



SAMSUNG ELECTRONICS Co., Ltd.

## Proxy Material

2015 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 at <http://www.samsung.com/us/aboutsamsung/ir/newsMain.do>

# Letter to Shareholders

**Dear Shareholders,**

I wish you and your family good health and prosperity in the year of 2015.

The global economic environment was challenging throughout 2014 despite the gradual recovery of the U.S. economy as political and economic uncertainties persisted including a slowdown of China's growth and growing tension in Russia and the Middle East. Accordingly, South Korea's economy also remained weak. For Samsung Electronics, we continued to face a challenging business environment as the growth of the smartphone market slowed and competition intensified.

However, despite the challenging circumstances, we strived to maintain solid earnings and to enhance shareholder value through our proactive shareholder return policy.

We appreciate the support and interest that you have shown to the company throughout the year, and we would like to share our performances and the key progresses we made in 2014 with you.

**First, we achieved record-high earnings in the Memory business and reinforced market leadership, but due to lower smartphone sales, overall earnings declined compared to the previous year.**

In 2014, the revenue was KRW 206 trillion, down 10% from the previous year, and our operating profit and net profit reached KRW 25 trillion and KRW 23 trillion, respectively.

For the Memory business, amid stable market supply and demand conditions, we continued to improve earnings by enhancing cost competitiveness through the expansion of cutting-edge process technology and by increasing sales of differentiated and high value-added products such as SSD.

In the System LSI business, despite continued difficulties including lower demand from major customers, we reinforced our technology leadership for the future by developing the next generation 14nm product.

For our Display business, earnings declined due to an increase in cost from the start-up of our LCD factory in China and slowdown in OLED panel shipments on weaker demand. However, we strengthened the foundation for future growth by enhancing technological competitiveness through commercialization of the world's first curved displays and mass production of flexible displays.

In the Mobile business, amid weak sales of smartphones due to intensified competition, tablet growth also stagnated due to a slowdown in global demand, leading to a decrease in revenue and profit compared to the previous year.

For the TV business, despite intensifying competition, we were able to reinforce our market leadership by expanding sales of premium products such as UHD, curved and large size TVs over 60", and maintained No.1 in market share for the ninth consecutive year since 2006.

**Second, we continued strengthening core competencies in our technologies and brand power, and launched innovative products based on our advanced technologies.**

In the current IT industry, sustained growth is difficult to achieve if one does not become a first mover or a game changer through innovations. Against this backdrop, Samsung Electronics invested KRW 15 trillion in R&D in 2014 and continued to expand global R&D centers and secure outstanding talent pool. Now, more than 70,000 R&D personnel are working on technology/product innovation at 36 R&D centers in 17 nations around the world. Along with this, we also focused on securing outside talent and technology via the newly created Open Innovation Center.

As a result, we successfully mass-produced the world's first 20nm DRAM and V-NAND with 3bit technology, proving our superior technological prowess. In addition, we led innovations in smartphone design and UX by launching Galaxy Note Edge with the world's first bended display. We also launched wearable products such as Gear S and Gear VR. Moreover, by securing an open source platform through our acquisition of SmartThings, we were able to introduce at CES new IoT technology based on automatic ID technology that utilizes diverse sensors.

Through such efforts, we registered 4,952 U.S. patents in 2014 (No.2), reinforcing the foundation for our technology leadership and sustained growth in the future. In addition, we renewed our image as an innovative company with 36 Innovation Awards at CES 2015 and were ranked No.3 in the Boston Consulting Group's list of the most innovative companies.

Further, our brand value in 2014 reached \$ 45.5 billion (No.7 in the world) according to Interbrand, up by 15% from the previous year as a result of our continued effort to enhance brand competitiveness.

**Third, we continued our efforts to increase shareholder value by implementing a proactive shareholder return policy.**

As Samsung Electronics' stock price remained flat throughout 2014, we focused on improving shareholder value by increasing shareholder returns.

We conducted a large scale buyback of over KRW 2 trillion, and decided to increase dividend per share to KRW 20,000 per common share and KRW 20,050 per preferred share, up 40% compared to the previous year.

In particular, we substantially increased dividend per share for the third consecutive year following the increase in 2012 by 45% and in 2013 by 79%, demonstrating our commitment to shareholders. Meanwhile, we held two Investor Forum events in 2014 in Hong Kong and New York to share our future direction of technology with shareholders.

### **Dear Shareholders,**

As uncertainties in the global economy are expected to persist in 2015 due to an increase in the U.S. interest rate, economic recession in the Eurozone, and financial risks in emerging countries resulting from a sharp fall in crude oil prices, we expect growth in our core product markets to slow and competitions to intensify.

However, we will strive to overcome the challenges and achieve better results with our ceaseless effort to be prepared for and cope with the difficulties.

### **First, we will strengthen our competitiveness in existing business areas as well as our profit structures.**

For our core businesses, we will focus more on developing premium products and reinforcing technology leadership to secure competitive advantage. By doing so, we will maintain our absolute superiority not only in advanced markets but also in growth segments such as emerging and low-priced markets.

For our growth businesses such as Digital appliances, Printing Solutions, Networks, Health & Medical equipment, System LSI, and LED, we will strive to increase sales and create profit in order to improve their contribution to the overall business.

### **Second, we will actively search and create new demand, particularly in the areas of B2B, and Contents & Services.**

In 2015, we will implement a focused strategy to build a world-class B2B business with the renewed organization structure. Through this, we will solidify the growth momentum in advanced market and achieve high growth in emerging market to position Samsung as a global leader in the B2B business.

In addition, to enhance device competitiveness based on solid soft competitiveness, we will promptly produce contents and services and strengthen service platforms such as Big data and Cloud.

**Third, we will take preemptive measures to assure greater competitiveness in the future.**

We will pursue more aggressively the IoT business including Smart Health and Smart Home as one of the new growth engines of Samsung Electronics.

And we will embed into our Samsung Electronics DNA a creative corporate culture with the help of elements such as MOSAIC, which was introduced in 2014 to improve collective knowledge.

**Fourth, we will make the best effort to enhance shareholder value.**

Despite persisting global macroeconomic uncertainties and an unfavorable business environment, all executives and employees of Samsung Electronics will strive to make the best results in the industry, based on the principle that solid business results contribute to improving shareholder value.

In addition, we will continue to focus on delivering returns to shareholders, and do our best to provide long-term guideline on shareholder return.

Moreover, we will continue to make an effort to communicate with shareholders by sharing the vision of Samsung Electronics through IR activities.

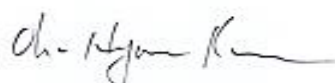
**Dear Shareholders,**

Samsung Electronics has grown rapidly and faced many challenges over the years, as we did in 2014. However, we have always swiftly responded to changes in the business environment and transformed ourselves to turn the challenges into opportunities as we did following the semiconductor crisis, the Asian financial crisis and global financial crisis of 2008.

After a storm, the calm comes. After the winter, a tree becomes stronger.  
We will again turn the obstacles into an opportunity to reach the next level.

I would like to once again wish all of you and your family the best of health and happiness in 2015.  
Thank you.

Respectfully yours,



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

# Table of contents

|   |    |  |    |
|---|----|--|----|
| Notice of 2015 AGM .....  | 1  |  |    |
| Proxy Summary .....   | 2  |  |    |
| <b>1. Agenda 1. Approval of Audited Financial Statements and Annual Dividends (FY 2014)</b> |    |  |    |
| Overview .....  | 3  |  |    |
| Business Performance .....  | 3  |  |    |
| Capital Expenditures and Other Investments .....  | 5  |  |    |
| Return to Shareholders .....  | 6  |  |    |
| <b>2. Agenda 2. Election of Directors</b>   |    |  |    |
| Overview .....  | 8  |  |    |
| Independent Director Nominees .....   | 9  |  |    |
| Executive Director Nominee .....  | 11 |  |    |
| Audit Committee Member Nominee .....  | 12 |  |    |
| <b>3. Agenda 3. Approval of the Remuneration Limit for the Directors (FY 2015)</b>          |    |  |    |
| Overview .....  | 13 |  |    |
| Director Remuneration Structure .....   | 13 |  |    |
| Compensation Committee .....  | 13 |  |    |
| FY 2014 Remuneration (Actual) .....   | 13 |  |    |
| FY 2015 Remuneration (To Be Approved) .....   | 15 |  |    |
| Long-Term Incentive Plan (LTI) .....  | 16 |  |    |
| Remuneration for Independent Directors .....  | 16 |  |    |
| <b>4. Financial Statements (FY 2014)</b>  |    |  |    |
| Letter from Independent Auditor .....   | 18 |  |    |
| Consolidated Statements of Financial Position .....   | 19 |  |    |
| Consolidated Statements of Income .....   | 22 |  |    |
| Consolidated Statements of Comprehensive Income .....                                       | 23 |  |    |
| Consolidated Statements of Change in Equity .....   | 24 |  |    |
| Consolidated Statements of Cash Flows .....   | 28 |  |    |
|   |    | <b>5. Business Report</b>                                      |    |
|   |    | Business Overview .....  | 30 |
|   |    | Semiconductor Business .....                                   | 31 |
|   |    | Display Panel .....  | 31 |
|   |    | IM (IT & Mobile Communications) .....                          | 32 |
|   |    | Consumer Electronics .....                                     | 32 |
|   |    | Corporate Overview .....                                       | 33 |
|   |    | <b>6. Information about the Meeting and Shareholder Rights</b> |    |
|   |    | Overview .....   | 34 |
|   |    | Operation .....  | 35 |
|   |    | <b>7. Corporate Governance</b>                                 |    |
|   |    | Overview – Board of Directors .....                            | 36 |
|   |    | Board Committees .....   | 38 |
|   |    | Profile of BOD Members .....                                   | 40 |
|   |    | BOD Activities .....   | 42 |
|   |    | Share Ownership Structure .....                                | 45 |
|   |    | Independent Auditor Fees .....                                 | 47 |
|   |    | Global Code of Conduct .....                                   | 47 |
|   |    | Policy on Related Party Transaction .....                      | 48 |
|   |    | Corporate Governance Website .....                             | 48 |



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 2015 annual meeting of shareholders (the "AGM") of Samsung Electronics Co., Ltd. will be held on Friday, March 13, 2015 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 2015 Annual General Meeting of Shareholders

**Date:** March 13, 2015

**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, 2014  
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:**
- To approve, Audited Financial Statements for FY 2014 (From Jan 1, 2014 to Dec 31, 2014)
    - Approval of Statements of Financial Position, Income, and Cash Flow, etc.
    - The total dividend per share in 2014 is KRW 20,000 for common and KRW 20,050 for preferred shares, including interim dividend of KRW 500 per share paid in August 2014.
  - Election of Directors
    - Independent Director Nominees: Han-Joong Kim, Byeong-Gi Lee (Re-nominated)
    - Executive Director Nominee: Oh-Hyun Kwon (Re-nominated)
    - Audit Committee: Han-Joong Kim (Re-nominated)
  - To approve, the Remuneration Limit for the Directors for FY 2015

|                           | FY 2015        | FY 2014        |                |
|---------------------------|----------------|----------------|----------------|
|                           | Proposed       | Approved       | Actual         |
| <b>Total Remuneration</b> | KRW 39 Billion | KRW 48 Billion | KRW 43 Billion |
| - General Compensation    | KRW 30 Billion | KRW 30 Billion | KRW 27 Billion |
| - Long-Term Incentive     | KRW 9 Billion  | KRW 18 Billion | KRW 16 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 and Annual Dividends for FY 2014

### *Key Voting Items*

- Statements of Financial Position, Income, and Cash Flow including 2,997.97 billion of annual dividends.

### *Business highlights*

In FY 2014, we reported declined earnings compared to the previous year due to intensified competition in the mobile business.

- KRW 206.2 trillion in revenue, a decrease of 10% from FY 2014
- KRW 25.0 trillion in operating profit, a decrease of 11.8 trillion from FY 2014

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

- Invested KRW 23.4 trillion in capital expenditures (KRW 14.3 trillion in Semiconductor and KRW 4.0 trillion in Display)
- Invested KRW 14.4 trillion in R&D

### *We increased shareholder returns, including:*

- Allocated about 47% of Free Cash Flow (FCF) to Shareholder Return in FY 2014
  - KRW 2.4 trillion returned to shareholders through share buyback
  - The dividend is increased by about 40% to KRW 20,000 including interim dividend of KRW 500 and the total dividend amount is KRW 3.0 trillion.
- 

## Agenda 2. Election of Directors

The Board and the Committee on Independent Director Nomination believe that the combination of the various qualifications and experiences of the Director nominees would contribute to an effective and well-functioning Board. In addition, the Director nominee as a member of the Audit Committee possess the necessary qualifications to provide effective oversights of the company's financial management and advice and counsel to the company's management.

### *Key Voting Items*

Independent Director Nominees: Han-Joong Kim, Byeong-Gi Lee (Re-nominated)

Executive Director Nominee: Oh-Hyun Kwon (Re-nominated)

Audit Committee Member Nominee: Han-Joong Kim (Re-nominated)

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## Agenda 3. Approval of the Remuneration Limit for the Directors for FY 2015

\* In FY 2014, we executed KRW 43 billion for total remuneration for Directors: KRW 27 billion general compensation and KRW 16 billion Long-Term Incentive (LTI)

### *Key Voting Items*

Total Remuneration Limit: KRW 39 billion (General Compensation KRW 30 billion and Long-Term Incentive KRW 9 billion)

### *General Compensation*

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

### *Long-Term Incentive*

- The BOD proposed FY 2015 LTI limit of KRW 9 billion represents 25% (year 2 of 2014-2016 LTI rewarded) of the KRW 36 billion.



# 1 Agenda 1

## Approval of Audited Financial Statements and Annual Dividends For FY 2014

### Overview

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The Board of Directors is seeking your approval of the following audited financial statements for FY 2014 beginning on January 1, 2014 and ending on December 31, 2014.

- Statements of Financial Position
- Statements of Income
- Statements of Comprehensive Income
- Statements of Change in Equity
- Statements of Cash Flows

In addition, we are reporting the total dividend per share in 2014 is KRW 20,000 for Common Share and KRW 20,050 for Preferred Shares, including interim dividend of KRW 500 per share paid in August 2014.

### Business Performance

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Throughout 2014, despite the gradual recovery of the U.S. economy, global macroeconomic uncertainties persisted including the collapse of crude oil prices, fluctuation in foreign exchange rate, and growing tension in Russia and the Middle East. In addition, for Samsung Electronics, we continued to face a challenging business environment as the growth of smartphone market slowed, product and price competition intensified in the industry, and demand from major customers weakened for S.LSI and OLED.

Under these circumstances, our 2014 revenue was KRW 206 trillion, down 10% from the previous year and our operating profit and net profit reached KRW 25 trillion and KRW 23 trillion, respectively.

However, we continued strengthening core competencies in our technologies and launched innovative products based on our advanced technologies.

**For our component business**, the memory business successfully mass produced the world's first 20nm-based high-density DDR4, proving again our superior technological prowess. For NAND, we mass produced V-NAND with 3bit technology, laying the foundation for us to lead the high-density SSD market from 2015. In S.LSI, we secured 14nm process technology, which will be a key-driver for mid to long term growth. For display, we strengthened the foundation for future growth by enhancing technological competitiveness through mass production of flexible displays.

**Moving onto our set business**, for mobile business, we led innovations in smartphone design and UX by launching Galaxy Note Edge with the world's first bended display. Our Galaxy Note4 was also recognized for its high-resolution display and multi-tasking capacities. In addition, we launched various wearable products including Gear S and VR to prepare for the expansion of the wearable market in the future. Meanwhile, by successfully demonstrating the industry's first 5G technology at 7.5Gbps, we are now positioned to lead the changes in the future technologies such as mobile devices, IoT, and cloud.

In 2015, we will focus all our efforts on improving earnings by successfully implementing our business strategies such as maintaining the growth momentum of the component business and strengthening competitiveness of the IM business through better product mix.

## Summary of Financials by Business Division (FY 2012 – FY 2014)

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

(Unit: KRW Trillion, %)

| Division Name | Category         | FY2014 | FY2013 | FY2012 |
|---------------|------------------|--------|--------|--------|
| Semiconductor | Revenue          | 39.73  | 37.44  | 34.89  |
|               | Operating profit | 8.78   | 6.89   | 4.17   |
|               | (%)              | 22%    | 18%    | 12%    |
| DP            | Revenue          | 25.73  | 29.84  | 33.00  |
|               | Operating profit | 0.66   | 2.98   | 3.21   |
|               | (%)              | 3%     | 10%    | 10%    |
| CE            | Revenue          | 50.18  | 50.33  | 51.11  |
|               | Operating profit | 1.18   | 1.67   | 2.32   |
|               | (%)              | 2%     | 3%     | 5%     |
| IM            | Revenue          | 111.76 | 138.82 | 105.84 |
|               | Operating profit | 14.56  | 24.96  | 19.42  |
|               | (%)              | 13%    | 18%    | 18%    |
| Total         | Revenue          | 206.21 | 228.69 | 201.10 |
|               | Operating Profit | 25.03  | 36.79  | 29.05  |
|               | (%)              | 12%    | 16%    | 14%    |

※ On a consolidated basis

## Capital Expenditures and Other Investments

In 2014, we invested KRW 23.4 trillion in capital expenditures, which was in line with our plan. Looking at the expenditures by business segment, we invested about KRW 14.3 trillion in Semiconductor and about KRW 4.0 trillion in Display. For 2015, we expect capital investments to increase from that of 2014, 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 14.4 trillion, or 7% of total revenue, in 2014. This is an increase of KRW 66 billion 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 11.5 trillion in 2014. 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. We acquired SmartThing, the leading open platform for the smart home and the consumer Internet of Things. We also acquired a leading distribution channel company for HVAC products called Quietside Corporation to further strengthen our sales operations in the B2B space in North America.

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 2012 – FY 2014)

(Unit: KRW Trillion/%)

| Year | Category                      | Amount       | % to Revenue |
|------|-------------------------------|--------------|--------------|
| 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                         | 23.76        | 10.4%        |
|      | R&D                           | 14.32        | 6.3%         |
|      | Advertising & Sales Promotion | 12.18        | 5.3%         |
|      | <b>Total</b>                  | <b>50.26</b> | <b>22.0%</b> |
| 2014 | Capex                         | <b>23.44</b> | <b>11.4%</b> |
|      | R&D                           | <b>14.39</b> | <b>7.0%</b>  |
|      | Advertising & Sales Promotion | <b>11.53</b> | <b>5.6%</b>  |
|      | <b>Total</b>                  | <b>49.35</b> | <b>23.9%</b> |

## Return to Shareholders

In 2014, the company increased dividends by 40% and conducted share buyback program for the first time in eight years.

The total dividend per share in 2014 is KRW 20,000 for common shares and KRW 20,050 for preferred shares, including interim dividend of KRW 500 per share paid in August 2014.

We have increased our 2014 dividend per share by 40%, and the total dividends for year 2014 will be KRW 3 trillion (dividend yield: 1.5%, dividend payout ratio: 13%), which is about 26% of Free Cash Flow.

In 2014, we executed the first share buyback program in eight years. The total amount of share buyback program executed was KRW 2.4 trillion, which is about 21% of Free Cash Flow.

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 2012   | FY 2013   | FY 2014          |
|----------------------------|-----------|-----------|------------------|
| Net profit                 | 23,845    | 30,475    | <b>23,394</b>    |
| Dividends                  | 1,207     | 2,157     | <b>3,000</b>     |
| (Per common share, KRW)    | (8,000)   | (14,300)  | <b>(20,000)</b>  |
| Share Buyback ratio        | -         | -         | <b>1.1%</b>      |
| Payout ratio               | 5%        | 7%        | <b>13%</b>       |
| Year-end stock price (KRW) | 1,522,000 | 1,372,000 | <b>1,327,000</b> |
| Dividend yield             | 0.5%      | 1.0%      | <b>1.5%</b>      |
| Annual TSR(%)              | 45%       | Δ9%       | <b>Δ1%</b>       |
| 3-yr Average TSR(%)        | 26%       | 16%       | <b>12%</b>       |

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

※  $\text{Share Buyback Ratio} = \text{Total Common Share Buyback} / \text{Beginning Common Share Market Cap}$

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 2012            | FY 2013             | FY 2014                          |
|-------------------------|--------------------|---------------------|----------------------------------|
| Stock Price<br>(Change) | 1,522,000<br>(44%) | 1,372,000<br>(△10%) | <b>1,327,000</b><br><b>(Δ3%)</b> |
| EPS<br>(Change)         | 154,020<br>(73%)   | 197,841<br>(28%)    | <b>153,105</b><br><b>(Δ23%)</b>  |

The following table presents the total share buyback executed in 2014.

□ Share Buyback executed in 2014

(Unit: Shares, KRW Billion)

|                  | Common Share | Preferred Share | Total     |
|------------------|--------------|-----------------|-----------|
| Number of Shares | 1,650,000    | 250,000         | 1,900,000 |
| Total Amount     | 2,189        | 257             | 2,446     |

※ Share buyback period : November 27, 2014 to January 26, 2015

# Agenda 2

## Election of Directors

### Overview

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The Board is elected by the shareholders to oversee their interest in the long-term health and the overall success of the company's business and its financial strength. The Board serves as the ultimate decision-making body of the company, except for those matters reserved to or shared with our shareholders. The Independent Director Nomination Committee and the Board has renominated the following candidates as 2015 nominees for Directors.

- Agenda 2.1.1 Independent Director: Mr. Han-Joong Kim
- Agenda 2.1.2 Independent Director: Mr. Byeong-Gi Lee
- Agenda 2.2 Executive Director: Mr. Oh-Hyun Kwon
- Agenda 2.3 Audit Committee Member: Mr. Han-Joong Kim

In 2012, under uncertain global economic circumstances such as continued slowdown in growth, Samsung Electronics expanded areas of expertise of independent directors to legal, economics, business, engineering, and new growth engines to proactively prepare for the future. As a result, the Company's independent directors are composed of five experts of each sector.

: Legal expert director Kwang-soo Song, economics expert director In-ho Lee, engineering expert director Byeong-gi Lee, CSR expert director Eun-mi Kim, and new growth businesses (medical devices/service) expert director Han-Joong Kim.

We seek to reappoint Han-joong Kim and Byeong-gi Lee as their terms have expired.

For executive directors, we have an expert for each business division to strengthen expertise

: Oh-hyun Kwon for the DS division, Boo-keun Yoon for the CE division, Jong-kyun Shin for the IM division, and CFO Sang-hoon Lee.

We seek to reappoint Oh-hyun Kwon as his term has expired.

## Independent Director Nominees

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(Re-Nominated)



**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 served the Director of Korea Council for University Education (KCUE) from 2008 to 2012 and the 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 a master's degree in Public Health from Yonsei University, and a Ph.D. in Public Health from Seoul National University.

### 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)
- 

### Major Achievements

- He contributed significantly to our new growth businesses including medical device and Smarthealth based on his long experience in the medical industry.
- As an expert of public health, he contributed to strengthening expertise and independence of the audit committee based on his knowledge and faithfully fulfilled his responsibility.
- Amid the importance of fairness and transparency of transactions between affiliates is continuously increasing, as a member of the related party transactions committee, he boosted transparency of the Company through establishing a compliance program for fair trade.



(Re-Nominated)

**Byeong-Gi Lee**

Birth: November 2, 1948

Director since 2012

Dr. Byeong-Gi Lee worked for AT&T's Bell Laboratories in North Andover, MA, from 1984 to 1986. In 1986, he joined the faculty of the School of Electrical Engineering at Seoul National University and is currently a professor at the school. 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 recently served as the President of the IEEE Communications Society from 2010 to 2011.

Dr. Lee earned his B.S in Electrical Engineering from Seoul National University and a 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)

#### **Major Achievements**

- He contributed significantly to the technological development and R&D growth of the Company.
- As the head of the CSR committee established in 2013, he greatly contributed to the Company's CSR activities by planning researches on various social issues so that we can fulfill our social responsibility.
- As a member of the compensation committee, he secured objectivity and transparency of director compensation by establishing performance-linked compensation system and fair evaluation criteria for prior review and approval of remuneration limit for directors.



## Executive Director Nominee

---



(Re-Nominated)

**Oh-Hyun Kwon**

Birth: October 15, 1952

Director since 2012

Dr. Oh-Hyun Kwon was officially appointed the Chief Executive Officer of Samsung Electronics Co., Ltd., 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 advancement 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 Electronics' 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 & CEO, Samsung Electronics (2012-Present)
- Vice Chairman & Head, Samsung Advanced Institute of Technology (2013~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)

### Major Achievements

- Based on his background as an engineer, he led the DS division with his extensive knowledge about the industry and his experience and know-how of the semiconductor business. He played a pivotal role in achieving sustained growth of the DS business earnings.
  - ※ DS operating profit: 2011 6.61 → 2012 7.42 → 2013 10.0 → 2014 9.4 KRW trillion
- After he was appointed as a CEO of the Company in June 2012, we achieved record-high earnings in 2013, and reinforced our leadership in the global electronics industry.
- He made a great effort in dealing with the leukemia issue, contributing to the development of CSR and improving the Company's image.

## Audit Committee Member Nominee

---



(Re-Nominated)

**Han-Joong Kim**

Birth: May 12, 1951

Audit Committee Member since 2012

Since 2012, Dr. Han-Joong Kim has been a member of the Board's Audit Committee. Dr. Kim's professional background as Trustee of Korea Council for University Education and President of Yonsei University for four years brings expertise on financial and operational management to the committee. In addition, Dr. Kim's unique background as experienced practitioner and teacher of medicine provides independent perspective to the Board and the Audit Committee.

## 3

# Agenda 3

## Approval of the Remuneration Limit For the Directors for FY 2015

### Overview

The Board of Directors is seeking your approval of the total remuneration limit for the fiscal year 2015.

- **Total Remuneration Limit:** **KRW 39 Billion**
- Limit on General Compensation: KRW 30 Billion
- Limit on Long-Term Incentive: KRW 9 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 2014 Remuneration (Actual)

Total limit on the remuneration for FY 2014 was KRW 48 billion (KRW 30 billion, general compensation and KRW 18 billion, LTI). The actual amount paid during FY 2014 was KRW 43 billion (KRW 27 billion, general compensation and KRW 16 billion, LTI).

#### □ Directors Remuneration Paid in FY 2013 and FY 2014

(Unit: KRW billion)

|                      | FY 2013   |             | FY 2014   |           |
|----------------------|-----------|-------------|-----------|-----------|
|                      | Approved  | Actual      | Approved  | Actual    |
| General Compensation | 30        | 28          | 30        | 27        |
| Long-term Incentive  | 8         | 5.9         | 18        | 16        |
| <b>Total</b>         | <b>38</b> | <b>33.9</b> | <b>48</b> | <b>43</b> |

Long-term incentive paid in FY2014 increased since we paid out 50% of the 2014~2016 total incentive. 2011~2013 performance incentive will be paid throughout 2014~2016 at 50%, 25%, 25%.

## □ The Global Peer Comparison

The actual remuneration amount is substantially below those of global peer IT companies.

(Unit: \$ Million, %)

|                 | SEC  | IBM  | Intel | MS   | Google | Apple | HP   |
|-----------------|------|------|-------|------|--------|-------|------|
| Total           | 20.9 | 34   | 32    | 33   | 35     | 12    | 52   |
| Per person      | 5.2  | 8.4  | 8.0   | 8.3  | 8.7    | 3.0   | 12.9 |
| % of Net Profit | 0.1% | 0.2% | 0.3%  | 0.2% | 0.3%   | 0.03% | 1.0% |

\* Figures shown above represent comparison between SEC and Global Peers' top four executives.  
The figures are based on FY 2013.

## □ Remuneration for Individual Executive Directors

In accordance with Korean regulation change, we began reporting remuneration for individual executive directors starting March of 2014. Total amount of compensation for each individual is a sum of earned, retirement, and other related incomes based on the Income Tax Law that incumbent or retired executive directors in the fiscal year received as executives according to the Article 159 of the Financial Investment Services and Capital Market Act and the Article 168 of the enforcement decree of the same law.

### FY 2014 (3Q Cumulative)

(Unit: KRW billion)

|              | OH Kwon | BK Yoon | JK Shin | SH Lee | Independent | Total |
|--------------|---------|---------|---------|--------|-------------|-------|
| Salary       | 1.6     | 1.3     | 1.3     | 0.8    | 0.3         | 5.3   |
| Bonus/Others | 4.7     | 2.3     | 10.7    | 1.6    | -           | 19.3  |
| Total        | 6.3     | 3.6     | 12.0    | 2.4    | 0.3         | 24.7  |

※ In accordance with the related laws, individual annual remuneration will be disclosed by the end of March in the Business Report

※ Bonus/Others include New Year/Thanksgiving bonus, Target Achievement Incentive, Performance Incentive and Long-term Incentive.

### FY 2013 (Annual)

(Unit: KRW billion)

|              | OH Kwon | BK Yoon | JK Shin | SH Lee | Independent | Others <sup>(1)</sup> | Total |
|--------------|---------|---------|---------|--------|-------------|-----------------------|-------|
| Salary       | 1.8     | 1.2     | 1.2     | 0.9    | 0.5         | 1.0                   | 6.4   |
| Bonus/Others | 5.0     | 3.9     | 5.0     | 2.9    | -           | 3.6                   | 20.4  |
| Total        | 6.8     | 5.1     | 6.2     | 3.7    | 0.5         | 4.5                   | 26.8  |

<sup>(1)</sup> Others : retired directors

## FY 2015 Remuneration (To Be Approved)

The Board recommends KRW 39 billion for FY 2015's the total remuneration limit (KRW 30 billion for general compensation and KRW 9 billion for LTI).

### □ Directors Remuneration for FY2014 - FY2015

(Unit: KRW billion)

| Category             | FY 2014  |        | FY 2015   |
|----------------------|----------|--------|-----------|
|                      | Approved | Actual | Proposed  |
| General Compensation | 30       | 27     | <b>30</b> |
| Long-term Incentive  | 18       | 16     | <b>9</b>  |
| Total                | 48       | 43     | <b>39</b> |

### □ 3 year LTI Comparison

(Unit: KRW billion/Year)

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

### Analysis

The Compensation Committee took the following considerations in assessing the remuneration limit of Directors in fiscal year 2015.

#### - General Compensation

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

#### - Long-Term Incentive

- The proposed FY 2015 LTI limit of KRW 9 billion represents 25% (year 2) of the KRW 36 billion.
- KRW 36 billion is the total LTI of the evaluation period of 2011-2013, and will be paid out over 2014-2016 at 50%, 25%, and 25%, respectively.

Details of LTI plan is described below.

## 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).

## Remuneration for Independent Directors

### □ Independent Director Remunerations for FY 2012 - FY 2014

(Unit: KRW Million, Person)

|                      | FY 2012 | FY 2013 | FY 2014 |
|----------------------|---------|---------|---------|
| Number of Directors  | 4       | 5       | 5       |
| Total Amount         | 354     | 458     | 438     |
| Average (per person) | 88.5    | 91.6    | 88      |

**CONSOLIDATED FINANCIAL STATEMENTS OF  
SAMSUNG ELECTRONICS CO., LTD. AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>Letter from Independent Auditor</b> .....          | 18          |
| <b>Consolidated Financial Statements</b>              |             |
| Consolidated Statements of Financial Position.....    | 19 - 21     |
| Consolidated Statements of Income.....                | 22          |
| Consolidated Statements of Comprehensive Income ..... | 23          |
| Consolidated Statements of Changes in Equity.....     | 24 - 27     |
| Consolidated Statements of Cash Flows .....           | 28 - 29     |



To the Shareholders of  
Samsung Electronics Co., Ltd.

We confirm receipt of the attached consolidated statements of financial position of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the “Company”) as of December 31, 2014 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows, for the year then ended from Samsung Electronics management, for the purpose of our audit on January 29, 2015. We understand these consolidated financial statements were approved by the board of directors in accordance with the Commercial Law in Republic of Korea, and were filed with the Securities and Futures Commission of Republic of Korea on the same day.

Our audit procedures, performed in accordance with Auditing Standards generally accepted in the Republic of Korea, are not complete as of the date of this letter, and accordingly, we are not able to and do not express an audit opinion as at the date of this letter. Based on our audit procedures performed up to the date of this letter, nothing has come to our attention that causes us to believe that material modifications should be made to the Company’s consolidated financial statements in accordance with generally accepted accounting principles. Our audit opinion with respect to the final consolidated financial statements will be included in the Company's statutory filing in accordance with the Financial Investment Services and Capital Markets Act in the Republic of Korea.

*Samil PricewaterhouseCoopers*

Seoul, Republic of Korea  
February 13, 2015

*Samil PricewaterhouseCoopers, LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu,  
Seoul 140-702, Korea (Yongsan P.O Box 266, 140-600), [www.samil.com](http://www.samil.com)*

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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 1))*

|                                     | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                     | KRW                          | KRW                          | USD                          | USD                          |
| <b>Assets</b>                       |                              |                              |                              |                              |
| <b>Current assets</b>               |                              |                              |                              |                              |
| Cash and cash equivalents           | 16,840,766                   | 16,284,780                   | 15,997,688                   | 15,469,535                   |
| Short-term financial instruments    | 41,689,776                   | 36,722,702                   | 39,602,713                   | 34,884,299                   |
| Available-for-sale financial assets | 3,286,798                    | 1,488,527                    | 3,122,255                    | 1,414,009                    |
| Trade receivables                   | 24,694,610                   | 24,988,532                   | 23,458,355                   | 23,737,562                   |
| Non-trade receivables               | 3,539,875                    | 2,887,402                    | 3,362,663                    | 2,742,854                    |
| Advances                            | 1,989,470                    | 1,928,188                    | 1,889,874                    | 1,831,660                    |
| Prepaid expenses                    | 3,346,593                    | 2,472,950                    | 3,179,057                    | 2,349,150                    |
| Inventories                         | 17,317,504                   | 19,134,868                   | 16,450,560                   | 18,176,943                   |
| Other current assets                | 1,795,143                    | 2,135,589                    | 1,705,275                    | 2,028,678                    |
| Assets held for sale                | 645,491                      | 2,716,733                    | 613,177                      | 2,580,729                    |
| <b>Total current assets</b>         | <b>115,146,026</b>           | <b>110,760,271</b>           | <b>109,381,617</b>           | <b>105,215,419</b>           |
| <b>Non-current assets</b>           |                              |                              |                              |                              |
| Available-for-sale financial assets | 12,667,509                   | 6,238,380                    | 12,033,351                   | 5,926,076                    |
| Associates and joint ventures       | 5,232,461                    | 6,422,292                    | 4,970,515                    | 6,100,781                    |
| Property, plant and equipment       | 80,872,950                   | 75,496,388                   | 76,824,309                   | 71,716,907                   |
| Intangible assets                   | 4,785,473                    | 3,980,600                    | 4,545,904                    | 3,781,324                    |
| Long-term prepaid expenses          | 4,857,126                    | 3,465,783                    | 4,613,970                    | 3,292,280                    |
| Deferred income tax assets          | 4,526,595                    | 4,621,780                    | 4,299,986                    | 4,390,406                    |
| Other non-current assets            | 2,334,818                    | 3,089,524                    | 2,217,933                    | 2,934,857                    |
| <b>Total assets</b>                 | <b>230,422,958</b>           | <b>214,075,018</b>           | <b>218,887,585</b>           | <b>203,358,050</b>           |

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|  | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | KRW                          | KRW                          | USD                          | USD                          |
| <b>Liabilities and Equity</b>                          |                              |                              |                              |                              |
| <b>Current liabilities</b>                             |                              |                              |                              |                              |
| Trade and other payables                               | 7,914,704                    | 8,437,139                    | 7,518,480                    | 8,014,761                    |
| Short-term borrowings                                  | 8,029,299                    | 6,438,517                    | 7,627,338                    | 6,116,194                    |
| Other payables   | 10,318,407                   | 9,196,566                    | 9,801,850                    | 8,736,170                    |
| Advances received                                      | 1,427,230                    | 1,706,313                    | 1,355,780                    | 1,620,892                    |
| Withholdings   | 1,161,635                    | 1,176,046                    | 1,103,482                    | 1,117,171                    |
| Accrued expenses                                       | 12,876,777                   | 11,344,530                   | 12,232,143                   | 10,776,603                   |
| Income tax payable                                     | 2,161,109                    | 3,386,018                    | 2,052,920                    | 3,216,508                    |
| Current portion of long-term borrowings and debentures | 1,778,667                    | 2,425,831                    | 1,689,624                    | 2,304,390                    |
| Provisions   | 5,991,510                    | 6,736,476                    | 5,691,565                    | 6,399,236                    |
| Other current liabilities                              | 326,259                      | 467,973                      | 309,930                      | 444,548                      |
| Liabilities held for sale                              | 28,316                       | -                            | 26,898                       | -                            |
| <b>Total current liabilities</b>                       | <b>52,013,913</b>            | <b>51,315,409</b>            | <b>49,410,010</b>            | <b>48,746,473</b>            |
| <b>Non-current liabilities</b>                         |                              |                              |                              |                              |
| Debentures   | 1,355,882                    | 1,311,068                    | 1,288,004                    | 1,245,434                    |
| Long-term borrowings                                   | 101,671                      | 985,117                      | 96,581                       | 935,800                      |
| Long-term other payables                               | 2,562,271                    | 1,053,756                    | 2,433,999                    | 1,001,003                    |
| Net defined benefit liabilities                        | 201,342                      | 1,854,902                    | 191,262                      | 1,762,042                    |
| Deferred income tax liabilities                        | 4,097,811                    | 6,012,371                    | 3,892,667                    | 5,711,381                    |
| Provisions   | 499,290                      | 460,924                      | 474,295                      | 437,849                      |
| Other non-current liabilities                          | 1,502,590                    | 1,065,461                    | 1,427,368                    | 1,012,122                    |
| <b>Total liabilities</b>                               | <b>62,334,770</b>            | <b>64,059,008</b>            | <b>59,214,186</b>            | <b>60,852,104</b>            |

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|   | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | KRW                          | KRW                          | USD                          | USD                          |
| <b>Equity attributable to owners<br/>of the parent</b>                            |                              |                              |                              |                              |
| Preferred stock   | 119,467                      | 119,467                      | 113,486                      | 113,486                      |
| Common stock  | 778,047                      | 778,047                      | 739,097                      | 739,097                      |
| Share premium   | 4,403,893                    | 4,403,893                    | 4,183,426                    | 4,183,426                    |
| Retained earnings   | 169,529,604                  | 148,600,282                  | 161,042,656                  | 141,161,092                  |
| Other components of equity  | (12,729,387)                 | (9,459,073)                  | (12,092,132)                 | (8,985,535)                  |
| Accumulated other comprehensive<br>income attributable to assets held for<br>sale | 80,101                       | -                            | 76,091                       | -                            |
|   | 162,181,725                  | 144,442,616                  | 154,062,624                  | 137,211,566                  |
| <b>Non-controlling interests</b>  | 5,906,463                    | 5,573,394                    | 5,610,775                    | 5,294,380                    |
| <b>Total equity</b>   | 168,088,188                  | 150,016,010                  | 159,673,399                  | 142,505,946                  |
| <b>Total liabilities and equity</b>   | 230,422,958                  | 214,075,018                  | 218,887,585                  | 203,358,050                  |

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

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|   | <b>For the year ended December 31,</b> |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|
|   | <b>2014</b>                            | <b>2013</b>       | <b>2014</b>       | <b>2013</b>       |
|   | KRW                                    | KRW               | USD               | USD               |
| <b>Revenue</b>  | 206,205,987                            | 228,692,667       | 195,882,955       | 217,243,913       |
| <b>Cost of sales</b>  | 128,278,800                            | 137,696,309       | 121,856,939       | 130,802,991       |
| <b>Gross profit</b>   | 77,927,187                             | 90,996,358        | 74,026,016        | 86,440,922        |
| Selling and administrative expenses   | 52,902,116                             | 54,211,345        | 50,253,744        | 51,497,430        |
| <b>Operating profit</b>   | <b>25,025,071</b>                      | <b>36,785,013</b> | <b>23,772,272</b> | <b>34,943,492</b> |
| Other non-operating income  | 3,801,357                              | 2,429,551         | 3,611,054         | 2,307,923         |
| Other non-operating expense   | 2,259,737                              | 1,614,048         | 2,146,611         | 1,533,246         |
| Share of profit of associates<br>and joint ventures   | 342,516                                | 504,063           | 325,369           | 478,829           |
| Finance income  | 8,259,829                              | 8,014,672         | 7,846,328         | 7,613,444         |
| Finance costs   | 7,294,002                              | 7,754,972         | 6,928,852         | 7,366,745         |
| <b>Profit before income tax</b>   | 27,875,034                             | 38,364,279        | 26,479,560        | 36,443,697        |
| Income tax expense  | 4,480,676                              | 7,889,515         | 4,256,366         | 7,494,552         |
| <b>Profit for the year</b>  | <b>23,394,358</b>                      | <b>30,474,764</b> | <b>22,223,194</b> | <b>28,949,145</b> |
| Profit attributable to owners of the parent   | 23,082,499                             | 29,821,215        | 21,926,949        | 28,328,313        |
| Profit attributable to non-controlling<br>interests   | 311,859                                | 653,549           | 296,245           | 620,832           |
| Earnings per share for profit attributable<br>to owners of the parent<br>(in Korean Won, in US dollars) |  |                   |                   |                   |
| - Basic   | 153,105                                | 197,841           | 145.44            | 187.94            |
| - Diluted   | 153,096                                | 197,800           | 145.43            | 187.90            |

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|   | <b>For the year ended December 31,</b> |                    |                    |                   |
|---|--|--------------------|--------------------|-------------------|
|   | <b>2014</b>                            | <b>2013</b>        | <b>2014</b>        | <b>2013</b>       |
|   | KRW                                    | KRW                | USD                | USD               |
| <b>Profit for the year</b>  | 23,394,358                             | 30,474,764         | 22,223,194         | 28,949,145        |
| <b>Other comprehensive loss</b>   |  |                    |                    |                   |
| <b>Items not to be reclassified subsequently to profit or loss :</b>                    |  |                    |                    |                   |
| Remeasurement of net defined benefit liabilities, net of tax                            | (710,318)                              | (213,113)          | (674,758)          | (202,444)         |
| <b>Items to be reclassified subsequently to profit or loss :</b>                        |  |                    |                    |                   |
| Changes in value of available-for-sale financial assets, net of tax                     | (232,105)                              | 186,480            | (220,485)          | 177,144           |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | (128,932)                              | 20,756             | (122,477)          | 19,717            |
| Foreign currency translation, net of tax  | (922,059)                              | (1,000,961)        | (875,899)          | (950,851)         |
| <b>Other comprehensive loss for the year, net of tax</b>                                | <b>(1,993,414)</b>                     | <b>(1,006,838)</b> | <b>(1,893,619)</b> | <b>(956,434)</b>  |
| <b>Total comprehensive income for the year</b>  | <b>21,400,944</b>                      | <b>29,467,926</b>  | <b>20,329,575</b>  | <b>27,992,711</b> |
| <b>Comprehensive income attributable to :</b>   |  |                    |                    |                   |
| Owners of the parent  | 20,990,732                             | 28,837,590         | 19,939,900         | 27,393,930        |
| Non-controlling interests   | 410,212                                | 630,336            | 389,675            | 598,781           |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

| 2013 KRW   | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held for sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|--|--------------------|-----------------|------------------|----------------------|----------------------------------|--|--|----------------------------------|-------------|
| <b>Balance as of 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<br>financial assets, net of tax               | -                  | -               | -                | -                    | 187,477                          | -  | 187,477  | (997)                            | 186,480     |
| Share of other comprehensive loss of<br>associates and joint ventures, net of<br>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<br>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<br>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 as of 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 1))*

| <b>2013 USD</b>  | <b>Preferred<br/>stock</b> | <b>Common<br/>stock</b> | <b>Share<br/>premium</b> | <b>Retained<br/>earnings</b> | <b>Other<br/>components<br/>of equity</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>income<br/>attributable to<br/>assets held for sale</b> | <b>Equity<br/>attributable<br/>to owners of<br/>the parent</b> | <b>Non-<br/>controlling<br/>interests</b> | <b>Total</b> |
|--|----------------------------|-------------------------|--------------------------|------------------------------|---|--|--|---|--------------|
| <b>Balance as of January 1, 2013</b>   | 113,486                    | 739,097                 | 4,183,426                | 113,978,996                  | (7,782,886)                               | -  | 111,232,119  | 4,166,575                                 | 115,398,694  |
| Profit for the year  | -                          | -                       | -                        | 28,328,313                   | -   | -  | 28,328,313   | 620,832                                   | 28,949,145   |
| Changes in value of available-for-sale<br>financial assets, net of tax                       | -                          | -                       | -                        | -                            | 178,091                                   | -  | 178,091  | (947)                                     | 177,144      |
| Share of other comprehensive<br>income(loss) of associates and joint<br>ventures, net of tax | -                          | -                       | -                        | -                            | 19,900                                    | -  | 19,900   | (183)                                     | 19,717       |
| Foreign currency translation, net of tax   | -                          | -                       | -                        | -                            | (937,295)                                 | -  | (937,295)  | (13,556)                                  | (950,851)    |
| Remeasurement of net defined benefit<br>liabilities, net of tax                              | -                          | -                       | -                        | -                            | (195,079)                                 | -  | (195,079)  | (7,365)                                   | (202,444)    |
| <b>Total comprehensive income (loss)</b>   | -                          | -                       | -                        | 28,328,313                   | (934,383)                                 | -  | 27,393,930   | 598,781                                   | 27,992,711   |
| Dividends  | -                          | -                       | -                        | (1,146,217)                  | -   | -  | (1,146,217)  | (40,045)                                  | (1,186,262)  |
| Capital transaction under common<br>control  | -                          | -                       | -                        | -                            | (297,292)                                 | -  | (297,292)  | 570,003                                   | 272,711      |
| Changes in consolidated entities   | -                          | -                       | -                        | -                            | -   | -  | -  | (872)                                     | (872)        |
| Disposal of treasury stock   | -                          | -                       | -                        | -                            | 39,724                                    | -  | 39,724   | -   | 39,724       |
| Stock option activities  | -                          | -                       | -                        | -                            | (11,398)                                  | -  | (11,398)   | -   | (11,398)     |
| Others   | -                          | -                       | -                        | -                            | 700                                       | -  | 700  | (62)                                      | 638          |
| <b>Total transactions with owners</b>  | -                          | -                       | -                        | (1,146,217)                  | (268,266)                                 | -  | (1,414,483)  | 529,024                                   | (885,459)    |
| <b>Balance as of December 31, 2013</b>   | 113,486                    | 739,097                 | 4,183,426                | 141,161,092                  | (8,985,535)                               | -  | 137,211,566  | 5,294,380                                 | 142,505,946  |

Samsung Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

| 2014 KRW   | Preferred<br>stock | Common<br>stock | Share<br>premium | Retained<br>earnings | Other<br>components<br>of equity | Accumulated<br>other<br>comprehensive<br>income<br>attributable to<br>assets held for sale | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total       |
|--|--------------------|-----------------|------------------|----------------------|----------------------------------|--|--|----------------------------------|-------------|
| <b>Balance as of January 1, 2014</b>   | 119,467            | 778,047         | 4,403,893        | 148,600,282          | (9,459,073)                      | -  | 144,442,616  | 5,573,394                        | 150,016,010 |
| Profit for the year  | -                  | -               | -                | 23,082,499           | -                                | -  | 23,082,499   | 311,859                          | 23,394,358  |
| Changes in value of available-for-sale<br>financial assets, net of tax                       | -                  | -               | -                | -                    | (314,069)                        | -  | (314,069)  | 81,964                           | (232,105)   |
| Share of other comprehensive<br>income(loss) of associates and joint<br>ventures, net of tax | -                  | -               | -                | -                    | (128,495)                        | -  | (128,495)  | (437)                            | (128,932)   |
| Foreign currency translation, net of tax   | -                  | -               | -                | -                    | (954,999)                        | -  | (954,999)  | 32,940                           | (922,059)   |
| Remeasurement of net defined benefit<br>liabilities, net of tax                              | -                  | -               | -                | -                    | (694,204)                        | -  | (694,204)  | (16,114)                         | (710,318)   |
| Classified as held for sale  | -                  | -               | -                | -                    | (80,101)                         | 80,101   | -  | -                                | -           |
| <b>Total comprehensive income (loss)</b>   | -                  | -               | -                | 23,082,499           | (2,171,868)                      | 80,101   | 20,990,732   | 410,212                          | 21,400,944  |
| Dividends  | -                  | -               | -                | (2,157,011)          | -                                | -  | (2,157,011)  | (74,216)                         | (2,231,227) |
| Capital transaction under common<br>control  | -                  | -               | -                | -                    | (158)                            | -  | (158)  | 244                              | 86          |
| Changes in consolidated entities   | -                  | -               | -                | -                    | -                                | -  | -  | 569                              | 569         |
| Acquisition of treasury stock  | -                  | -               | -                | -                    | (1,125,322)                      | -  | (1,125,322)  | -                                | (1,125,322) |
| Disposal of treasury stock   | -                  | -               | -                | -                    | 32,764                           | -  | 32,764   | -                                | 32,764      |
| Stock option activities  | -                  | -               | -                | -                    | (9,436)                          | -  | (9,436)  | -                                | (9,436)     |
| Others   | -                  | -               | -                | 3,834                | 3,706                            | -  | 7,540  | (3,740)                          | 3,800       |
| <b>Total transactions with owners</b>  | -                  | -               | -                | (2,153,177)          | (1,098,446)                      | -  | (3,251,623)  | (77,143)                         | (3,328,766) |
| <b>Balance as of December 31, 2014</b>   | 119,467            | 778,047         | 4,403,893        | 169,529,604          | (12,729,387)                     | 80,101   | 162,181,725  | 5,906,463                        | 168,088,188 |



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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of US dollars (Note 1))*

| <b>2014 USD</b>  | <b>Preferred<br/>stock</b> | <b>Common<br/>stock</b> | <b>Share<br/>premium</b> | <b>Retained<br/>earnings</b> | <b>Other<br/>components<br/>of equity</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>income<br/>attributable to<br/>assets held for sale</b> | <b>Equity<br/>attributable<br/>to owners of<br/>the parent</b> | <b>Non-<br/>controlling<br/>interests</b> | <b>Total</b> |
|--|----------------------------|-------------------------|--------------------------|------------------------------|---|--|--|---|--------------|
| <b>Balance as of January 1, 2014</b>   | 113,486                    | 739,097                 | 4,183,426                | 141,161,092                  | (8,985,535)                               | -  | 137,211,566  | 5,294,380                                 | 142,505,946  |
| Profit for the year  | -                          | -                       | -                        | 21,926,949                   | -   | -  | 21,926,949   | 296,245                                   | 22,223,194   |
| Changes in value of available-for-sale<br>financial assets, net of tax               | -                          | -                       | -                        | -                            | (298,346)                                 | -  | (298,346)  | 77,861                                    | (220,485)    |
| Share of other comprehensive loss of<br>associates and joint ventures, net of<br>tax | -                          | -                       | -                        | -                            | (122,062)                                 | -  | (122,062)  | (415)                                     | (122,477)    |
| Foreign currency translation, net of tax   | -                          | -                       | -                        | -                            | (907,190)                                 | -  | (907,190)  | 31,291                                    | (875,899)    |
| Remeasurement of net defined benefit<br>liabilities, net of tax                      | -                          | -                       | -                        | -                            | (659,451)                                 | -  | (659,451)  | (15,307)                                  | (674,758)    |
| Classified as held for sale  | -                          | -                       | -                        | -                            | (76,091)                                  | 76,091   | -  | -   | -            |
| <b>Total comprehensive income (loss)</b>   | -                          | -                       | -                        | 21,926,949                   | (2,063,140)                               | 76,091   | 19,939,900   | 389,675                                   | 20,329,575   |
| Dividends  | -                          | -                       | -                        | (2,049,027)                  | -   | -  | (2,049,027)  | (70,500)                                  | (2,119,527)  |
| Capital transaction under common<br>control  | -                          | -                       | -                        | -                            | (150)                                     | -  | (150)  | 232                                       | 82           |
| Changes in consolidated entities   | -                          | -                       | -                        | -                            | -   | -  | -  | 541                                       | 541          |
| Acquisition of treasury stock  | -                          | -                       | -                        | -                            | (1,068,987)                               | -  | (1,068,987)  | -   | (1,068,987)  |
| Disposal of treasury stock   | -                          | -                       | -                        | -                            | 31,124                                    | -  | 31,124   | -   | 31,124       |
| Stock option activities  | -                          | -                       | -                        | -                            | (8,964)                                   | -  | (8,964)  | -   | (8,964)      |
| Others   | -                          | -                       | -                        | 3,642                        | 3,520                                     | -  | 7,162  | (3,553)                                   | 3,609        |
| <b>Total transactions with owners</b>  | -                          | -                       | -                        | (2,045,385)                  | (1,043,457)                               | -  | (3,088,842)  | (73,280)                                  | (3,162,122)  |
| <b>Balance as of December 31, 2014</b>   | 113,486                    | 739,097                 | 4,183,426                | 161,042,656                  | (12,092,132)                              | 76,091   | 154,062,624  | 5,610,775                                 | 159,673,399  |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|   | <b>For the year ended December 31,</b> |                     |                     |                     |
|---|--|---------------------|---------------------|---------------------|
|   | <b>2014</b>                            | <b>2013</b>         | <b>2014</b>         | <b>2013</b>         |
|   | KRW                                    | KRW                 | USD                 | USD                 |
| <b>Cash flows from operating activities</b>                               |  |                     |                     |                     |
| Profit for the year   | 23,394,358                             | 30,474,764          | 22,223,194          | 28,949,145          |
| Adjustments   | 22,323,765                             | 23,804,832          | 21,206,200          | 22,613,120          |
| Changes in operating assets and liabilities                               | (3,837,136)                            | (1,313,245)         | (3,645,042)         | (1,247,502)         |
| Cash flows from operating activities                                      | 41,880,987                             | 52,966,351          | 39,784,352          | 50,314,763          |
| Interest received   | 1,555,373                              | 1,034,074           | 1,477,508           | 982,306             |
| Interest paid   | (463,740)                              | (434,857)           | (440,524)           | (413,087)           |
| Dividend received   | 1,495,658                              | 592,217             | 1,420,783           | 562,570             |
| Income tax paid   | (7,492,889)                            | (7,450,345)         | (7,117,782)         | (7,077,368)         |
| <b>Net cash generated from operating activities</b>                       | <b>36,975,389</b>                      | <b>46,707,440</b>   | <b>35,124,337</b>   | <b>44,369,184</b>   |
| <b>Cash flows from investing activities</b>                               |  |                     |                     |                     |
| Net increase in short-term financial instruments                          | (1,110,842)                            | (19,391,643)        | (1,055,231)         | (18,420,863)        |
| Net decrease (increase) in short-term available-for-sale financial assets | (713,452)                              | 33,663              | (677,735)           | 31,978              |
| Proceeds from disposal of long-term available-for-sale financial assets   | 202,904                                | 1,691,463           | 192,746             | 1,606,785           |
| Acquisition of long-term available-for-sale financial assets              | (6,212,102)                            | (1,531,356)         | (5,901,113)         | (1,454,694)         |
| Proceeds from disposal of associates and joint ventures                   | 2,014,430                              | 240                 | 1,913,584           | 228                 |
| Acquisition of associates and joint ventures                              | (719,800)                              | (181,307)           | (683,766)           | (172,230)           |
| Disposal of property, plant and equipment                                 | 385,610                                | 377,445             | 366,306             | 358,549             |
| Purchases of property, plant and equipment                                | (22,042,943)                           | (23,157,587)        | (20,939,435)        | (21,998,278)        |
| Disposal of intangible assets   | 31,731                                 | 4,562               | 30,142              | 4,334               |
| Purchases of intangible assets  | (1,324,307)                            | (934,743)           | (1,258,010)         | (887,948)           |
| Cash outflows from business combination                                   | (176,625)                              | (167,155)           | (167,783)           | (158,787)           |
| Others  | (3,141,012)                            | (1,490,601)         | (2,983,767)         | (1,415,979)         |
| <b>Net cash used in investing activities</b>                              | <b>(32,806,408)</b>                    | <b>(44,747,019)</b> | <b>(31,164,062)</b> | <b>(42,506,905)</b> |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of US dollars (Note 1))*

|  | For the year ended December 31, |             |             |             |
|--|---------------------------------|-------------|-------------|-------------|
|  | 2014                            | 2013        | 2014        | 2013        |
|  | KRW                             | KRW         | USD         | USD         |
| <b>Cash flows from financing activities</b>                  |                                 |             |             |             |
| Net increase(decrease) in short-term borrowings              | 1,833,419                       | (1,861,536) | 1,741,635   | (1,768,344) |
| Acquisition of treasury stock                                | (1,125,322)                     | -           | (1,068,986) | -           |
| Disposal of treasury stock                                   | 27,582                          | 34,390      | 26,201      | 32,668      |
| Proceeds from long-term borrowings and debentures            | 1,740,573                       | 26,672      | 1,653,437   | 25,337      |
| Repayment of long-term borrowings and debentures             | (3,299,595)                     | (1,368,436) | (3,134,412) | (1,299,930) |
| Payment of dividends   | (2,233,905)                     | (1,249,672) | (2,122,072) | (1,187,111) |
| Net increase in non-controlling interests                    | 139                             | 281,551     | 132         | 267,456     |
| <b>Net cash used in financing activities</b>                 | (3,057,109)                     | (4,137,031) | (2,904,065) | (3,929,924) |
| Effect of exchange rate changes on cash and cash equivalents | (555,886)                       | (330,070)   | (528,057)   | (313,546)   |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 555,986                         | (2,506,680) | 528,153     | (2,381,191) |
| <b>Cash and cash equivalents</b>                             |                                 |             |             |             |
| <b>Beginning of the year</b>                                 | 16,284,780                      | 18,791,460  | 15,469,535  | 17,850,726  |
| <b>End of the year</b>                                       | 16,840,766                      | 16,284,780  | 15,997,688  | 15,469,535  |

**1 Convenience Translation into United States Dollar Amounts**

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in U.S. dollars at the rate of ₩1,052.70 to US \$1, the average exchange rate for the year ended December 31, 2014. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in US dollars at this or at any other rate.

## Business Overview

For 2014, a new measure of challenges in our business environment persisted amid continued macro uncertainties in Russia and the Middle East, economic contraction in Korea, volatile currency exchange rates, and intensified competitions in the industry. Despite such challenging business environment, the Company strived to maintain solid earnings and to enhance shareholder value through our proactive shareholder return policy.

From our financial management perspective, we achieved record consolidated sales of KRW 206 trillion, down 10 percent from the previous year, and produced record operating profit of KRW 25 trillion, down 12 percent from 2013.

In terms of our shareholder return, the year-end dividend per share was approved at KRW 19,500. Including the interim dividend of KRW 500 won, the total dividend paid for 2014 was KRW 20,000 per share, which is a 41% increase from the previous year. We conducted share repurchase of 1.65 million common shares and 0.25 million preferred shares with 2.45 trillion won. As a result, despite the fact that our net income and free cash flow decreased by approximately 7 trillion and 10 trillion won, respectively, compared to 2013, we returned a total of 5.4 trillion won to our shareholders in 2014. This is a 2.5 times increase from the previous year.

In 2014, we continued to improve our industry leadership position by launching products that feature our most advanced design and industry leading technology. Last year, we produced the world's first 20nm-based high-density server DDR4 and V-NAND with 3bit technology. In addition, we launched Galaxy Note Edge with the world's first bended display and various wearable products including Gear S and VR.

In 2015, uncertainties in the global economy are expected to rise with increase of key interest rates in the U.S., economic recession in the Eurozone, and financial risks in emerging countries due to the collapse of oil prices. At the same time, major markets for our main products are expected to have slower growth and fiercer competition compared to past years. To overcome this difficult time, we will 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 2014   | FY 2013   | Change |
|-------------------------|-----------|-----------|--------|
| Revenue                 | 206.2     | 228.7     | △10%   |
| Operating Profit        | 25.0      | 36.8      | △32%   |
| Net Profit              | 23.4      | 30.5      | △23%   |
| Net Debt Ratio          | △30.1%    | △28.9%    | △1.2%p |
| Dividend Per Share(KRW) | 20,000    | 14,300    | 40%    |
| Share Price (KRW)       | 1,327,000 | 1,372,000 | △3%    |

## Semiconductor Business

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### *Market Condition*

In 2014, the memory market dynamics remained healthy under limited supply growth due to difficulties in migration technology. Market demand growth was mainly driven up by increased density in server/mobile devices and SSD for datacenter and PC.

We expect the overall memory demand to continue to increase from server/mobile and high density storage in 2015. We will enhance our competitiveness further by offering the advanced technology/solutions for server/mobile memory and V-NAND for SSD market.

### *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 maintained our market leadership and high profitability by expanding high value-added products and process migration. We continued to manage product mix in response to the market changes and strong demand for DDR4, and expanded 20nm-class technology for sustainable profitability.

*For NAND*, we strengthened product competitiveness by expanding V-NAND in all segments of SSD, and also putting efforts to develop high-density/high-performance solutions for mobile storages to further widen the gap with the competitions.

*For S.LSI*, we secured 14nm process technology and secured customer demand for 2015. With 14nm process, we will increase utilization rate and diversify customer base to drive mid to long-term growth of S.LSI business.

Looking forward, we will maintain our industry leadership position based on our technological advantages and cost savings from advanced process development. We will continue to improve cost competitiveness and to offer differentiated products through advanced process development.

## Display Panel

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### *Market Condition*

We expect stable market supply and demand condition to continue in 2015 led by UHD TV and the trend towards larger size TV. Meanwhile, growth in industrial capacity could influence the market condition thus it might be a risk factor in the 2nd half.

For the IT panel business, we expect weak demand to continue led by a slowdown in tablet growth and a decline in the size of the notebook and monitor markets.

For the mid to small size panels, we expect the demand to grow, mainly for mid to low-end smartphone products. However, market growth is expected to slow gradually and competition to intensify going forward given the high penetration rate of smartphones and longer replacement period.

Since we believed that OLED is the key technology for differentiation and profit maximization, we have mainly focused on supporting high-end products until 2014 and maintained the largest market share in the mid to small size panel. But other TFT-LCD makers are likely to venture into OLED production and competition between TFT-LCD makers, OLED panel should find the way to increase adoption from smartphone makers.

### *Business Performance*

For the large size panel business, we leveraged the 8G FAB in Suzhou to deal with the demand from China, world's largest TV consumer, and strengthened our competitive advantages by offering products with full line up strategy of UHD TV such as 60"+ ultra large size and curved panels for high-end, as well as 405" for low-end.

Regarding the efficiency, we are strengthening our partnership with customers with respect to technology and product development to maximize profitability. In addition, we will continue to invest in the environmental improvement of facility to fulfill social responsibility.

For the mid to small size panel business, we will increase AMOLED product offerings from flagship of flexible panels, our future growth driver, to mid-low end rigid (glass) panels in order to meet the market demand growth.

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

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### *Market Condition*

In 2014, the overall mobile market size was around 1.8 billion units, and it is expected to grow by 5% year on year to 1.9 billion units in 2015. The smartphone market is expected to grow by 10% yoy from approx.1.3 billion units in 2014 to 1.4 billion units in 2015. The tablet market size is expected to increase as well from 250 million units in 2014 to 290 million units in 2015 by 13% year on year. (As of December 2014 / source: Strategy Analytics)

### *Business Performance*

Amid lower sales of smartphone from intensified competition in the industry, tablet growth also stagnated due to a slowdown in global demand, leading to a decrease in revenue and profit compared to the previous year. In particular, we had a difficult time in the second half as shipments and profitability of smartphone decreased due to intensifying competition in the mid to low-end market amid decreased differentiation of hardware. Under these circumstances, we focused on securing a new foundation for growth by decreasing the inventory of old models and developing new line up strategies with enhanced product and price competitiveness. In 2015, our plan is to actively increase our smartphone sales with competitive new product line-ups. We will also focus on the recovery of earnings by differentiating products with new materials and designs and by efficiently managing costs through various measures including streamlining of product line ups. Regarding the premium smartphones, we are preparing differentiated and innovative products with specialized features such as flexible display. In terms of our mid-range products, we aim to further strengthen our market leadership by enhancing product capacities in our new portfolio through adoption of metal casing and OLED displays. Furthermore, we will increase the overall operational efficiency across all business areas including R&D and marketing to secure profitability.

For tablets, we will optimize the product portfolio by focusing on the premium and mass markets, and enhance product competitiveness for sustainable growth.

For wearable devices, we will continue to lead the market with a diversified portfolio and unique designs to better contribute to overall business performances.

In the B2B market, we will continue to develop our security platform KNOX and enter various vertical markets such as education, public and retail sectors by strengthening strategic partnerships.

## **Consumer Electronics**

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### *Market Condition*

In 2014, Flat Panel TV demand growth was driven by emerging market's digital TV conversion and a number of global sports events such as the 2014 World Cup in Brazil and the Winter Olympic in Russia. And as competition among TV set makers accelerated in large screen and high definition TVs, competitive products and strong brand power have become important factors in gaining market shares. Going forward, we expect this trend to continue in the global TV market, and with increasing customer demand for large size TV with high definition, sales of UHD(Ultra High Definition) TV will continue to increase.

### *Business Performance*

We have maintained our No.1 position in the Flat Panel TV market for nine consecutive years since 2006. In 2014, we introduced a variety of UHD TV products, offering differentiated benefits to our customers. Samsung UHD TV, as an evolving TV, not only offers superior picture quality, but also supports upcoming UHD broadcasting standards through its

Evolution Kit. Also, our Curved TV products with a greater sense of depth and immersive viewing experience made our products unique and different. Thus, we were able to solidify our leadership in premium TV market by expanding sales of UHD and Curved TV products

We aim to maintain our leadership in the market in 2015 by focusing on new premium product SUHD TV. SUHD TV, featuring our Nano Crystal technology, will offer ultimate picture quality in all aspects including color, brightness, and contrast. Furthermore, most of our premium TV products including SUHD TV will be offered as Smart TV, and all our new Smart TV products will be equipped with our own open-source platform, Tizen, to offer easy convergence with other smart devices, fast and intuitive UX(User Experience), and customized contents and services.

## Corporate Overview

In addition to our headquarters in Korea, Samsung Electronics is comprised of 158 subsidiaries across the world responsible for sales and production. Also, there are nine (9) regional headquarters for Consumer Electronics (“CE”) and Information Technology & Mobile Communications (“IM”) divisions and five (5) regional headquarters for Device Solutions (“DS”) division.

The Company business divisions are organized in two-pronged business framework of set (brand products) and component businesses. The set business is comprised of CE and IM divisions, and the component business is comprised of DS division. The CE division is responsible for the production and sales of CTVs, monitors, printers, air conditioners and refrigerators, and the IM division focuses on the production and sales of handheld phones (HHPs) (such as feature phones and smartphones), network systems, and computers. The DS division is comprised of the Semiconductor business which manufactures and sells DRAM, NAND and Mobile AP, etc. and the Display Panel (“DP”) business which manufactures and sells TFT-LCD and OLED panels for TV, Monitor, Notebook PC, and Mobile devices.

### □ Major products by business division

| Business Division |               | Major Products  |
|-------------------|---------------|---|
| CE Division       |               | CTV, Monitor, Printer, Air conditioner, Refrigerator, Washing machine, Medical devices, etc., |
| IM Division       |               | HHP, Network system, Computer, Digital camera, etc.,  |
| DS Division       | Semiconductor | DRAM, NAND Flash, Mobile AP, etc.,  |
|                   | Display       | TFT-LCD, OLED, etc.,  |

By region, SEC HQ covering CE, IM, and semiconductor business and 17 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 17 consolidated domestic subsidiaries including Samsung Display for display panel production, Samsung Electronics Sales for domestic retail sales, and Samsung Electronic Logitech for logistics.

We have 141 overseas subsidiaries for product manufacturing, sales, and R&D in North America, Europe, Asia, and Africa. In Americas, we have 31 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, we operate 22 overseas subsidiaries including SAPL in Singapore, SEAU in Australia, SEPCO in the Philippines, and SME in Malaysia, responsible for regional sales; SEV in Vietnam for HHP manufacturing; SDMA in Malaysia for CTV manufacturing; and SIEL in India for both CTV and HHP manufacturing.

We operate 32 subsidiaries in China including regional sales operations SCIS in Beijing and SEHK in Hong Kong. We also operate production and processing facilities sites TSTC, SSEC, and SESS in Tianjin and Suzhou. In addition, we have 23 subsidiaries engaging in product manufacturing and sales in Africa, Middle East, and CIS region.

# 6

## 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 to 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 shareholders' 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

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 2015)**

|                            |   |
|----------------------------|---|
| • 4 Executive Directors:   | Dr. Oh-Hyun Kwon (Chair of the BOD)<br>Mr. Boo-Keun Yoon, Mr. Jong-Kyun Shin, Mr. Sang-Hoon Lee |
| • 5 Independent Directors: | Dr. Eun-Mee Kim, Dr. Han-Joong Kim, Dr. Byeong-Gi Lee, Mr. In-Ho Lee,<br>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. Dr. 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: Dr. 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), Dr. 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: Dr. Han-Joong Kim (Chair), Dr. Byeong-Gi Lee, Dr. Eun-Mee Kim, Dr. 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), Dr. 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, Dr. 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: Dr. Byeong-Gi Lee (Chair), Mr. In-Ho Lee, Dr. Han-Joong Kim, Mr. Kwang-Soo Song, Dr. 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   |
| Management                          | Dr. Oh-Hyun Kwon<br>(Executive)     | Mr. Boo-Keun Yoon<br>Mr. Jong-Kyun Shin<br>Mr. Sang-Hoon Lee |   |
| Audit                               | Mr. In-Ho Lee<br>(Independent)      |  | Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song                                     |
| Independent Director Recommendation | Dr. Han-Joong Kim<br>(Independent)  | Dr. Oh-Hyun Kwon   | Dr. Byeong-Gi Lee<br>Dr. Eun-Mee Kim  |
| Related Party Transactions          | Mr. In-Ho Lee<br>(Independent)      |  | Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song                                     |
| Compensation                        | Mr. Kwang-Soo Song<br>(Independent) |  | Mr. In-Ho Lee<br>Dr. Byeong-Gi Lee  |
| CSR                                 | Dr. Byeong-Gi Lee<br>(Independent)  |  | Mr. In-Ho Lee<br>Dr. Han-Joong Kim<br>Mr. Kwang-Soo Song<br>Dr. 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 & CEO, Samsung Electronics (2012-Present)
- Vice Chairman & Head, Samsung Advanced Institute of Technology (2013-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, Mobile R&D Office, Mobile Communications Business (2006-09)

**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)

**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)

**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 Ewha, 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 2014 and December 2014.

### BOD Meetings

#### □ The Board Meetings and Voting Results of Independent Directors in FY 2014

| No. | Date           | Agenda   | IH Lee      | HJ Kim | KS Song | BG Lee | EM Kim      |
|-----|----------------|--|-------------|--------|---------|--------|-------------|
|     |                |  |             |        |         |        |             |
| 1   | Jan.24<br>2014 | ① Approval of 45 <sup>th</sup> FY2013 financial statements and business report                     | For         | For    | For     | For    | For         |
|     |                | ② Approval of '14 business plan  | For         | For    | For     | For    | For         |
|     |                | ③ Revision to management committee regulations   | For         | For    | For     | For    | For         |
|     |                | ④ Participation in Samsung BioLogics rights offerings  | For         | For    | For     | For    | For         |
|     |                | ⑤ Appointment of compliance officer  | For         | For    | For     | For    | For         |
| 2   | Feb.18<br>2014 | ① Decision to convene the 45 <sup>th</sup> AGM   | Not Present | For    | For     | For    | Not Present |
|     |                | ② Decision of the 45 <sup>th</sup> AGM agenda items  |             | For    | For     | For    |             |
|     |                | ③ Donation to Chung-nam Samsung Institute  |             | For    | For     | For    |             |
| 3   | Apr.29<br>2014 | ① Approval of the 46 <sup>th</sup> 1Q14 financial statements and business report                   | For         | For    | For     | For    | For         |
|     |                | ② Renewal of the existing Directors' liability insurance policy                                    | For         | For    | For     | For    | For         |
|     |                | ③ Donation   | For         | For    | For     | For    | For         |
|     |                | ④ Application for Venture Capital Union  | For         | For    | For     | For    | For         |
| 4   | Jun.3<br>2014  | ① Disposal of technology related assets  | For         | For    | For     | For    | For         |
|     |                | ② Equity investments   | For         | For    | For     | For    | For         |
|     |                | ③ A Property leasing contract with Samsung Display   | For         | For    | For     | For    | For         |
| 5   | Jul.31<br>2014 | ① Approval of the 46 <sup>th</sup> 1H14 financial statements, business report and interim dividend | For         | For    | For     | For    | For         |
|     |                | ② Approval of Samsung Asset Management annual trade volume   | For         | For    | For     | For    | For         |
|     |                | ③ Application for property insurance   | For         | For    | For     | For    | For         |
|     |                | ④ Donation to Sungkyunkwan University  | For         | For    | For     | For    | For         |
|     |                | ⑤ Donation to Samsung Science & Technology Foundation  | For         | For    | For     | For    | For         |
| 6   | Oct.30<br>2014 | ① Approval of the 46 <sup>th</sup> 3Q14 financial statements and business report                   | For         | For    | For     | For    | Not Present |
| 7   | Nov.26<br>2014 | ① Approval of transactions with affiliate persons  | For         | For    | For     | For    | Not Present |
|     |                | ② Payment of retirement pensions   | For         | For    | For     | For    |             |
|     |                | ③ Equity investments   | For         | For    | For     | For    |             |
|     |                | ④ Real estate rental from Samsung Life Insurance   | For         | For    | For     | For    |             |
|     |                | ⑤ Acquisition of treasury stock  | 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 2014 and Dec 2014.

### □ Activities of Audit Committee in FY 2014

| Date             | Agenda  |
|------------------|---|
| Jan. 23<br>2014  | <ul style="list-style-type: none"> <li>① Report on FY 2013 financial statements and annual reports</li> <li>② Report on FY 2013 internal accounting management system</li> <li>③ FY 2013 4Q non-audit service contracts</li> <li>④ Report on appointment plan of external auditor</li> <li>⑤ Report on FY 2013 audit results</li> </ul> |
| Feb. 18<br>2014  | <ul style="list-style-type: none"> <li>① Review and approval of appointment of external auditor</li> <li>② Review of the 45th AGM agenda</li> <li>③ Report on 2014 internal compliance activities</li> </ul>  |
| April 28<br>2014 | <ul style="list-style-type: none"> <li>① Report on FY 2014 1Q financial statements and business report</li> <li>② Report on FY 2014 1Q non-audit activities</li> </ul>  |
| Jul. 30<br>2014  | <ul style="list-style-type: none"> <li>① Report on FY 2014 1H financial statement and business report</li> <li>② Report on FY 2014 2Q non-audit activities</li> <li>③ Report on FY 2014 1H audit activities</li> </ul>  |
| Oct. 29<br>2014  | <ul style="list-style-type: none"> <li>① Report on FY 2014 3Q financial statement and business report</li> <li>② Report on FY 2014 3Q non-audit activities</li> </ul>   |

### □ Activities of the Compensation Committee in FY 2014

| Date            | Agenda  |
|-----------------|---|
| Feb. 13<br>2014 | <ul style="list-style-type: none"> <li>① Appointment of the head of compensation committee</li> </ul>       |
| Feb. 18<br>2014 | <ul style="list-style-type: none"> <li>① Prior review on 2014 remuneration ceiling for Directors</li> </ul> |

### □ Activities of the CSR Committee in FY 2014

| Date            | Agenda   |
|-----------------|--|
| Jan. 24<br>2014 | <ul style="list-style-type: none"> <li>① Establishment of research committee for environmental safety and appointment of research members</li> </ul>   |
| May. 30<br>2014 | <ul style="list-style-type: none"> <li>① Report on research results and findings from the advancement of corporate ecosystem research council</li> <li>② Progress report of research results for environmental safety</li> </ul> |

□ Activities of Related Party Transactions Committee in FY 2014

| Date              | Agenda  |
|-------------------|---|
| Jan. 23<br>2014   | ① Prior review on large-scale related party transactions<br>- Participation in Samsung BioLogics paid-in capital increase<br>② Report on 4Q13 related party transactions  |
| Feb. 18<br>2014   | ① Prior review on large-scale related party transactions<br>- Donation to Chung-nam Samsung Institute   |
| April. 28<br>2014 | ① Prior review on large-scale related party transactions<br>- Renewal of the existing Directors' liability insurance policy<br>- Donation<br>- Application for Venture Capital Union<br>② Report on 1Q14 related party transactions   |
| Jun. 3<br>2014    | ① Preliminary review on large-scale related party transactions<br>- Disposal of technology related assets<br>- Ownership investments<br>- A property leasing contract with Samsung Display  |
| Jul. 30<br>2014   | ① Preliminary review on large-scale related party transactions<br>- Approval of Samsung Asset Management annual trade volume<br>- Application for property insurance<br>- Donation to Sungkyunkwan University<br>- Donation to Samsung Science & Technology Foundation<br>② Report on 2Q14 related party transactions |
| Oct. 29<br>2014   | ① Report on 3Q14 related party transactions   |
| Nov. 26<br>2014   | ① Prior review on large-scale related party transactions<br>- Approval of 2015 large-scale transactions of goods/services<br>- Payment of retirement pensions<br>- Equity investments<br>- Real estate rental from Samsung Life Insurance   |

*BOD Meeting Attendance (March 2012 – March 2015)*

|                       | Name                          | 2012     | 2013     | 2014 -2015 | Total   |          |      |
|-----------------------|-------------------------------|----------|----------|------------|---------|----------|------|
|                       |                               | Attended | Attended | Attended   | Meeting | Attended | %    |
| Executive Directors   | Oh-Hyun Kwon <sup>(2)</sup>   | 12/12    | 7/7      | 7/7        | 26      | 26       | 100% |
|                       | Boo-Keun Yoon <sup>(3)</sup>  | -        | 5/7      | 4/7        | 14      | 9        | 64%  |
|                       | Jong-Kyun Shin <sup>(3)</sup> | -        | 6/7      | 6/7        | 14      | 12       | 86%  |
|                       | Sang-Hoon Lee <sup>(3)</sup>  | -        | 7/7      | 7/7        | 14      | 14       | 100% |
| Independent Directors | In-Ho Lee <sup>(1)</sup>      | 12/12    | 6/7      | 7/7        | 26      | 25       | 96%  |
|                       | Han-Joong Kim <sup>(2)</sup>  | 12/12    | 7/7      | 7/7        | 26      | 26       | 100% |
|                       | Kwang-Soo Song <sup>(3)</sup> | -        | 7/7      | 7/7        | 14      | 14       | 100% |
|                       | Byeong-Gi Lee <sup>(2)</sup>  | 12/12    | 7/7      | 7/7        | 26      | 26       | 100% |
|                       | Eun-Mee Kim <sup>(3)</sup>    | -        | 5/7      | 5/7        | 14      | 10       | 71%  |

\* 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 2010 & 2013    2. Directors were appointed in March 2012.    3. Directors were appointed in March 2013.

## Share Ownership Structure

### Overview

As of the end of 2014, 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 20,205,684 (11.9%), with 17,094,741 common shares (11.6% of common shares outstanding) and 3,110,943 preferred shares (13.6% of preferred shares outstanding).

#### Ownership structure as of the end of FY 2014

|           | Foreigner | Local Institutional | Local Individual | Controlling Shareholders | Treasury Shares |
|-----------|-----------|---------------------|------------------|--------------------------|-----------------|
| Common    | 52%       | 15%                 | 4%               | 18%                      | 12%             |
| Preferred | 79%       | 4%                  | 2%               | 0.3%                     | 14%             |

### Major Shareholders

#### Major Shareholders at the end of FY 2014

| Ranking   | Ownership – Common Stock                 | Number of Common Shares | % of Class    |
|---|--|-------------------------|---------------|
| 1   | National Pension Service of Korea        | 11,164,905              | 7.6%          |
| 2   | Samsung Life Insurance Co., Ltd.         | 11,109,740              | 7.5%          |
| 3   | CITIBANK.N.A <sup>(1)</sup>              | 6,562,384               | 4.5%          |
| 4   | Samsung C&T Corp.                        | 5,976,362               | 4.1%          |
| 5   | Lee Kun-Hee                              | 4,985,464               | 3.4%          |
| 6   | SAUDI ARABIAN MONETARY AGENCY            | 2,816,133               | 1.9%          |
| 7   | THE GOVERNMENT OF SINGAPORE              | 2,575,299               | 1.7%          |
| 8   | Samsung Fire & Marine Insurance Co.,Ltd. | 1,856,370               | 1.3%          |
| 9   | Samsung Asset Management                 | 1,764,040               | 1.2%          |
| 10  | Norges Bank                              | 1,365,133               | 0.9%          |
| <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.

※ Single institution/fund in the shareholder registry

## Voting Shares

Samsung Electronics issued 147,299,337 common shares, 29.5% of authorized shares and 22,833,427 preferred shares. 17,094,741 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 117,698,019.

### □ Total shares with voting rights at the end of FY 2014

| Category   | Type          | No. of shares      | Note   |
|--|---------------|--------------------|--|
| No. of outstanding shares (A)  | Common        | 147,299,337        | -  |
|  | Preferred     | 22,833,427         | -  |
| Treasury Shares =<br>Shares without voting rights (B)                    | Common        | 17,094,741         | Article 369-2 of the Commercial Act "Treasury Shares"  |
|  | Preferred     | -                  | -  |
| Shares with voting rights eliminated<br>by Articles of Incorporation (C) | Common        | -                  | -  |
|  | Preferred     | 22,833,427         | 3,110,943 preferred treasury shares included   |
| Shares with limited voting rights under<br>relevant laws (D)             | Common        | 12,479,184         | Restricted by the Monopoly Regulation and Fair Trade Act:<br>10,622,814 shares held by Samsung Life Insurance & 1,856,<br>370 shares held by Samsung Fire & Marine Insurance |
|  | Common        | 27,393             | Restricted by the Insurance Business Act: Some part of<br>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>117,698,019</b> | <b>(F = A - B - C - D + E)</b>   |

※ For agenda excluding appointment/dismissal of executives, modification of the articles of incorporation, and merger/transfer of business.

※ Among shares with limited voting rights under relevant laws, part of 12,479,184 shares that are restricted by the Monopoly Regulation and Fair Trade Act can exercise voting right for appointment/dismissal of executives and modification of the articles of incorporation.

## Share ownership of BOD Members

The following table presents shares and stock options held by BOD members as of December 31, 2014.

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

(Unit: Share)

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

## 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 2011 – FY 2013), and fees billed for other services rendered by Samil PricewaterhouseCoopers during those periods.

### □ Independent Auditor Fees between FY 2011 and FY 2013

(Unit: KRW Million)

|                            | Auditor                      | Audit Services | Non-Audit Services | Audit Opinion |
|----------------------------|------------------------------|----------------|--------------------|---------------|
| 45th (1.1.2013~12.31.2013) | Samil PricewaterhouseCoopers | 3,840          | 8,207              | Fair          |
| 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          |

※ 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 Fee