE and Note. Especially, solid sales in our strategic models including *Galaxy S4* and *Galaxy Note* Series helped us solidify our No. 1 position in the global market. In 2014, our plan is to further strengthen our leading position in the premium market with smartphones and tablets. We will proactively deal with customer needs with a broad range of line ups including entry models, new form factors like flexible display, and new product categories including *Galaxy Gear*. In addition, we will expand our market dominance further by continuing our investment in future growth and utilizing our strong R&D capabilities.

## Consumer Electronics

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### Market Condition

As a trend of competition among TV set makers accelerated in large screen and high definition TVs, competitive products and strong brand power are becoming important factors in gaining market shares. Thus far, Flat Panel TV demand growth has been driven by developed market. Going forward, we expect the demand to rise in emerging markets, especially in BRICs.

With increasing customer demand for high definition and slim TVs, sales of LED TV using eco-friendly LED BLU(Back Light Unit) is on the rise featuring better brightness, contrast, and lower power consumption. To address customers' desire to obtain information from the Internet while they watch TV, we introduced Smart Hub TV offering customers access to variety of applications in 2011. As a result, we led the Smart TV market with increased sales of premium product sales. Since 2012, we have been leading the TV market trend through *Smart Interaction*, which enables users to control TV with their voice and motion and provide customized contents based on their history.

### Business Performance

We addressed the market demand by offering a variety of products including LCD, PDP, FP-TV, DLP TV and etc. We have maintained our No.1 position in overall TV, FP-TV, and LCD-TV for eight consecutive years, securing the "Triple Crown." In particular, we released the world's first LED TV (LED BLU, ultra slim/light weight, eco-friendly) as a new product category in 2009. During the first quarter of 2009, we introduced the *3D Total Solution*, which provides customers with 3D TV, BDP, 3D glasses, and BD Title all together for the first time in the world. Building on our competitiveness, we were able to dominate the 3D TV market. In 2010, we launched "*Samsung Apps*," the world's first TV apps store and introduced *Smart Hub* with various services from Your Video, Social TV, Search All, and Web Browser in 2011, thereby establishing a brand image that smart TV equals Samsung.

In 2012, we enhanced family-friendly services by developing contents that can help users exercise or learn while watching TV. In addition, we maintained our competitive advantages in the smart TV market by enhancing "All Share" function, which enables easier connection with other digital devices. In 2013, we led the overall market by introducing new OLED TV

and UHD TV with much higher resolution and better image quality than existing models. We aim to maintain our lead in the market in 2014 by focusing on areas with high growth potential such as UHD TV.

## Corporate Overview

In addition to headquarters in Korea, Samsung Electronics consists of 153 subsidiaries across the world including nine regional headquarters for CE and IM divisions and five regional headquarters for DS division.

Samsung Electronics is comprised of three business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), and Device Solutions (“DS”). The CE division engages in the production and sales of digital TVs, monitors, printers, air conditioners and refrigerators, and the IM division focuses on production and sales HHPs such as feature phones and smartphones, network systems, and computers. The DS division includes products such as DRAM and system LSI in the semiconductor business, and LCD and OLED panels in the display business.

### Major products by business division

Business Division		Major Products
CE Division		CTV, monitor, printer, air conditioner, refrigerator, washing machine, medical devices
IM Division		HHP, communication system, computer, digital camera
DS Division	Semiconductor Business	DRAM, NAND Flash, mobile AP
	DP Business	TFT-LCD, OLED

By region, SEC headquarters covering CE, IM, and semiconductor business and 18 consolidated subsidiaries are located in Korea.

SEC is headquartered in Suwon site for CE, and R&D center; Gumi site for IM; Giheung for semiconductor; Hwasung for semiconductor; and Gwangju for home appliances. The company has 18 consolidated domestic subsidiaries including Samsung Display for display panel production, Living Plaza for domestic retail sales, and Samsung Electronic Logitech for logistics.

We have 135 overseas subsidiaries for product manufacturing, sales, and R&D in North America, Europe, Asia, and Africa.

In Americas, we have 25 subsidiaries responsible for product manufacturing and sales: SEA in New Jersey, United States is the regional headquarter for North America and focuses on sales of Set products such as CTV in the States. STA in Dallas, United States is in charge of HHP and other communication product sales in the States. SAMEX in Tijuana, Mexico engages in CTV manufacturing while SAS in Austin, United States is for semiconductor manufacturing.

In Europe, we operate 33 subsidiaries including SEUK in UK (regional headquarter) for Set product sales; SEF in France, SEG in Germany, SEI in Italy for sales; CTV manufacturing sites such as SESK in Slovakia, and SEH in Hungary; as well as SEPM in Poland for home appliances manufacturing.

In Asia, SAPL in Singapore is the regional headquarter. We operate 22 overseas subsidiaries in this region including seven sales corporations such as SEAU in Australia, SEPCO in the Philippines, and SME in Malaysia; SEV in Vietnam for HHP manufacturing; SDMA in Malaysia for CTV manufacturing; and SIEL in India for both CTV and HHP manufacturing.

We operate 33 subsidiaries in China including: SCIS in Beijing as a regional headquarter and set product sales entity; five sales corporations including SEHK in Hong Kong; four manufacturing sites in Tianjin for set product manufacturing, and semiconductor/ DP processing (TSEC-CTV, TSTC-HHP, TSOE-digital camera, SDTJ-DP); and six subsidiaries in Suzhou (SSEC-home appliances, SESS-semiconductor, SESC-computer, SDSZ-DP, SSL-DP, SSCR-semiconductor lab.)

In addition, we have 22 subsidiaries engaging in product manufacturing and sales in Africa, Middle East, and CIS region.

## Affiliates and Subsidiaries

### Affiliates

As of fiscal year 2013 end, Samsung Group had a total of 77 domestic affiliates. Compared to end-2012, two new affiliates (Jung-ahm Wind Power, and Sungkyunkwan University Dormitory) were added and six (SECRON, SEHF Korea, SB LiMotive, GES, Idea Company Prog, Top Cloud Corporation) were excluded. Among Samsung Group's 77 affiliates, 17 including Samsung Electronics are listed, and 60 are unlisted.

### Subsidiaries

As of fiscal year 2013 end, Samsung Electronics' consolidated subsidiaries totaled 153 with eight subsidiaries being newly included and 21 being excluded compared to end-2012. Following tables are a summary of financial data of major consolidated subsidiaries.

#### □ FY 2013 Financial Data of Major Subsidiaries

(Unit: KRW Million)

Major subsidiaries	Major business	2013			
		Assets	Liabilities	Revenue	Net Profit
Samsung Display (SDC)	Production and sale of Display	35,754,894	6,682,229	29,386,907	2,400,779
Samsung Electronics America(SEA)	Sale of electronic goods	12,248,560	7,262,519	14,321,018	70,690
Samsung (China) Investment(SCIC)	Sale of electronic goods	8,406,438	6,780,610	25,605,822	743,369
Samsung Semiconductor(SSi)	Sale of electronic goods	7,346,339	3,991,768	17,932,937	39,289
Samsung Austin Semiconductor(SAS)	Production of semiconductors	6,393,348	3,467,968	2,409,773	60,980
Samsung Electronics Europe Holding(SEEH)	Sale of semiconductors and LCD	5,780,302	4,025,760	-	(17,863)
Samsung Electronics Vietnam(SEV)	Production of electronic goods	5,625,759	1,493,868	26,594,578	3,087,252
Samsung Telecommunications America(STA)	Sale of telecom products	4,735,432	4,085,299	21,387,737	173,510
Samsung Electronics Huizhou(SEHZ)	Production of electronic goods	4,599,200	1,802,686	22,664,923	1,012,728
Samsung (China) Semiconductor(SCS)	Semiconductor Processing	3,752,682	1,284,560	-	(40,537)
Samsung Electronica da Amazonia(SEDA)	Production and Sales of electronic goods	3,429,136	1,658,072	7,852,428	920,157
Tianjin Samsung Telecom Technology(TSTC)	TFT-LCD production	2,939,027	1,415,277	15,293,633	767,822
Samsung Asia Private(SAPL)	Sale of electronic goods	2,425,585	1,099,521	1,558,990	674,510
Samsung India Electronics(SIEL)	Production and Sales of electronic goods	1,924,832	1,195,824	6,737,419	324,171
Samsung Electronics Europe Logistics(SELS)	Logistics	1,903,892	1,806,486	14,543,524	7,613
Samsung Electronics Slovakia(SESK)	TFT-LCD Processing	1,764,078	317,224	4,561,795	140,825
Samsung Electronics Mexico(SEM)	Production and Sales of electronic goods	1,554,638	1,311,133	3,261,067	9,886
Thai Samsung Electronics(TSE)	Production and Sales of electronic goods	1,476,296	373,181	5,033,203	222,389
Samsung Suzhou LCD(SSL)	TFT-LCD Processing	1,463,589	379,118	18,892	12,067
Samsung Electronics Rus Company(SERC)	Sales of Electronic goods	1,410,054	1,107,915	5,809,646	(11,137)
Samsung Electronics (UK)(SEUK)	Sales of Electronic goods	1,393,507	705,504	6,075,490	92,969
Samsung Electronics Taiwan(SET)	Sales of Electronic goods	1,390,404	1,141,842	3,909,546	30,802
Shanghai Samsung Semiconductor(SSS)	Sale of semiconductor and LCD	1,310,109	1,005,056	15,937,922	130,082
Samsung Electronics Benelux(SEBN)	Sales of Electronic goods	1,290,124	322,622	2,700,887	25,233
Samsung Electronics Hungarian(SEH)	Production and Sales of electronic goods	1,249,691	253,536	3,272,358	103,658

※ Major subsidiaries reported here are selected based on the size of their assets.

□ FY 2012 Financial Data of Major Subsidiaries

(Unit: KRW Million)

Major subsidiaries	Major business	2012			
		Assets	Liabilities	Revenue	Net Profit
Samsung Display (SDC)	Production and sale of Display	33,791,814	9,122,941	22,304,545	2,079,916
Samsung Electronics America(SEA)	Sale of electronic goods	11,432,490	6,598,643	12,430,205	201,790
Samsung Austin Semiconductor(SAS)	Sale of electronic goods	6,728,824	3,819,196	3,063,343	(86,815)
Samsung Semiconductor(SSI)	Sale of electronic goods	5,502,929	2,136,789	17,325,969	20,797
Samsung (China) Investment(SCIC)	Production of semiconductors	5,407,272	4,519,921	13,796,191	264,269
Samsung Telecommunications America(STA)	Sale of semiconductors and LCD	5,009,772	4,516,706	15,308,222	109,896
Samsung Electronics Europe Holding(SEEH)	Production of electronic goods	4,377,597	3,068,900	-	7,856
Samsung Electronics Vietnam(SEV)	Sale of telecom products	3,416,148	1,498,575	14,599,505	854,250
Samsung Electronics Huizhou(SEHZ)	Production of electronic goods	3,275,716	1,496,513	15,343,968	700,435
Samsung Electronica da Amazonia(SEDA)	Semiconductor Processing	2,556,334	1,564,590	6,145,530	198,552
Tianjin Samsung Telecom Technology(TSTC)	Production and Sales of electronic goods	2,234,437	1,227,917	10,697,834	551,682
Samsung Electronics Taiwan(SET)	TFT-LCD production	2,117,243	1,885,749	4,967,564	38,298
Shanghai Samsung Semiconductor(SSS)	Sale of electronic goods	1,998,989	1,824,247	12,584,108	60,991
Samsung Electronics Rus Company(SERC)	Production and Sales of electronic goods	1,705,108	1,367,484	6,712,179	21,832
Samsung Electronics Slovakia(SESK)	Logistics	1,696,474	426,980	5,279,531	147,665
Samsung Japan(SJC)	TFT-LCD Processing	1,570,232	1,382,927	6,021,986	26,503
Samsung Semiconductor Europe GmbH(SSEG)	Production and Sales of electronic goods	1,569,684	1,556,757	5,191,270	(32)
Samsung Electronics Europe Logistics(SELS)	Production and Sales of electronic goods	1,529,851	1,443,264	12,873,583	29,372
Samsung India Electronics(SIEL)	TFT-LCD Processing	1,449,983	964,580	5,089,445	316,994
Thai Samsung Electronics(TSE)	Sales of Electronic goods	1,447,777	463,908	4,799,886	295,994
Samsung Electronics (UK)(SEUK)	Sales of Electronic goods	1,349,828	763,081	5,722,969	74,329
Samsung Electronics Hungarian(SEH)	Sales of Electronic goods	1,301,842	416,616	3,542,522	153,961
Samsung Electronics Rus Kaluga(SERK)	Sale of semiconductor and LCD	1,296,147	465,344	2,348,160	194,169
Samsung Electronics Hong Kong(SEHK)	Sales of Electronic goods	1,294,473	1,067,647	2,362,833	83,950
Samsung Electronics Mexico(SEM)	Production and Sales of electronic goods	1,291,398	1,053,329	2,814,961	37,90

\* Major subsidiaries reported here are selected based on the size of their assets.



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## Information About the Meeting And Shareholder Rights

### Overview

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General meeting of shareholders is the Company's highest decision-making body which deliberates and decides important issues concerning the Company, reflecting the opinions of shareholders.

### *Convening*

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

Ordinary general meeting: Within three months after the end of each fiscal year.

Extraordinary general meeting: Whenever necessary

\* Those who have the authority to call extraordinary general meetings, as prescribed in the Articles of Incorporation and the Commercial Code, shall convene the meetings in accordance with the relevant procedures.

### *Parties with Authority to Convene Meetings*

Those who have the authority to call ordinary and extraordinary general meetings pursuant to the Articles of Incorporation and the Commercial Code are as set forth below:

- Board of Directors
- Audit Committee
- Shareholders

\* According to the Commercial Code, those shareholders who have more than 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 in advance to convene a general meeting of shareholders.

\* For the purpose of transparency and protecting shareholder voting rights, the Company currently adopted the policy to notify shareholders about the AGM three or four weeks prior to convene a general meeting of shareholders.

## Operation

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In accordance with our Article of Incorporation, each shareholder shall have right to one vote per share. The Company does not have any system or method to discriminate shareholders' voting rights, including dual class voting structure, etc.

### **Method of Adopting Resolutions at AGM**

#### **1. Ordinary Resolution**

- Pursuant the Commercial Code and the Articles of Incorporation, resolutions shall be passed if approved by one half (1/2) of votes of the shareholders present at the general meeting of shareholders and by one fourth (1/4) or more of outstanding votes.
- Items of Ordinary Resolution: 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 of greater significance, including but not limited to the amendment to the Articles of Incorporation and mergers & acquisitions, shall be passed if approved by two thirds (2/3) of votes of the shareholders present at the general meeting of shareholders and by one third (1/3) or more of outstanding votes.
- Items of Extraordinary Resolution: Amendment to the Articles of Incorporation, dismissal of Directors, approval of split or merger of the Company, etc.
- With regards to shareholders' voting rights, the Company does not have a written consent in place, pursuant to the Articles of Incorporation. However, the Company registers with "proxy solicitation" at AGM every year according to the local regulation permitting substitution for written consent.
- \* In voting, "blank vote" submitted by shareholders in a form of "*Proxy (the 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 protect minority shareholder rights. Minority Shareholders' rights in the Company are as set forth:

#### **1. Right to Convene General Meetings of Shareholders**

- In accordance with the Commercial Code, shareholders, with ownership of 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 AGM. The Board shall present all shareholder proposals at AGM.
- \* For example, at the 30<sup>nd</sup> AGM in 1999, shareholders proposed to revise the Articles of Incorporation to adopt a cumulative voting method. And at 32<sup>nd</sup> AGM in 2001, Shareholders proposed to appoint the Company's executive directors from outside companies. Both proposals were voted down by shareholders at the AGM.

## Overview – The Board of Directors

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Our Corporate Governance work to enhance our company's decision-making and supervisory process based on the highest standards of governance, transparency, and accountability. Under such policy, the Board of Directors (BOD) administers 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 the resolutions made at the annual general shareholders meeting (AGM).

The BOD is composed of four executive directors and five independent directors. The BOD is consists of an independent director majority to both guarantee the board's independence and transparency. In addition, the Board established a transparent decision-making process with inputs from a broad spectrum of outside experts.

Pursuant to the Article of Incorporation, the Independent Directors Recommendation Committee initially selects candidates from among a pool of professional experts with in-depth knowledge and experience in a variety of areas including business management, economy, accounting, law, technology, CSR, etc.

The independent directors meet separately from the BOD's executive directors in order to promote a free exchange of ideas on all aspects of the company's management. All directors are prohibited from engaging in business activities within the same industry without the approval of the BOD. This arrangement is to prevent conflicts of interest as specified in the Korean Commerce Act and the Company's Articles of Incorporation.

### ***BOD Members: 9 Directors (As of February 2014)***

• 4 Executive Directors:	Mr. Oh-Hyun Kwon (Chair of the BOD) Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Sang-Hoon Lee
• 5 Independent Directors:	Ms. Eun-Mee Kim, Mr. Han-Joong Kim, Mr. Byeong-Gi Lee, Mr. In-Ho Lee, Mr. Kwang-Soo Song

### ***- Chairman of the Board***

In conformance with Article 5 of ***the Regulation of the Board of Directors***, the representative director shall be appointed as the Chairman of the Board and preside over the BOD meetings. If the Company has several Representative Directors, Representative Director & Vice Chairman shall serve as Chairman of the Board. If Representative Director & Vice Chairman cannot serve as Chairman of the BOD, a Director appointed by the BOD shall act for him. Mr. Oh-Hyun Kwon, Vice Chairman and CEO, has been appointed as the Chair of the Board since 2012.

### ***- Responsibilities and Duties of Directors***

Pursuant to the Article 27-2 of our Articles of Incorporation, Directors shall have fiduciary duty in performing his/her duties.

Pursuant to the Article 32 ***Prohibition of Competition by Directors***, No Director shall effect any transaction which falls within the same class of business as that of the Company without consent of the Board of Directors or such committee as authorized by the Board of Directors, except when a Director is elected with the knowledge that his business is in competition with the Company. Also, A Director shall resign from office in case he/she serves on a company in competition with the Company or becomes a public official. In accordance with relevant laws, a Director may not maintain directorship if he/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. If a Director meets at least one of the criteria under applicable standards, he or she may not be deemed "independent."

### **- Election of Directors**

Regulations regarding the election, terms of office, and election of Directors in case of vacancy are included in the Article 24 of our Article 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', appointed by resolution at the AGM, term of office is three years. At the time of expiration, they are eligible for re-election at the AGM.

In case of two or more directors are nominated, the cumulative voting system according to the Korean Commercial Code shall not be applicable. At the 30th AGM in 1999, shareholders proposed to revise the Articles of Incorporation to adopt a cumulative voting method. However, it was voted down by shareholders at the AGM.

The BOD shall screen the qualifications of Executive Directors for Representative Director or Co-Representative Director position.

The representative director shall be elected by the Board of Directors. The representative director shall represent the Company and 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 Article of Incorporations, any vacancy in the office of the director shall be filled by a resolution of a general meeting of shareholders. However, if the number of directors does not fall below the number prescribed by the Article 24 and there is no difficulty in the administration of business, the foregoing shall not be applicable.

### **- Convening of the Meeting of the Board of Directors**

There are two types of the Board meetings.

- **Regular meetings:** Generally held four times a year (in every quarter)
- **Extraordinary meeting:** Held whenever deemed necessary

The Meetings of the Board of Directors is convened by the Chairman of the Board. The Chairman shall provide a notice of meeting to other members, along with agenda and reasons for the meeting, at least 24 hours prior to the meeting. The notice can be in written, oral, and/or electronic forms. Such notice may be omitted with the consent of all Directors.

The presence of the majority of all Directors is required but the Board meetings may take place via electronic format, i.e., conference call. Directors have one vote per share unless an exception is provided by law. Directors are not allowed to vote in presence of any conflicts of interest.

Any Director may convene a meeting, with consent from the Chairman of the Board, in case where the meeting is deemed necessary for the purpose of carrying out his/her duties.

## Board Committees

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The BOD currently has six committees: Management Committee, Audit Committee, Independent Director Recommendation Committee, Related Party Transaction Committee, Compensation Committee, and CSR Committee.

### *The Management Committee*

The committee deliberates and decides matters either delegated by the Board, or specified in the Articles of Incorporation or in the Regulation of the Board of Directors with the aim of enhancing professionalism and efficiency in decision-making.

- The current Members: Mr. Oh-Hyun Kwon (Chair), Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Sang-Hoon Lee

### *The Audit Committee*

A committee under Board that supervises and supports the management in such a way it may enhance the company's value to the maximum through auditing and Audit Committee consists of three members who are appointed directors through the resolution of Board of Directors.

- The current members: Mr. In-Ho Lee (Chair and the expert of finance), Mr. Han-Joong Kim, Mr. Kwang-Soo Song

### *The Independent Director Recommendation Committee*

A committee under the Board is structured to ensure that outside directors are recruited and appointed in a fair and independent matter. This committee consists of 4 directors (including 3 independent and 1 executive directors).

- The current members: Mr. Han-Joong Kim (Chair), Mr. Byeong-Gi Lee, Ms. Eun-Mee Kim, Mr. Oh-Hyun Kwon

### *The Related Party Transaction Committee*

A committee under the Board was established in April 2004 as a compliance body to enhance corporate governance and promote fair transactions. The Related Party Transaction, or also known as Internal Transaction, committee is reported with pending transactions between the company and its related party.

- The current members: Mr. In-Ho Lee (Chair), Mr. Han-Joong Kim, Mr. Kwang-Soo Song

### *The Compensation Committee*

A committee under the Board has responsibility for assessing the appropriateness of Director Compensations and reviews and approves the limit on Director Compensations to be submitted for resolution at a general meeting of shareholders. The committee is comprised of 3 independent directors.

- The current members: Mr. Kwang-Soo Song (Chair), Mr. In-Hoo Lee, Mr. Byeong-Gi Lee

### *The CSR Committee*

A committee under the Board supervises and supports the company's Corporate Social Responsibility and Share Growth management activities. The CSR committee is committed to building relationships with various stakeholders through open dialogues and collaboration. The committee consists of 5 independent directors.

- The current members: Mr. Byeong-Gi Lee (Chair), Mr. In-Ho Lee, Mr. Han-Joong Kim, Mr. Kwang-Soo Song, Ms. Eun-Mee Kim

The following table presents the current composition of 6 BOD Committees, including Head of each committee.

□ **Composition of the BOD committees**

Committee Name	Committee Members		
	Chair	Executive Directors	Independent Directors
<b>Management</b>	Mr. Oh-Hyun Kwon (Executive)	Mr. Boo-Keun Yoon Mr. Jong-Kyun Shin Mr. Sang-Hoon Lee	
<b>Audit</b>	Mr. In-Ho Lee (Independent)		Mr. Han-Joong Kim Mr. Kwang-Soo Song
<b>Independent Director Recommendation</b>	Mr. Han-Joong Kim (Independent)	Mr. Oh-Hyun Kwon	Mr. Byeong-Gi Lee Ms. Eun-Mee Kim
<b>Related Party Transactions</b>	Mr. In-Ho Lee (Independent)		Mr. Han-Joong Kim Mr. Kwang-Soo Song
<b>Compensation</b>	Mr. Kwang-Soo Song (Independent)		Mr. In-Ho Lee Mr. Byeong-Gi Lee
<b>CSR</b>	Mr. Byeong-Gi Lee (Independent)		Mr. In-Ho Lee Mr. Han-Joong Kim Mr. Kwang-Soo Song Ms. Eun-Mee Kim

## Profile of BOD Members



**Oh-Hyun Kwon**

Birth: October 15, 1952

Director since 2012

Dr. Oh-Hyun Kwon was officially appointed Chief Executive Officer of Samsung Electronics Co. by the company's Board of Directors on June 8, 2012. He continues to lead the Device Solutions Division of Samsung Electronics, which consists of the three component businesses: Memory, System LSI and LED.

Since Dr. Kwon joined Samsung Electronics' Semiconductor Business in 1985, he has played a pivotal role in Samsung Electronics' rapid advance in the semiconductor industry. He successfully led the development of the industry's first 64Mb DRAM in 1992 and was promoted to Vice President of Samsung's Memory Device Technology unit three years later. In 1998, Dr. Kwon was appointed Senior Vice President and head of System LSI Division's ASIC business. In 2000, he became Executive Vice President and head of LSI Technology. In January of 2004, Dr. Kwon was appointed President and General Manager of the System LSI Division. During his 10 years at the System LSI Division, Dr. Kwon gained special recognition for achieving top market shares of display driver ICs, application processors and CMOS image sensors.

Dr. Kwon has a B.S. in Electrical Engineering from Seoul National University, a M.S. in Electrical Engineering from KAIST (Korea Advanced Institute of Science and Technology), and a Ph.D. in Electrical Engineering from Stanford University.

### Career:

- Vice Chairman, Samsung Electronics (2012-Present)
- Vice Chairman & Head, Device Solutions (2011-Present)
- President & Head, Device Solutions (2011-11)
- President & Head, Semiconductor Business (2008-11)
- President & Head, System LSI Division (2004-08)
- Head, LSI Technology (2000-04)
- Head, ASIC Business (1998-00)



**Sang-Hoon Lee**

Birth: June 15, 1955

Director since 2013

Mr. Lee is CFO of Samsung Electronics Co. and President of Corporate Management Office of Samsung Electronics.

Mr. Sang-Hoon Lee served as the Head of Strategy and Planning Office of Samsung Electronics from 2006 to 2008, and the Head of Corporate Management Support Team of Samsung Electronics from 2008 to 2010. He was the Head of Strategy Team 1 of Samsung Corporate Strategy Office of Samsung Group from 2010 to 2012. Mr. Lee was appointed as the President & CFO of Corporate Management Office of Samsung Electronics in 2012.

Mr. Lee holds B.A. in Economics from Kyungpook University.

### Career:

- President & CFO, Corporate Management Office (2012-Present)
- Head, Strategy Team 1, Samsung Corporate Strategy Office (2010-12)
- Head, Corporate Management Support Team (2008-10)
- Strategy & Planning Office (2006-08)



**Boo-Keun Yoon**

Birth: February 6, 1953

Director since 2013

Mr. Boo-Keun Yoon is Co-Chief Executive Officer of Samsung Electronics Co. and leads the Consumer Electronics division.

Mr. Yoon served as the Head of R&D Team of Visual Display Business from 2003 to 2007. He was the Head of Visual Display Business from 2007 to 2011. He served as the Head of Consumer Electronics Division from 2011 to 2012. He was appointed as the President and the Head of Consumer Electronics of Samsung Electronics in 2012.

Mr. Yoon holds B.S. degree in Electronic Engineering from Hanyang University.

### Career:

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, Consumer Electronics (2012-Present)
- Head, Consumer Electronics Division (2011-12)
- Head, Visual Display Business (2007-11)
- Head, R&D Team, Visual Display Business (2003-07)



**Jong-Kyun Shin**

Birth: January 16, 1956

Director since 2013

Mr. Jong-Kyun Shin is Co-Chief Executive Officer of Samsung Electronics Co. and leads the IT and Mobile Communications Division.

Mr. Shin served as the Head of R&D Team of Mobile Communications Business of Samsung Electronics from 2006 to 2009. He was the Head of Mobile Communication Business from 2009 to 2011, and Head of IT and Mobile Communications Division from 2011 to 2012. Mr. Shin was appointed as the President and Head of IT&Mobile Communications Business in 2012.

Mr. Shin holds B.S. degree in Electronic Engineering from Kwangwoon University.

### Career:

- President & CEO, Samsung Electronics (2013-Present)
- President & Head, IT & Mobile Communications (2012-Present)
- Head, IT & Mobile Communications Division (2011-12)
- Head, Mobile Communications Business (2009-11)
- Head, R&D Team, Mobile Communications Business (2006-09)

**Han-Joong Kim**

Birth: May 12, 1951

Director since 2012

Dr. Han-Joong Kim has been a professor at Department of Preventive Medicine & Public Health at Yonsei University since 1982. He was the Director of Korea Council for University Education (KCUE) in 2008 ~ 2012 and President of Korea University Sports Federation (KUSF) from 2010 to 2012. He also served as the President of Yonsei University from Feb. 2008 to Jan. 2012.

Dr. Kim received his MD from Yonsei University College of Medicine and Master's degree in Public Health from Yonsei University, and Ph.D. in Public Health from Seoul National University Graduate School.

**Career:**

- Independent Director (2012-Present)
- Chairman, CHA Strategy Committee, CHA Health Systems (2012-Present)
- Professor Emeritus, Yonsei University (2012~Present)
- Chairman, Korea University Sport Federation (2010-12)
- Trustee, Korean Council for University Education (2008-12)
- President, Yonsei University (2008-12)
- Chairman, Board of Directors, The Korean Society for Preventive Medicine (2006-08)
- Professor, Dept. of Preventive Medicine & Public Health (1982-12)

**Kwang-Soo Song**

Birth: January 4, 1950

Director since 2013

Mr. Kwang-Soo Song is an advisor at Kim & Chang law office. Before joining the firm in 2007, Mr. Song was a Senior Prosecutor at Ministry of Justice from 2001 to 2002, Chief Prosecutor at Daegu High Prosecutors' office from 2002 to 2003, and Prosecutor General at Supreme Prosecutors' Office from 2003 to 2005.

Mr. Song received B.A. in Law from Seoul National University.

**Career:**

- Independent Director (2013-Present)
- Advisor, Kim & Chang Law Office (2007-Present)
- Prosecutor General, Supreme Prosecutors' Office (2003-05)
- Chief Prosecutor, Daegu High Prosecutors' Office (2002-03)

**In-Ho Lee**

Birth: November 2, 1943

Director since 2010  
(Re-elected in 2013)

Mr. In-Ho Lee served as CEO of Shinhan Financial Group from 2005 to 2009. He was Vice Chairman of Shinhan Bank from 1999 to 2003. Prior to joining Shinhan Bank in 1982, he worked for Daegu Bank. Mr. Lee holds B.A. degree in Economics from Yonsei University.

**Career:**

- Independent Director (2010-Present)
- Corporate Advisor, Shinhan Bank (2009-11)
- Chief Executive Officer, Shinhan Financial Group (2005-09)
- President & CEO, Shinhan Bank (1999-2003)
- Director & Deputy President, Shinhan Bank (1991-99)

**Byeong-Gi Lee**

Birth: November 2, 1948

Director since 2012

Dr. Byeong-Gi Lee worked for AT&T Bell Laboratories, North Andover, MA, from 1984 to 1986. In 1986, he joined the faculty of School of Electrical Engineering at Seoul National University and is a Professor until currently. He served as the Director of the Institute of New Media and Communications in 2000 and the Vice Chancellor for Research Affairs from 2000 to 2002. Dr. Lee was the President of the Korea Society of Engineering Education (KSEE) from 2003 to 2004, and the President of Korea Information and Communication Society (KICS) in 2007, and Commissioner of Korea Communications Commission (KCC) from 2008 to 2010. He lately served as the President of the IEEE Communications Society from 2010 to 2011.

Dr. Lee earned his B.S in Electronics Engineering from Seoul National University and Ph.D. from University of California, Los Angeles in Electrical Engineering.

**Career:**

- Independent Director (2012-Present)
- Professor of Electrical Engineering, Seoul National University (1986-Present)
- President, IEEE Communications Society (2010-11)
- Commissioner, Korea Communications Commission (2008-10)
- President, Korea Information and Communication Society (KICS) (2007-07)
- President, Korea Society of Engineering Education (KSEE) (2003-04)
- Vice Chancellor for Research Affairs, Seoul National University (2000-02)
- Member of Technical Staff, AT&T Bell Laboratories (1984-86)

**Eun-Mee Kim**

Birth: September 10, 1958

Director since 2013

Dr. Eun-Mee Kim is Dean and Professor of Graduate School of International Studies at Ewha Womans University. Prior to coming to Ehwa, she was a professor in the Department of Sociology at the University of Southern California from 1987 to 1997, and a Visiting Scholar at Harvard University and Brown University.

Dr. Kim earned B.A. in Sociology from Ewha Womans University and M.A. and Ph.D. in Sociology from Brown University.

**Career:**

- Independent Director (2013-Present)
- Dean, Graduate School of International Studies, Ewha Womans University (2011-Present)
- Professor, Graduate School of International Studies, Ewha Womans University (1997-Present)
- President, Korea Association of International Development and Cooperation (KAIDEC)(2011-12)
- Dean, Graduate School of International Studies, Ewha Womans University (2005-07)
- Visiting Scholar, Brown University (2003-04)
- Visiting Scholar, Harvard University (1994-94)
- Professor, Department of Sociology, University of Southern California (1987-97)



## BOD Activities

The following table meetings and voting results that were held by the Board and the Committees under the Board between January 2013 and December 2013.

### BOD Meetings

#### □ The Board Meetings and Voting Results of Independent Directors in FY 2013

No.	Date	Agenda	IH Lee	KS Song	BG Lee	HJ Kim	EM Kim
1	Jan.25 2013	① Approval of '12 (44th) financial statements and business report ② Approval of '13 annual business plan ③ Appointment of members of Independent Director Recommendation Committee	For For For	Elected Since March 2013	For For For	For For For	Elected Since March 2013
2	Feb.15 2013	① Convening of the 44th Annual General Meeting of shareholders ② Decision of AGM agenda items	For For	Elected Since March 2013	For For	For For	Elected Since March 2013
3	Feb.25 2013	① Fund allocation for the new corporate foundation	For	Elected Since March 2013	For	For	Elected Since March 2013
4	Mar.15 2013	① Appointment of CEO and Directors ② Appointment of 2013 BOD Committee members ③ Establishment of CSR Committee and the Committee charter	For For For	For For For	For For For	For For For	For For For
5	Apr.26 2013	① Approval of 1Q13 financial statements and business report ② Renewal of the existing Directors' liability insurance policy ③ Donation to Samsung Welfare Foundation, etc. ④ Donation to Chung-nam Samsung Institute	For For For For	For For For For	For For For For	For For For For	Not Present
6	Jul.26 2013	① Approval of 2H13 financial statements and business report and interim dividend ② Extension of a ceiling on beneficiary certificate Transactions ③ Donation to Samsung Life Public Welfare Foundation ④ Application for property insurance	For For For For	For For For For	For For For For	For For For For	For For For For
7	Oct.25 2013	① Approval of the 3Q13 financial statements and business report ② Payment of retirement pensions to Samsung Life ③ Donation to Sungkyunkwan University	For For For	For For For	For For For	For For For	For For For
8	Nov.29 2013	① Approval of transactions with affiliate persons ② Donation to Samsung Welfare Foundation ③ Purchase of building owned by Samsung Corning Precision Materials	For For For	For For For	For For For	For For For	For For For

※ IH Lee: In-Ho Lee, HJ Kim: Han-Joong Kim, BG Lee: Byeong-Gi Lee, KS Song: Kwang-Soo Song, EM Kim: Eun-Mee Kim

## Committee Participation of Independent Directors

The following table presents BOD Committee meetings and meeting agenda held between Jan 2013 and Dec 2013.

### □ Activities of Audit Committee in FY 2013

Date	Agenda
Jan. 24 2013	<ul style="list-style-type: none"> <li>① Report on FY 2012 financial statements and annual reports</li> <li>② Report on FY 2012 internal accounting management system</li> <li>③ FY 2012 4Q non-audit service contracts</li> <li>④ Report on FY 2012 audit results</li> </ul>
Feb. 15 2013	<ul style="list-style-type: none"> <li>① Review of the 44th AGM agenda</li> <li>② Report on 2012 internal compliance activities</li> </ul>
April 25 2013	<ul style="list-style-type: none"> <li>① Appointment of the head of Audit Committee</li> <li>② Report on FY 2013 1Q financial statements and business report</li> <li>③ Report on FY 2013 1Q non-audit activities</li> </ul>
Jul. 25 2013	<ul style="list-style-type: none"> <li>① Report on FY 2013 1H financial statement and business report</li> <li>② Report on FY 2013 2Q non-audit activities</li> <li>③ Report on FY 2013 1H audit activities</li> </ul>
Oct. 24 2013	<ul style="list-style-type: none"> <li>① Report on FY 2013 3Q financial statement and business report</li> <li>② Report on FY 2013 3Q non-audit activities</li> </ul>

### □ Activities of the Compensation Committee in FY 2013

Date	Agenda
Feb. 14 2013	<ul style="list-style-type: none"> <li>① Prior review on remuneration ceiling for Directors</li> </ul>

### □ Activities of the CSR Committee in FY 2013

Date	Agenda
Mar. 19 2013	<ul style="list-style-type: none"> <li>① Appointment of the head of CSR Committee</li> <li>② Report on 2013 corporate social contribution strategies</li> </ul>
May. 30 2013	<ul style="list-style-type: none"> <li>① Establishment of research committee for the advancement of corporate ecosystem and appointment of research members</li> </ul>
Nov. 29 2013	<ul style="list-style-type: none"> <li>① Report on corporate social contribution activities</li> <li>② Report on activities of research committee for the advancement of corporate ecosystem</li> </ul>

## □ Activities of Related Party Transactions Committee in FY 2013

Date	Agenda
Jan. 24 2013	① 4Q12 related party transactions and review results
Apr. 25 2013	① Appointment of Related Parties Transaction Committee head (Chairman: In-Ho Lee) ② 1Q13 related party transactions and review results ③ Prior review on large-scale related party transactions - Renewal of the existing directors' liability insurance policy - Donation to Samsung Welfare Foundation, etc. - Donation to Chung-nam Samsung Institute
Jul. 25 2013	① Prior review on large-scale related party transactions - Extension of a ceiling on beneficiary certificate transactions - Donation to Samsung Life Public Welfare Foundation - Application for property insurance ② Report on 2Q13 related party transactions and review results
Oct. 24 2013	① Prior review on large-scale related party transactions - Payment of retirement pension to Samsung life - Donation to Sungkyunkwan University ② Report on 3Q13 related party transactions and review results
Nov. 29 2013	① Prior review on large-scale related party transactions - Payment of retirement pension to Samsung life - Donation of affiliated person - Sales of Samsung Corning Shares

## BOD Meeting Attendance (March 2011 – March 2014)

The following table presents BOD meetings attendance of all Directors between March 2011 and March 2014.

### □ BOD Meeting Attendance

	Name	2011	2012	2013-2014	Total		
		Attended	Attended	Attended	Meeting	Attended	%
Executive Directors	Oh-Hyun Kwon <sup>(2)</sup>	-	12	7	19	19	100%
	Sang-Hoon Lee <sup>(3)</sup>	-	-	7	7	7	100%
	Jong-Kyun Shin <sup>(3)</sup>	-	-	6	7	6	86%
	Boo-Keun Yoon <sup>(3)</sup>	-	-	5	7	5	71%
Independent Directors	Byeong-Gi Lee <sup>(2)</sup>	-	12	7	19	19	100%
	In-Ho Lee <sup>(1)</sup>	10	12	6	29	28	97%
	Han-Joong Kim <sup>(2)</sup>	-	12	7	19	19	100%
	Eun-Mee Kim <sup>(3)</sup>	-	-	5	7	5	71%
	Kwang-Soo Song <sup>(3)</sup>	-	-	7	7	7	100%

\* The table shown above represents accumulated attendance of Directors between AGMs (ex., March of year 1 to March of year 2).

1. Director was appointed in March 2011.
2. Directors were appointed in March 2012.
3. Directors were appointed in March 2013.

## Stock Ownership Structure

### Overview

As of the end of 2013, the total number of Samsung Electronics' shares outstanding is 170,132,764. The numbers of common shares outstanding and preferred shares outstanding are 147,299,337 (86.6%) and 22,833,427 (13.4%), respectively.

The number of total treasury stocks of Samsung Electronics is 19,363,909 (11.4%), with 16,384,216 common shares (11.1% of common shares outstanding) and 2,979,693 preferred shares (13.0% of preferred shares outstanding).

#### Ownership structure as of the end of FY 2013

	Foreigner	Local Institutional	Local Individual	Controlling Shareholders	Treasury Shares
<b>Common</b>	50%	17%	4%	18%	11%
<b>Preferred</b>	82%	3%	2%	0.2%	13%

### Major Shareholders

#### Major Shareholders at the end of FY 2013

Ranking	Ownership – Common Stock	Number of Common Shares	% of Class
1	National Pension Service of Korea	11,359,651	7.7%
2	Samsung Life Insurance Co., Ltd.	11,136,912	7.6%
3	CITIBANK.N.A. <sup>(1)</sup>	7,295,102	5.0%
4	Samsung C&T Corp.	5,976,362	4.1%
5	Lee Kun-Hee	4,985,464	3.4%
6	SAUDI ARABIAN MONETARY AGENCY	3,248,478	2.2%
7	THE GOVERNMENT OF SINGAPORE	2,574,423	1.7%
8	Samsung Fire & Marine Insurance Co.,Ltd.	1,856,513	1.3%
9	EURO-PACIFIC GROWTH FUND	1,841,950	1.3%
10	Samsung Asset Management	1,755,813	1.2%
<b>Total Number of Outstanding Common Stock</b>		<b>147,299,337</b>	<b>100.0%</b>

1. Citi Bank is reported as an independent shareholder in the shareholder registry, but it is a GDR depository institution of Samsung Electronics representing our GDR shareowners.

## Voting Shares

Samsung Electronics issued 147,299,337 common shares, 29.5% of authorized shares and 22,833,427 preferred shares. 16,384,216 common treasury shares and preferred shares held by the Company do not have voting rights. 12,506,577 shares own by affiliated companies do have limited voting rights under relevant laws. Thus, the number of shares with voting rights is 118,408,544.

### □ Total shares with voting rights at the end of FY 2013

Category	Type	No. of shares	Note
No. of outstanding shares (A)	Common	147,299,337	-
	Preferred	22,833,427	-
Treasury Shares = Shares without voting rights (B)	Common	16,384,216	Article 369-2 of the Commercial Act "Treasury Shares"
	Preferred	-	-
Shares with voting rights eliminated by Articles of Incorporation (C)	Common	-	-
	Preferred	22,833,427	2,979,693 preferred treasury shares included
Shares with limited voting rights under relevant laws (D)	Common	12,479,184	Restricted by the Monopoly Regulation and Fair Trade Act: 10,622,814 shares held by Samsung Life Insurance & 1,856, 370 shares held by Samsung Fire & Marine Insurance
	Common	27,393	Restricted by the Insurance Business Act: Some part of shares held by special account of Samsung Life Insurance
Shares with revived voting rights (E)			
<b>Total Shares with voting rights (F)</b>	<b>Common</b>	<b>118,408,544</b>	(F = A - B - C - D + E)

## Share ownership of BOD Members

The following table presents shares and stock options held by BOD members as of December 31, 2013.

### □ Shares own by members of the Board of Directors

(Unit: Share)

Name	Status	Since	Shares	Stock Options
<b>Oh-Hyun Kwon</b>	Executive Director	Mar-12	3,000	0
<b>Boo-Keun Yoon</b>	Executive Director	Mar-13	0	0
<b>Jong-Kyun Shin</b>	Executive Director	Mar-13	0	0
<b>Sang-Hoon Lee</b>	Executive Director	Mar-13	1,473	0
<b>In-Ho Lee</b>	Independent Director	Mar-10	0	0
<b>Han-Joong Kim</b>	Independent Director	Mar-12	0	0
<b>Byeong-Gi Lee</b>	Independent Director	Mar-12	0	0
<b>Kwang-Soo Song</b>	Independent Director	Mar-13	0	0
<b>Eun-Mee Kim</b>	Independent Director	Mar-13	0	0

※ Shares own by executive directors may represent stock awarded to individuals in the past as of December 31, 2013.

## Independent Auditor Fees

The following table presents fees for professional audit services rendered by Samil PricewaterhouseCoopers for the audit of Samsung Electronics' annual financial statements for the past three years (FY 2010 – FY 2013), and fees billed for other services rendered by Samil PricewaterhouseCoopers during those periods.

### □ Independent Auditor Fees between FY 2010 and FY 2013

(Unit: KRW Million)

	Auditor	Audit Services	Non-Audit Services	Audit Opinion
44th (1.1.2012~12.31.2012)	Samil PricewaterhouseCoopers	3,660	12,419	Fair
43rd (1.1.2011~12.31.2011)	Samil PricewaterhouseCoopers	3,798	8,834	Fair
42nd (1.1.2010~12.31.2010)	Samil PricewaterhouseCoopers	3,605	5,961	Fair

※ Non-Audit Services by Independent Auditor includes advisory services on tax, establishment of regional HQ, and process improvement, etc.

## Global Code of Conduct

Samsung Electronics 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 leads and junior staff is 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 through mutual cooperation.

You can read more information about Samsung's Global Code of Conducts from our website:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/globalcodeofconduct/](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/globalcodeofconduct/)

## Policy on Related Party Transaction

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Samsung Electronics Concerning transactions with specially related parties such as affiliates, the Company shall seek approval from the Board of Directors and disclose the foregoing, in accordance with the Securities Exchange Act and the Articles of Incorporation, in an effort to enhance its corporate transparency. Please read relevant regulations (Article 40 of Articles of Incorporation) from our website.

The Company shall obtain approval at a Board meeting for the following:

Where the Company wants to enter into large-scale transactions with specially related parties or for specially related parties as provided in Article 11-2 of Fair Trade Act

In the case of capital, securities and real estate transactions worth more than KRW 5 billion, the Company shall be approved at a Board meeting and disclose the foregoing.

You can read more information about Samsung's Policy on Related Party Transaction from our website:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/policyonrelatedpartytransactions/](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/policyonrelatedpartytransactions/)

## Corporate Governance Website

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If you would like additional information about our corporate governance practices, you may view the following documents at:

[http://www.samsung.com/us/aboutsamsung/investor\\_relations/corporate\\_governance/ownershipstructure/ownership\\_structure.html](http://www.samsung.com/us/aboutsamsung/investor_relations/corporate_governance/ownershipstructure/ownership_structure.html)

- Ownership Structure
- Articles of Incorporation
- Global Code of Conduct
- Corporate Social Responsibility
- Board of Directors
- Board Committees
- Policy on Related Party Transactions
- Corporate Governance & Investor Relations Awards
- Independent Audit Fees