



Samsung SDI Co., Ltd.

Reference Material

2020 Annual General Meeting of Shareholders (“AGM”)

Note about forward-looking statements

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

Table of contents

Notice of 2020 AGM	1	Appendix 1. Business Report	19
Summary of Agenda	2	Business Overview	19
		Battery	20
		Electronic Material	20
1. Agenda 1. Approval of Financial Statements (FY 2019)	5	Appendix 2. Corporate Governance	22
Overview	5	The Board of Directors	22
Business Performance	6	Board Committee	24
Return to Shareholders	7	Profile of BOD Members	27
		BOD Activities	29
2. Agenda 2. Election of Directors	8	Shareholder Structure	30
Overview	8	Independent Auditor Fees	30
2-1. Reappointment of Executive Director, Young Hyun Jun	9	Result of General Meeting of Shareholders	31
2-2. Appointment of Independent Directors, Oh Kyung Kwon	10	Corporate Website	31
2-3. Appointment of Independent Directors, Duk Hyun Kim	11	Appendix 3. Financial Statements (FY2019)	32
2-4. Appointment of Independent Directors, Tae Ju Park	12	Consolidated Statements of Financial Position	33
2-5. Appointment of Independent Directors, Won Wook Kim	13	Consolidated Statements of Comprehensive Income	34
		Consolidated Statements of Changes in Equity	35
3. Agenda 3. Election of Audit Committee Members	14	Consolidated Statements of Cash Flows	37
Overview	14	Separate Statements of Appropriation of Retained Earnings	38
3-1. Appointment of Audit Committee Members, Oh Kyung Kwon	15		
3-2. Appointment of Audit Committee Members, Duk Hyun Kim	15		
3-3. Appointment of Audit Committee Members, Tae Ju Park	16		
3-4. Appointment of Audit Committee Members, Won Wook Choi	16		
4. Agenda 4. Approval of Director Remuneration Limit (FY 2020)	17		
Overview	17		
Director Remuneration Structure	17		
Compensation Committee	17		
FY 2019 Remuneration (Actual)	18		
FY 2020 Remuneration (To Be Approved)	18		

Notice of Annual General Meeting of Shareholders

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

Place: The K Hotel Seoul Convention Center, Crystal ballroom (3rd Floor)
(70, Baume-ro 12-gil, Seocho-gu, Seoul, Korea)

Agenda for the Resolution

Agenda 1. Approval of Financial Statements (FY 2019)

Agenda 2. Election of Directors

- 2-1. Reappointment of Executive Director, Young Hyun Jun
- 2-2. Appointment of Independent Director, Oh Kyung Kwon
- 2-3. Appointment of Independent Director, Duk Hyun Kim
- 2-4. Appointment of Independent Director, Tae Ju Park
- 2-5. Appointment of Independent Director, Won Wook Choi

Agenda 3. Election of Audit Committee Members

- 3-1. Appointment of Audit Committee Member, Oh Kyung Kwon
- 3-2. Appointment of Audit Committee Member, Duk Hyun Kim
- 3-3. Appointment of Audit Committee Member, Tae Ju Park
- 3-4. Appointment of Audit Committee Member, Won Wook Choi

Agenda 4. Approval of Director Remuneration Limit (FY 2020)

Summary of Agenda

This summary highlights information contained in the accompanying Reference Material

Agenda 1. Approval of Financial Statements (FY 2019)

The Board of Directors (the “BOD”) is seeking your approval of the following financial statements for FY 2019 beginning on January 1, 2019 and ending on December 31, 2019.

- Consolidated Statements of Financial Position, Comprehensive Income, Changes in Equity, Cash Flows and Separate Statements of Appropriation of Retained Earnings

□ Financial Highlights

(Unit: KRW billion)

Category	FY2019	FY2018	Change
Revenue	10,097.4	9,158.3	10.3%
Operating profit	462.2	715.0	-35.4%
Net profit	402.4	745.0	-46.0%
Assets	19,852.1	19,349.7	2.6%

* Audited financial statements with the independent auditor’s opinion are not available as of today. Audited financial statements will be posted on the webpage on February 28, 2020.
<http://www.samsungsdi.com/ir/financial-information/audit-report.html>

□ Annual Dividends

Category	FY2019	FY2018	Change
Dividends per common share(KRW)	Common 1,000	Common 1,000	-
	Preferred 1,050	Preferred 1,050	

Agenda 2. Election of Directors

The BOD seeks to appoint one Executive Director and four Independent Directors, due to the expiration of the term.

We recommend re-electing current CEO Young Hyun Jun, who is expected to lead the development and growth of Samsung SDI Co., Ltd (“Company or Samsung SDI”) with continuity of business strategy.

The Independent Director Recommendation Committee recommends four new candidates, Oh Kyung Kwon, Duk Hyun Kim, Tae Ju Park, and Won Wook Choi. Former independent Directors were not re-nominated due to the recently revised Enforcement Decree of the Commercial Act, which restricts the term of Independent Directors up to six years.

Oh Kyung Kwon is currently a professor of electronics engineering at Hanyang University and the President of the National Academy of Engineering. As an expert in technology and science, Professor Kwon is expected to contribute to strengthening the expertise of the Board, which is necessary to actively cope with rapidly changing technology environment.

Duk Hyun Kim is currently an attorney of the Law firm Jin-Sung and a Human Rights Officer of National Counterterrorism Committee. With exceptional legal expertise and a well-balanced experience of working with various government institutions, she will contribute to Samsung SDI's efforts to augment its compliance management and social responsibility

Tae Ju Park as a labor policy expert, has advised and researched on matters of labor-management relations for various public institutions and companies and currently serves as a senior researcher at the Institute for Research on Labor and Employment at Korea University. He will contribute to Samsung SDI's efforts in building a healthy labor-management relationship in line with the rapidly changing market environment and becoming a socially responsible and sustainable enterprise.

Won Wook Choi is currently a professor of accounting at the Yonsei University School of Business and an Independent Director of LIG Nex1. Possessing both the theoretical knowledge and practical experience in various accounting fields, Professor Choi will be a valuable contribution to the development of Samsung SDI by enhancing Company's financial soundness and transparency.

□ Changes of BOD Members

<i>Board Composition (2019)</i>				<i>Proposed (2020)</i>			
Executive Director	Tenure (years)	Title	Gender	Executive Director	Tenure	Title	Gender
Young Hyun Jun	3 (since 2017)	CEO	M	Young Hyun Jun	4 (since 2017)	CEO	M
Young No Kwon	2 (since 2018)	CFO	M	Young No Kwon	3 (since 2018)	CFO	M
Tae Hyuk Ahn	1 (since 2019)	Head of small sized battery	M	Tae Hyuk Ahn	2 (since 2019)	Head of md-large sized battery	M

Independent Director	Tenure (years)	Expertise	Gender	Independent Director	Tenure	Expertise	Gender
Sung Jae Kim	9 (since 2011)	Finance (insurance)	M	Oh Kyung Kwon	New	Electric Engineering	M
Serck Joo Hong	6 (since 2014)	Finance (bank)	M	Duk Hyun Kim	New	Legal/ Human Rights	F
Ran Do Kim	6 (since 2014)	Consumer Studies	M	Tae Ju Park	New	Labor/ Economics	M
Jai Hie Kim	6 (since 2014)	Electric Engineering	M	Won Wook Choi	New	Finance (accounting)	M

Agenda 3. Election of Audit Committee Members

The BOD seeks to appoint four new Audit Committee Members to fill the vacancy on the Audit Committee created by the expiration of the term of former Independent Directors.

We recommend four candidates, Oh Kyung Kwon, Duk Hyun Kim, Tae Ju Park, and Won Wook Choi, for Audit Committee Members.

Agenda 4. Approval of Director Remuneration Limit (FY 2020)

	FY 2020	FY 2019	
		Approved	Actual
Total remuneration limit	KRW 19 billion	KRW 19 billion	KRW 3.7 billion

The BOD is seeking your approval of a remuneration limit of KRW 19 billion for FY2020, unchanged from FY2019.

Agenda 1. Approval of Financial Statements (FY 2019)

Overview

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

- Consolidated Statements of Financial Position, Comprehensive Income, Changes in Equity, Cash Flows and Separate Statements of Appropriation of Retained Earnings

In addition, the BOD determined a year-end dividend of KRW 1,000 per share for Common Stock and KRW 1,050 per share for Preferred Stock.

□ Financial performance (K-IFRS, consolidated)

(Unit: KRW billion)

Category	FY2019	FY2018	FY2017
Revenue	10,097.4	9,158.3	6,346.6
Operating profit	462.2	715.0	116.9
Net profit	402.4	745.0	643.1
EPS(KRW)	5,065	9,962	9,338
Assets	19,852.1	19,349.7	15,741.7
Liabilities	7,191.8	7,124.5	4,289.7
Equity	12,660.3	12,225.2	11,452.0
Liabilities/equity	56.8%	58.3%	37.5%
ROE	3.2%	6.1%	6.0%

Audited financial statements with the independent auditor's opinion are not available as of today. Audited financial statements will be posted on the webpage on February 28, 2020.

<http://www.samsungdi.com/ir/financial-information/audit-report.html>

Business Performance

□ Summary of key financial metrics, by business division

(Unit: KRW billion)

Division	Category	FY2019	FY2018	FY2017
Battery	Revenue	7,711.6	6,945.9	4,325.9
Electronic Materials	Revenue	2,378.1	2,204.1	2,014.4
Overall	Revenue	10,097.4	9,158.3	6,346.6
	Operation profit	462.2	715.0	116.9
	Margin	4.6%	7.8%	1.8%

In 2019, Samsung SDI recorded the highest revenue in its history by achieving growth in the Battery and Electronic Materials Business Divisions based on its industry-leading technology. The year was particularly meaningful for Company's automotive battery business, an area where Company has been continuously investing for many years, as profitability improved and contribution to Company's overall earnings also increased.

In the mid-to large-sized battery business, Samsung SDI was able to continue its increase in supply of batteries to European automotive battery customers, as the global electric vehicle market experienced significant growth. Company also secured a solid foundation for mid-to long-term growth by expanding the capacity of its Hungary battery plant and successfully stabilizing its operation. In its ESS business, as the leader of the ESS industry, Samsung SDI took the initiative to restore trust in the industry and to foster positive growth in the ecosystem by adopting special fire extinguishing systems that further enhanced ESS safety.

In the small-sized battery business, Samsung SDI increased its supply of batteries for IT devices such as smartphones, wearable devices and Bluetooth headsets amidst accelerated rollout of 5G communication and IoT. Also, in the non-IT markets, Company successfully generated continuous growth by developing new business opportunities beyond the traditional power tool application such as e-bikes, e-scooters and electric vehicles.

During 2019, Samsung SDI's Electronic Materials Business Division successfully responded to changes in the product cycle and technology trends in both key downstream markets of semiconductors and displays, which resulted in enhanced profitability driven by the increased share of its high-end products within Company's product portfolio. At the same time, Company remains actively engaged in the development of materials for next generation products such as quantum dot (QD) displays, foldable displays and next generation semiconductor.

Return to Shareholders

For fiscal year 2019, the BOD decided a year-end dividend of KRW 1,000 per share for Common Stock and KRW 1,050 per share for Preferred Stock. The total dividend payout is KRW 66.9 billion. Samsung SDI decides its dividends by taking into account multiple factors including, but not limited to, investment outlook, cash flow, its financial structure and dividend stability, and has maintained the same size of dividend payout during the recent six years since 2014.

□ Dividend, Stock Price, etc.

(Unit: KRW billion)

Category	FY2019	FY2018	FY2017
Net Profit (attributable to Owners of the Parent Company)	356.5	701.2	657.2
Dividends	66.9	66.9	66.9
(Per share, KRW)	Common 1,000 Preferred 1,050	Common 1,000 Preferred 1,050	Common 1,000 Preferred 1,050
Year-end Stock Price (KRW)	236,000	219,000	204,500
Dividend Yield	Common 0.4% Preferred 1.2%	Common 0.5% Preferred 1.2%	Common 0.5% Preferred 1.2%

Since Samsung SDI is heavily focused on rapidly growing businesses, Company needs to reinvest large portion of its earnings. Accordingly, it is facing difficulties in increasing dividend at the moment. Once the profitability of its new businesses improves and its cash flow becomes more stable, Company will be able to consider gradually increasing shareholder return.

Agenda 2. Election of Directors

Overview

As of the end of 2019, the Samsung SDI's BOD consists of a total of seven members, three Executive Directors and four Independent Directors.

Executive Directors are recommended by the BOD among candidates possessing the necessary qualities as a director such as expertise in the business, a strong sense of responsibility, outstanding achievements and experience. The Independent Directors are recommended by the Independent Director Recommendation Committee after careful consideration of many experts based on criteria such as relevance with Company's business, expertise in various fields such as technology, business management, finance and law as well as independence from the management and controlling shareholder.

For 2020 AGM, due to the expiration of the term, the BOD seeks to re-appoint one Executive Director and to appoint four new Independent Directors.

We recommend re-electing current CEO Young Hyun Jun, who is expected to lead the development and growth of Company with continuity of business strategy.

The Independent Director Recommendation Committee recommends four new candidates, Oh Kyung Kwon, Duk Hyun Kim, Tae Ju Park, and Won Wook Choi. Former Independent Directors were not re-nominated due to the recently revised Enforcement Decree of the Commercial Act, which restricts the term of Independent Directors up to six years.

□ Changes of the BOD Members

<i>Board Composition (2019)</i>				<i>Proposed (2020)</i>			
Executive Director	Tenure (years)	Title	Gender	Executive Director	Tenure	Title	Gender
Young Hyun Jun	3 (since 2017)	CEO	M	Young Hyun Jun	4 (since 2017)	CEO	M
Young No Kwon	2 (since 2018)	CFO	M	Young No Kwon	3 (since 2018)	CFO	M
Tae Hyuk Ahn	1 (since 2019)	Head of small sized battery	M	Tae Hyuk Ahn	2 (since 2019)	Head of mid-large sized battery	M
Independent Director	Tenure (years)	Expertise	Gender	Independent Director	Tenure	Expertise	Gender
Sung Jae Kim	9 (since 2011)	Finance (insurance)	M	Oh Kyung KWON	New	Electric Engineering	M
Serck Joo Hong	6 (since 2014)	Finance (bank)	M	Duk Hyun KIM	New	Legal/ Human Rights	F
Ran Do Kim	6 (since 2014)	Consumer Studies	M	Tae Ju PARK	New	Labor/ Economics	M
Jai Hie Kim	6 (since 2014)	Electric Engineering	M	Won Wook CHOI	New	Finance (accounting)	M

2-1. Reappointment of Executive Director



Young Hyun Jun

Executive Director since 2017
Re-nominated

Ph.D. in Electric Engineering, Korea
Advanced Institute of Science

M.A. in Electric Engineering, Korea
Advanced Institute of Science

B.A. in Electric Engineering, Hanyang
University

Career

2017~Present	CEO, Samsung SDI
2014~2017	President & General Manager of Memory Business, Samsung Electronics
2014~2014	Executive Vice President & General Manager of Memory Business, Samsung Electronics
2012~2014	Executive Vice President of Marketing Team, Samsung Electronics
2010~2012	Executive Vice President of Flash Product and Technology Division, Samsung Electronics
2009~2010	Executive Vice President of DRAM Product and Technology Division, Samsung Electronics

The BOD seeks the reappointment of Young Hyun Jun as an Executive Director of Samsung SDI. While serving as the CEO and Executive Director of Samsung SDI during the past 3 years, Director Jun has made invaluable contributions to Company's business performance as well as shareholder value. With his deep insight into the electronics and the battery industries as well as proven management capabilities, Director Jun has been instrumental to Company's revenue and operating profit growth and shareholder value creation from 2017 to 2019. He has also demonstrated outstanding leadership for Samsung SDI by facilitating effective communication with its employees and other various stakeholders.

Given the nature of Company's business, it is critical that Company continuously invests with long-term perspective and maintains continuity of its business strategy. Therefore, the BOD believes that Director Jun is the right person to lead the long-term growth of Company.

2-2. Appointment of Independent Director



Oh Kyung Kwon

Newly nominated

Ph.D. in Electrical Engineering, Stanford University

M.A. in Electrical Engineering, Stanford University

B.A. in Electronic Engineering, Hanyang University

Career

1992~Present Professor of Electronic Engineering at Hanyang University

2020~Present Chairman of CAETS

2017~Present President of National Academy of Engineering, Korea

2017~Present Independent Director of Yumin Cultural Foundation

2017~Present Non-Executive Director of Korea Institute of S&T Evaluation and Planning

2014~2017 Vice Chairman of Korea Federation of Science and Technology Societies

2010~2011 President of Korea Information Display Association

Independent Director Candidate Oh Kyung Kwon is currently a professor of electronics engineering at Hanyang University in Korea and also the President of the National Academy of Engineering. Professor Kwon is an expert of electronics & electrical engineering and electronic materials technology and possesses a comprehensive perspective capable of quickly reading key technology trends and shifts in the industry.

After receiving his Ph.D in electrical engineering from Stanford University, he has been dedicated to teach future engineers as a professor at Hanyang University. Also, he has led the development of Korea's science and engineering community by serving various leadership positions including the President of the Korean Society of Information Display, the Vice President of the Korean Federation of Science and Technology Societies and the President of the International Council of Academies of Engineering and Technological Sciences. He also has experience of assisting various companies as an advisor in their product development efforts.

Recognized for his expertise in technology and science, his powerful insight across key business areas and a strong sense of responsibility, Professor Kwon is expected to contribute to strengthening the expertise of the Board, which is necessary to actively cope with rapidly changing technology environment.

2-3. Appointment of Independent Director



Duk Hyun Kim

Newly nominated

Ph.D & M.A. in Law, Hanyang University
B.A. in Law, Hanyang University

Career

2018~Present	Attorney of Law firm Jin-Sung
2018~Present	Human Right Officer of National Counterterrorism Committee
2017~Present	Member of Central Committee of Korean Red Cross
2017~Present	Chairperson of the Commission for Democratization movement Activists' Honor-restoration and Compensation
2011~2013	Deputy Chairperson of Korean Bar Association
2001~2007	President of Korean Women Lawyers' Association
1983~1986	Judge of Seoul District Court

Independent Director Candidate Duk Hyun Kim is a legal expert with a distinguished career in the field of law including serving as a judge at Seoul District Court, a professor at the Judicial Research & Training Institute and the President of the Korean Women Lawyers' Association. With extensive experience of working administrative, civil and criminal cases and comprehensive legal knowledge, she currently serves as an attorney of the Law firm Jin-Sung and a Human Rights Officer of National Counterterrorism Committee.

Duk Hyun Kim is also recognized for her abundant experience of working with the government and public sector as an advisor or committee member including as a chairperson of the Commission for Democratization movement Activists' Honor-restoration and Compensation. She has also been an active advocate of social responsibility, serving as a Commissioner of the National Human Rights Commission and a member of the Central Committee of the Korean Red Cross.

With exceptional legal expertise and a well-balanced experience of working with various government institutions, Candidate Kim will contribute to SDI's efforts to augment its compliance management and social responsibility. Furthermore, her appointment as an Independent Director will be an important demonstration of Samsung SDI's commitment to building a corporate culture that encourages diversity.

2-4. Appointment of Independent Director



Tae Ju Park

Newly nominated

Ph.D. in Labor and Industrial Relations,
University of Warwick

M.A. in Labor Economics, Korea
University

B.A. in Economics, Seoul National
University

Career

2019~Present	Senior Researcher of Korea University Institute for Research on Labor and Employment
2017~2019	Standing Commissioner of Economic, Social & Labor Council
2014~2017	President of Seoul Tripartite Model Council
2014~2016	President of Korean Society for Industrial and Labor
2004~2016	Professor of Employment and Labor Training at Korea Institute of Technology Education
2006~2012	President of Tripartite Committee of Hyundai Motor Company

Independent Director Candidate Tae Ju PARK is a labor policy expert with previous experience as researcher at the Korea Institute for Industrial Economics & Trade (KIET). He has advised and researched on matters of labor-management relations for various public institutions and companies and currently serves as a senior researcher at the Institute for Research on Labor and Employment at Korea University, with a focus on researching labor environments and policies in Korea and abroad.

As an employment and labor expert with a balance of both field experience and theoretical expertise, Professor Park played an instrumental role in resolving labor-management disputes at Hyundai Motor Company as the an advisor to the Hyundai Motor Labor-Management Committee, and has developed a distinguished career in promoting healthy labor-management relations through various roles including the President of the Korean Society for Industry and Labor, the President of the Seoul Model Tripartite Council and the Standing Commissioner of the Economic, Social and Labor Council.

Professor Park possesses in-depth understanding of labor policies of not only public institutions and companies in Korea but also overseas, and has immense experience in adopting and executing various policies. As such, he will contribute to Samsung SDI's efforts in building a healthy labor-management relationship in line with the rapidly changing market environment and becoming a socially responsible and sustainable enterprise.

2-5. Appointment of Independent Director



Won Wook Choi

Newly nominated

Ph.D in Business, Columbia University
M.A. in Business, University of Michigan
B.A. in Economics, Yonsei University

Career

2004~Present Professor of School of Business of Yonsei University
2019~Present Independent Director of LIG Nex1
2018~Present Chief Editor Korean Accounting Association
2016~Present Member of Deliberation Council at Tax Office of Ministry of Strategy and Finance
2015~2017 Chief Editor of Korean Academic Society of Taxation
2009~2011 Commissioner of National Tax Service
2009~2011 Member of IFRS, Korea Accounting Institute

Independent Director Candidate Won Wook Choi is currently a professor of accounting at the Yonsei University School of Business, and possesses both the theoretical knowledge and practical experience in various accounting fields such as financial accounting, analysis of financial statements, corporate valuation, tax laws and tax strategy.

Professor Choi also brings a global perspective and expertise in the international accounting standards, having served various positions including as a professor at the School of Business and Management of the Hong Kong University of Science and Technology and Rutgers University in New Jersey as well as a member of the IFRS Adoption Committee of the Korea Accounting Institute. He also has been active in promoting accounting transparency as an advisor and committee member of various organizations including his participation in the Review Committee of the Tax Policy Bureau under the Ministry of Finance and Planning.

Recognized for his expertise in finance and accounting, extensive experience of working with the academia, various public agencies and companies, and reasonable yet meticulous working style, Professor Choi will be a valuable contribution to the development of Samsung SDI by enhancing Company's financial soundness and transparency.

Agenda 3. Election of Audit Committee Members

Overview

The Samsung SDI Audit Committee consists of four Independent Directors. The committee members are appointed by the resolution of General Meeting of Shareholders and the chairman of the committee is selected by a committee resolution.

For 2020 AGM, the BOD seeks to appoint four new Audit Committee Members to fill the vacancy on the Audit Committee created by the expiration of the term of former Independent Directors.

We recommend four candidates, Oh Kyung Kwon, Duk Hyun Kim, Tae Ju Park, and Won Wook Choi. We believe experience and knowledge of candidates is well suited for carrying out the required duties.

□ Audit Committee Members

Present (2019)

Director	Tenure (years)	Expertise	Gender
Sung Jae Kim	9 (since 2011)	Finance (insurance)	M
Serck Joo Hong	5.8 (since 2014)	Finance (bank)	M
Ran Do Kim	5.8 (since 2014)	Consumer Studies	M
Jai Hie Kim	5.8 (since 2014)	Electric Engineering	M



Proposed (2020)

Director	Tenure	Expertise	Gender
Oh Kyung Kwon	New	Electric Engineering	M
Duk Hyun Kim	New	Legal/ Human Rights	F
Tae Ju Park	New	Labor/ Economics	M
Won Wook Choi	New	Finance (accounting)	M

3-1. Appointment of Audit Committee Member



Oh Kyung Kwon

Newly nominated

Ph.D. in Electrical Engineering, Stanford University
 M.A. in Electrical Engineering, Stanford University
 B.A. in Electronic Engineering, Hanyang University

Career

1992~Present Professor of Electronic Engineering at Hanyang University
 2020~Present Chairman of CAETS
 2017~Present President of National Academy of Engineering, Korea
 2017~Present Independent Director of Yumin Cultural Foundation
 2017~Present Non-Executive Director of Korea Institute of S&T Evaluation and Planning
 2014~2017 Vice Chairman of Korea Federation of Science and Technology Societies
 2010~2011 President of Korea Information Display Association

3-2. Appointment of Audit Committee Member



Duk Hyun Kim

Newly nominated

Ph.D & M.A. in Law, Hanyang University
 B.A. in Law, Hanyang University

Career

2018~Present Attorney of Law firm Jin-Sung
 2018~Present Human Right Officer of National Counterterrorism Committee
 2017~Present Member of Central Committee of Korean Red Cross
 2017~Present Chairperson of the Commission for Democratization movement Activists' Honor-restoration and Compensation
 2011~2013 Deputy Chairperson of Korean Bar Association
 2001~2007 President of Korean Women Lawyers' Association
 1983~1986 Judge of Seoul District Court

3-3. Appointment of Audit Committee Member



Tae Ju Park

Newly nominated

Ph.D. in Labor and Industrial Relations,
University of Warwick
M.A. in Labor Economics, Korea
University
B.A. in Economics, Seoul National
University

Career

2019~Present Senior Researcher of Korea University
Institute for Research on Labor and
Employment
2017~2019 Standing Commissioner of Economic,
Social & Labor Council
2014~2017 President of Seoul Tripartite Model Council
2014~2016 President of Korean Society for
Industrial and Labor
2004~2016 Professor of Employment and Labor Training at
Korea Institute of Technology Education
2006~2012 President of Tripartite Committee of
Hyundai Motor Company

3-4. Appointment of Audit Committee Member



Won Wook Choi

Newly nominated

Ph.D in Business, Columbia University
M.A. in Business, University of Michigan
B.A. in Economics, Yonsei University

Career

2004~Present Professor of School of Business of
Yonsei University
2019~Present Independent Director of LIG Nex1
2018~Present Chief Editor Korean Accounting Association
2016~Present Member of Deliberation Council at Tax Office
of Ministry of Strategy and Finance
2015~2017 Chief Editor of Korean Academic
Society of Taxation
2009~2011 Commissioner of National Tax Service
2009~2011 Member of IFRS, Korea Accounting
Institute

Agenda 4. Approval of Director Remuneration Limit (FY 2020)

Overview

The BOD is seeking your approval of the total remuneration limit for the fiscal year 2020.

- Total Remuneration Limit: KRW 19 Billion

Director Remuneration Structure

Our Director Remuneration practices are designed to emphasize the link between performance and compensation. The Remuneration plan consists of salary, bonus, and other compensation. The bonus includes annual incentives and Long Term Incentive (LTI). Annual incentives includes Overall Performance Incentive (OPI), Target Achievement Incentive (TAI), and special bonus, and are based on target achievements and financial performance. LTI is determined by performance evaluations on a three year interval, and distribute 50%, 25%, and 25% of the incentive in the following three years, respectively. The evaluation criteria for LTI are ROE, stock performance and EBIT margin.

Compensation Committee

The Compensation Committee was established in 2014 by a resolution of the BOD, without legal mandates. To ensure objectivity and transparency in decision making on director remuneration, the Committee consists of two Independent Directors and one Executive Director, chaired by an Independent Director. It is responsible for assessing the appropriateness of director compensation and reviewing the limit on director compensation for the next fiscal year, which will be up for approval by the shareholders at the AGM.

FY 2019 Remuneration (Actual)

□ Directors Remuneration Paid

(Unit: KRW billion)

	FY2019		FY2018	
	Approved	Actual	Approved	Actual
Total	19.0	3.7	19.0	5.6

Analysis

Remuneration payout decreased in FY2019 due to the smaller incentive payout and retention of Executive Directors. In 2018, severance benefit were paid to two retired Executive Directors, Mr. Chang Lyong Song and Mr. Seh Woong Jeong, and included in FY2018 as the actual remuneration paid.

□ Independent Director Remunerations

(Unit: KRW million, Person)

	FY 2019	FY 2018*
Number of Directors	4	5
Total Amount	339	355
Average (per person)	85	71

* The total amount and average for FY 2018 reflected the remunerations paid to Mr. Minki Noh who resigned as of March 2018

FY 2020 Remuneration (To Be Approved)

	FY 2020	FY 2019
Number of Directors(Independent)	7(4)	7(4)
Total remuneration limit	KRW 19 billion	KRW 19 billion

Appendix 1. Business Report

Business Overview

In 2019, despite various external uncertainties such as the US-China trade dispute and export regulations by Japan as well as the global low growth environment, Samsung SDI was able to deliver meaningful results by recording the largest revenue in Company's history since its foundation in 1970.

Thanks to the strong support of its shareholders and the dedicated efforts of its officers and employees, Samsung SDI recorded revenue of KRW 10.1 trillion and operating profits of KRW 462.2 billion in 2019. Even though operating profits decreased compared to 2018 due to one-time costs incurred for the additional ESS safety measures, aside from the ESS business, Company, aside from ESS business, was able to achieve a well-balanced growth across automotive batteries, small-sized batteries and electronic materials business, and recorded revenue growth of 10.3% overall. The debt-to-equity ratio was 56.8%, the shareholder's equity ratio was 63.8%, and the ROE was 3.2%.

In 2020, a high level of uncertainty is likely to persist due to various risks such as continuing global trade tensions. In terms of industry outlook, the battery market is likely to see even greater competition as players fight to gain a leading position in newly emerging segments. In the electronic materials industry, the pace of technology change is accelerating even more. As always, Samsung SDI will continue to focus on converting these difficulties and challenges into positive business opportunities through proactive preparation and innovation to generate sustainable growth for Company.

□ Financial performance (K-IFRS, consolidated)

(Unit: KRW billion)

Category	FY2019	FY2018	FY2017
Revenue	10,097.4	9,158.3	6,346.6
Operating profit	462.2	715.0	116.9
Net profit	402.4	745.0	643.1
Assets	19,852.1	19,349.7	15,741.7
Liabilities	7,191.8	7,124.5	4,289.7
Equity	12,660.3	12,225.2	11,452.0
Liabilities/equity	56.8%	58.3%	37.5%
Dividend Per Share (KRW)	Common 1,000	Common 1,000	Common 1,000
	Preferred 1,050	Preferred 1,050	Preferred 1,050
Year-end Stock Price (KRW)	236,000	219,000	204,500

Battery

In 2019, the Battery Business Division recorded the highest revenue in its history. By taking advantage of the wider adoption of electric vehicles around the world, the automotive batteries business grew by more than 70% year-on-year and also achieved meaningful improvement in its profitability. In the ESS market, Samsung SDI continues to maintain its solid No.1 global market share, and further enhanced its product safety by developing a special fire extinguishing systems for ESS. In the small-sized batteries market, Company was able to diversify into new applications such as e-mobility and wearable devices, which will be the source of new growth.

Automotive batteries are expected to continue significant growth as many countries around the world adopt EV friendly policies, and consumer demand for EVs also increases. Samsung SDI plans to focus particularly on increasing its automotive battery supply in the European market, where EV production is expected to double due to adoption of stricter CO₂ regulations. Also, Company will strengthen the relationship in the Chinese and US markets which are expected to grow by more than 20% year-over-year.

In the case of ESS, demand is expected to continuously grow as the share of renewable energy such as solar and wind-powered generation increases in line with greater power demand, the need to reduce carbon output and the trend away from nuclear power generation. Samsung SDI plans to complete the implementation of ESS safety enhancement measures in the Korean market during the first half of 2020, and to put the ESS business back on track in 2020 by strengthening its customer base, particularly in the overseas markets.

In the small-sized battery business, Samsung SDI is preparing to capture the new application markets emerging with the acceleration of the 4th industrial revolution that brings all devices, people and space under a hyper-connected network. In particular, Company is keen on increasing sales by offering small-size battery solutions optimized for new markets such as EV, e-mobility, 5G communication and wearable devices, which are expected to experience significant demand growth this year, while at the same time, maintaining its strong leadership in traditional markets such as mobile devices and power tools.

Electronic Material

In 2019, the Electronic Materials Division also recorded the highest business performance in its history, mainly driven by growth in the sales of display related materials such as polarizer films and OLED material. In the case of polarizer films, with larger screens becoming the predominant trend in the TV market, Samsung SDI increased its revenue significantly by using its differentiated product competitiveness and industry leading productivity to capture a large part of such new demand. The sales of the OLED materials also recorded solid growth, supported by the increased adoption of OLED in the mobile devices, while also securing the foundation for future growth by qualifying for the supply of various new OLED material. In

the case of semiconductor materials, due to various external factors including inventory adjustment in the downstream semiconductor market, trade tensions between US and China and export regulations by Japan, overall demand remained soft, and Company's revenue also decreased slightly compared to the previous year.

In terms of future business outlook, for polarizer films, while the growth of the LCD TV market is expected to slow down in 2020, Samsung SDI plans to actively respond to market changes by leveraging its product competitiveness gained from the use of differentiated materials and by maintaining its industry-leading production efficiency. We will focus particularly on capturing the demand for 65 inch+ large-sized TV displays, starting supply for new high-end applications in line with the latest technology trends, and further diversify Company's customer base to drive future growth.

With the increased adoption of OLED panels and larger displays on mobile devices, the OLED materials market is also expected to continue growth. Samsung SDI plans to increase its supply to key customers with the timely supply of its products for the customers' new platforms scheduled for launch this year, and also increase its supply of new products by swiftly responding to the foldable display market, where demand for new materials is increasing. Also, Samsung SDI will continue to prepare new materials that enable next generation technologies such as QD display.

For semiconductor materials, Company's business performance is expected to improve compared to 2019 as server and 5G smartphone memory demand is expected to increase in 2020. Company's focus will be on further enhancing the quality of its key semiconductor material products and to add on new customers, while at the same time continuing to expand its product portfolio in line with the latest technology developments for next generation semiconductors.

Appendix 2. Corporate Governance

The Board of Directors

The BOD is the highest permanent decision-making body of Company and decides matters such as those stipulated by law or Company's Articles of Incorporation, those delegated to the BOD by the General Meeting of Shareholders and important matters regarding Company's basic business policies and business execution. The BOD is also responsible for supervising the work of Company's executive team. To ensure that the BOD effectively performs its decision-making and supervisory function, Samsung SDI sets forth matters such as the power, composition and deliberation of the BOD in detail in the Regulation for the Operation of the Board of Directors.

The Board of Directors decides matters such as those related with the General Meeting of Shareholders, financial matters, matters related with individual Directors, the BOD and committees, and other key business issues. To enhance the efficiency of BOD operation as well as its expertise and independence, the BOD operates several committees including the Audit Committee, the Related Party Transaction Committee, the Management Committee, the Independent Director Recommendation Committee and Compensation Committee, to which the BOD delegates the relevant matters.

□ BOD Members: 7 Directors (as of the end of December 2019)

Executive Directors(3) :	Mr. Young Hyun Jun(Chairman of the BOD), Mr. Young No Kwon, Mr. Tae Hyuk Ahn
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Independent Directors(4) :	Mr. Jai Hie Kim, Mr. Ran Do Kim, Mr. Serk Joo Hong, Mr. Sung Jae Kim
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□ Chairman of the Board

Pursuant to Company's Articles of Incorporation and the Regulation for the Operation of the BOD, the Chairman of the BOD is appointed among Directors through the resolution by the BOD, and different persons may be appointed respectively as the Chairman of the BOD and as the Representative Director of Company.

□ Responsibilities and duties of Directors

Pursuant to the Article 24 of our Articles of Incorporation, Directors shall take charge of the affairs determined by the BOD or the committee delegated by the BOD. If the Chairman is

unable to perform his or her duties, directors act on his or her behalf, as prescribed by the board of directors. Pursuant to the Article 24-2 of our Articles of Incorporation, when a director discovers that he or she is likely to cause significant damage to Company, he or she shall immediately report such fact to the Audit Committee. Pursuant to the Article 25 Prohibition of Competition by Directors, no Director shall effect any transaction which falls within the same class of business as that of Company without the consent of the BOD or such committee as authorized by the Board of Directors, except when a Director is elected with the knowledge that his business is in competition with Company.

Director independence

Director independence shall be determine by the independence requirements set forth by the Korean Stock Exchange listing standards, the Commercial Code, and other related regulations. A Director may not be deemed independent if he or she fails to meet the criteria of applicable standards.

Election of Directors

Regulations regarding the election, term of office, and election of Directors in case of a vacancy are provided in the Article 22 of our Articles of Incorporation.

It states that Company shall have at least three, but not more than nine, 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 23 of our Articles of Incorporation, all of Company's BOD members', who are elected by a resolution of the AGM, term of office is three years.

Election of Directors in case of vacancy

Any vacancy in the office of Director shall be filled by a resolution of a general meeting of shareholders. However, if the number of Directors does not fall below the number prescribed by the Article 22 of the Article of Incorporation and if there is no difficulty in the administration of business, the foregoing shall not be applicable.

Convening of the meeting of the Board of Directors

There are two types of the BOD meetings.

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

The Chairman convenes meetings of the BOD, and shall provide members with a notice of

meeting, along with an agenda and reasons for the meeting, at least 24 hours in advance. The notice can be in written, oral, and/or electronic forms, and may be omitted with the consent of all Directors. The presence of a majority of all Directors shall constitute a quorum and resolutions shall be adopted by a majority of the votes of Directors attending the meeting; provided that the Board meeting may take place via electronic means, such as by conference call, within the scope provided by relevant laws. Any Director may convene a meeting with consent from the Chairman in the case where the meeting is deemed necessary for the purpose of carrying out his or her duties.

Board Committee

Company's BOD currently operates five sub-committees, i.e. the Management Committee, the Audit Committee, the Related Party Transaction Committee, the Independent Director Recommendation Committee and the Compensation Committee.

Among these committees, the establishment of the Audit Committee and the Independent Director Recommendation Committee is a statutory requirement under the law including the Korean Commercial Code, and the remaining three committees have been created voluntarily by the BOD to enhance its expertise, independence and efficiency. Details regarding the purpose, composition, authority, operation, qualification and appointment & dismissal of members for each committee are determined by the relevant laws and the resolution by the BOD, and have been set forth in writing in the form of the regulations for the operation of each committee.

Pursuant to the regulations for operation of each committee, resolutions taken by each committee must be notified to each Director, and pursuant to Article 15 of the Regulations for the Operation of the BOD, each Director may demand convocation of a BOD meeting within two days from receiving such notice. The BOD has the power to resolve on matters already resolved by one of its committees, notwithstanding however, that pursuant to Article 415-2(6) of the Korean Commercial Code, matters resolved by the Audit Committee cannot be resolved again by the BOD.

The Management Committee

The purpose of the Management Committee is to promote the efficiency of the BOD operation by addressing matters as delegated by the BOD such as matters of general business management, financial matters and other matters excluding those requiring BOD resolution by law or the Articles of Incorporation. To achieve timely and efficiency decision making, the Management Committee consists of three Executive Directors who possess expertise and experience in business management.

The Audit Committee

The Audit Committee performs auditing of Company's accounting and key business activities, evaluation of Company's internal accounting control system operation, and inspection of the operation of Company's internal monitoring devices. The Audit Committee also supervises the Directors' and the management's professional activities to ensure that reasonable business decisions are reached by Directors and the management.

Currently, Samsung SDI's Audit Committee consists of four Independent Directors including one financial expert (Director Sung Jae Kim). The Chairperson of the Audit Committee is appointed through resolution by the Audit Committee.

The Related Party Transaction Committee

The Related Party Transaction Committee was created by the BOD even though there was no legal requirement to do so, in order to enhance the transparency of Company's business management and to inspect related party transactions among affiliates by creating a voluntary fair trade compliance program. Samsung SDI's Related Party Transaction Committee consists of four Independent Directors to guarantee a high degree of independence and fairness.

The Independent Director Recommendation Committee

The Independent Director Recommendation Committee examines potential Independent Director candidates and recommends those to be appointed by the General Meeting of Shareholders. The Independent Director Recommendation Committee currently consists of three Executive Directors and four Independent Directors.

The Compensation Committee

Even though the Compensation Committee is not mandatory by law, the BOD resolved to create the Compensation Committee in order to ensure objectivity and transparency in the process for determining director compensation. Pursuant to Article 3 of the Regulations for the Operation of the Compensation Committee, the Committee consists of two Independent Directors and one Executive Director. Director Serck Joo Hong, an Independent Director, has been appointed as the Chairperson of the Compensation Committee, and a majority of committee members are appointed among Independent Directors to ensure independence from the executive team.

□ **Composition of the BOD committee (as of February 2019)**

Committee	Committee Members		
	Chair	Executive Directors	Independent Directors
Management	Young Hyun Jun	Young No Kwon Tae Hyuk Ahn	-
Audit	Sung Jae Kim	-	Serck Joo Hong Ran Do Kim Jae Hie Kim
Related Party Transactions	Sung Jae Kim	-	Serck Joo Hong Ran Do Kim Jae Hie Kim
Independent Director Candidates Recommendation	Young Hyun Jun	Young No Kwon Tae Hyuk Ahn	Sung Jae Kim Serck Joo Hong Ran Do Kim Jae Hie Kim
Compensation	Serck Joo Hong	Young No Kwon	Sung Jae Kim

Profile of BOD Members (As of February 2020)

□ Executive Directors



Young Hyun Jun

Executive Director since 2017
Re-nominated

Ph.D. in Electric Engineering, Korea Advanced Institute of Science
M.A. in Electric Engineering, Korea Advanced Institute of Science
B.A. in Electric Engineering, Hanyang University

Career

2017~Present CEO, Samsung SDI
2014~2017 President & General Manager of Memory Business, Samsung Electronics
2014~2014 Executive Vice President & General Manager of Memory Business, Samsung Electronics
2012~2014 Executive Vice President of Marketing Team, Samsung Electronics
2010~2012 Executive Vice President of Flash Product and Technology Division, Samsung Electronics
2009~2010 Executive Vice President of DRAM Product and Technology division, Samsung Electronics



Young No Kwon

Executive Director since 2018

B.A from Industrial Psychology;
Sungkyunkwan University

Career

2017~Present Executive VP of Business Management Office, Samsung SDI
2017 Executive VP of Corporate Management & Planning Office, Samsung C&T
2015 Executive VP of Business Management Office, Samsung Electro-Mechanics
2013 Senior VP of LCR Business Management Office, Samsung Electro-Mechanics



Tae Hyuk Ahn

Executive Director since 2019

PhD. from Electric Engineering; Nagoya University
M.S from Metal Engineering; Hanyang University
B.S from Electronics Engineering; Kyungpook University

Career

2017~Present Executive VP of Battery Business, Samsung SDI
2015 Executive VP of System LSI Manufacturing Center, Samsung Electronics
2012 Senior VP of Memory Technology Innovation Team, Samsung Electronics
2011 Senior VP of Memory FAB2 Team, Samsung Electronics

□ Independent Directors



Sung Jae Kim

Independent Director since 2011
(Re-elected in 2017)

Ph.D in Business Administration; University of Wisconsin-Madison

M.S in Business Administration; University of Michigan

B.A in Business Administration; Seoul National University

Career

2011~Present Independent Director of Samsung SDI
2015 Director of the Korea Risks Management Society
2010 Vice President at Hankuk University of Foreign Studies
1996 Executive Director of Korean Academic Society of Business Administration
1985~Present Professor of Business Administration at Hankuk University of Foreign Studies



Serck Joo Hong

Independent Director since 2014
(Re-elected in 2017)

MBA; Wharton School of the University of Pennsylvania

B.A. in Business Administration; Seoul National University

Career

2014~Present Independent Director of Samsung SDI
2011~Present CEO of Locus Capital Partners
2006 President of Korea Investment Corporation (KIC)
2004 President of Korea Securities Finance Corporation
2002 President of Choheung Bank



Ran Do Kim

Independent Director since 2014
(Re-elected in 2017)

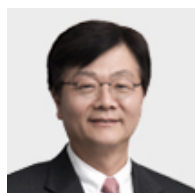
Ph.D. in Public administration; University of Southern California

Master in Public administration; Seoul National University

B.S. in Law; Seoul National University

Career

2014~Present Independent Director of Samsung SDI
2012~Present Director of Korean Society of Consumer Studies
2002~Present Professor of College of Human Ecology at Seoul National University
1997 Researcher of ETRI (Electronics and Telecommunications Research Institute)
1996 Non-executive research member of GRI (Gyeonggi Research Institute)



Jai Hie Kim

Independent Director since 2014
(Re-elected in 2017)

Ph.D. in Electrical Engineering; Case Western Reserve University

M.S. in Electrical Engineering; Case Western Reserve University

B.S. in Electrical Engineering; Yonsei University

Career

2014~Present Independent Director of Samsung SDI
2009~Present Independent Director of TLI Inc.
2008 President of The Insisute of Electronics and Information Engineers
2007 President of BERC(Biometric Engineering Research Center) at Yonsei University
2002~Present Head of Biometrics Engineering Research Center
1984~Present Professor of Electricity & Electronic Engineering at Yonsei University

BOD Activities

Date	Contents of Agenda	YH Jun	YN Kwon	TH Ahn	CL Song	SJ Kim	SJ Hong	RD Kim	JH Kim
2019. 1.25	Approval of FY2018 financial statements	For	For		absent	For	For	For	For
	Approval of cafeteria outsourcing contract with Samsung Welstory Inc.	For	For		absent	For	For	For	For
	Approval of asset transaction with Samsung Electronics Co., Ltd.	For	For		absent	For	For	For	For
	Approval of lease contract with Samsung Electronics Co., Ltd.	For	For		absent	For	For	For	For
	Report of FY2018 business result and FY2019 business outlook								
2019. 02.19	Convene of 49th AGM	For	For		absent	For	For	For	For
	Appointment of person to exercise for DR voting right	For	For		absent	For	For	For	For
	Amendment of operating procedure of Audit Committee	For	For		absent	For	For	For	For
	Amendment of operating procedure of Internal Trade Committee	For	For		absent	For	For	For	For
	Amendment of internal accounting management system	For	For		absent	For	For	For	For
	Payment guarantee in Xian Samsung SDI Co., Ltd.	For	For		absent	For	For	For	For
	Approval of executing financial donations to Chungnam Samsung Academy	For	For		absent	For	For	For	For
	Report of operation status of internal accounting management system								
	Report of operation status evaluation of internal accounting management system by Audit Committee								
2019. 03.20	Appointment of business affairs and setting the remuneration of Directors	For	For	For		For	For	For	For
	Appointment of member of Management Committee	For	For	For		For	For	For	For
	Appointment of Candidate recommendation of Independent Director	For	For	For		For	For	For	For
	Report of FY2019 CSR	For	For	For		For	For	For	For
2019. 07.30	Approval of selling Lotte Advanced Materials Co.,Ltd	For	For	For		For	For	For	For
	Approval of participation in paid-in capital increase of Samsung SDI Hungary Rt	For	For	For		For	For	For	For
	Signing a consulting contract with Samsung Electronics Co.Ltd.	For	For	For		For	For	For	For
	Signing contract with Samsung Electronics Co.Ltd. And Samsung Display Co.Ltd.	For	For	For		For	For	For	For
	Approval of changed transaction amount with Samsung Engineering Co., Ltd.	For	For	For		For	For	For	For
2019. 10.14	Carrying forward ESS safety reinforcement measure	For	For	For		For	For	For	absent
2019. 10.29	Accumulation of DC type retirement pension in FY2019	For	For	For		For	For	For	For
	Approval of executing financial donations	For	For	For		For	For	For	For
	Settlement of costs by resetting patent right with Samsung Electronics Co.Ltd.	For	For	For		For	For	For	For
2019. 12.13	Approval of transaction limit with major shareholders in FY2020	For	For	For		For	For	For	For
	Approval of payment guarantee for Samsung SDI Hungary Zrt.	For	For	For		For	For	For	For

※ YH Jun (Young Hyun Jun), YN Kwon(Young No Kwon), CL Song(Chang Lyong Song), TH Ahn(Tae Hyuk Ahn). SJ Kim(Sung Jae Kim), SJ Hong(Serck Joo Hong), RD Kim(Ran Do Kim), JH Kim(Jae Hie Kim)

Shareholder Structure

As of the end of 2019, the total number of Samsung SDI shares outstanding is 70,382,426.

The number of common shares outstanding and preferred shares outstanding are 68,764,530(98%) and 1,617,896 (2%), respectively.

The number of total treasury stocks of Samsung SDI is 3,509,791 with 3,331,391 common shares(5% of common shares issued) and 178,400 preferred shares(11% of preferred shares issued).

Ownership Structure as of the End of FY2019

	Foreign Investors	Local Institution	Individuals	Treasury Shares	Controlling Shareholders	Total
Common	44.0%	19.9%	10.9%	4.8%	20.4%	100%

Stock ownership status of shareholders over 5%

Shareholders	Holding shares	Ownership (%)	Relationship with Company
Samsung Electronics	13,462,673	19.58%	Largest shareholder /Business partner in purchase and sales
National Pension Service of Korea	7,400,009	10.76%	Financial Investors

* As of December 31,2019, the number of total common shares outstanding is 68,764,530

Independent Auditor Fees

The following table presents fees for professional audit services rendered by KPMG Samjong Accounting Corp.(Samjong) for the audit of Samsung SDI's annual financial statements for the past three years (FY2017–2019), and fees billed for other services rendered by Samjong during those periods.

Independent Auditor Fees between FY2017 to FY2019

FY	Auditor	Audit Services (KRW Million)	*Non-Audit Services	Audit Opinion
48th	Samjong KPMG	640	-	Unqualified
49th	Samjong KPMG	710	-	Unqualified
50th	Samjong KPMG	1,170	-	-

Result of General Meeting of Shareholders

49th General Meeting of Shareholders

Agenda for the Resolution		Approval Rate
Proposal 1	Approval of the 2018 Financial Statements of the Company	89.1%
Proposal 2	Appointment of Director	98.8%
Proposal 3	Approval of the Remuneration Limit of the Director in FY 2019	96.2%
Proposal 4	Amendment of the Article of Incorporation	99.8%

* Approval Rate : Number of shares approved / Number of shares exercising voting rights

Corporate Website

More details on Company's corporate governance structure can be found in Company's annual report (<http://dart.fss.or.kr>) and Company's website.

<https://www.samsungsdi.com/ir/corporate-governance/articles-of-incorporation.html>

Appendix 3. Financial Statements (FY2019)

Consolidated Financial Statements of Samsung SDI Co., LTD. and Subsidiaries

Index to Financial Statements

※ Audited financial statements with the independent auditor's opinion are not available as of today but will be disclosed separately at the IR webpage of Samsung SDI on February 28th.
<https://www.samsungsdi.com/ir/financial-information/audit-report.html>

Financial Statements Page

Consolidated Statements of Financial Position.....	33
Consolidated Statements of Comprehensive Income.....	34
Consolidated Statements of Changes in Equity.....	35
Consolidated Statements of Cash Flows.....	37
Separate Statements of Appropriation of Retained Earnings.....	38

Consolidated Statements of Financial Position (As of December 31, 2019 and 2018)

<i>(In thousands of won)</i>	2019	2018
Assets		
Cash and cash equivalents	1,156,295,421	1,516,585,547
Trade and other receivables, net	2,015,345,598	1,851,185,859
Inventories, net	1,707,920,529	1,745,650,833
Other investments	147,307,933	150,531,068
Other assets	154,545,416	198,560,107
Non-current assets held for sale	-	56,828,796
Total current assets	5,181,414,897	5,519,342,210
Long-term trade and other receivables, net	27,812,098	23,168,939
Investments in equity-accounted investees	6,763,177,129	6,554,633,768
Property, plant and equipment, net	5,426,843,174	4,608,333,986
Intangible assets, net	831,370,662	866,271,119
Investment property	153,656,746	149,725,014
Deferred tax assets	85,799,169	51,799,609
Other non-current investments, including derivatives	1,268,769,439	1,495,631,279
Other non-current assets	113,253,135	80,815,260
Total non-current assets	14,670,681,552	13,830,378,974
Total assets	19,852,096,449	19,349,721,184
Liabilities		
Trade and other payables	1,835,800,151	2,145,075,054
Income taxes payable	72,873,576	35,623,226
Advance received	60,860,324	69,598,589
Unearned revenue	5,513,614	6,304,690
Short-term borrowings	1,766,474,986	1,739,389,710
Derivative liabilities	-	15,202,782
Liabilities held-for-sale	-	1,628,447
Total current liabilities	3,741,522,651	4,012,822,498
Trade and other payables	338,467,512	291,312,664
Long-term unearned revenue	5,259,529	27,083,907
Long-term borrowings	1,801,994,890	1,514,282,001
Employee benefit liabilities, net	61,489,160	70,146,754
Derivative liabilities	2,420,075	29,866,610
Deferred tax liabilities	1,240,597,436	1,178,987,534
Total non-current liabilities	3,450,228,602	3,111,679,470
Total liabilities	7,191,751,253	7,124,501,968
Capital stock	356,712,130	356,712,130
Capital surplus	5,001,974,693	5,037,936,784
Other capital	(345,131,584)	(345,131,584)
Accumulated other comprehensive income	404,513,004	271,989,660
Retained earnings	6,906,868,478	6,612,515,754
Equity attributable to owners of the Parent Company	12,324,936,721	11,934,022,744
Non-controlling interests	335,408,475	291,196,472
Total equity	12,660,345,196	12,225,219,216
Total liabilities and equity	19,852,096,449	19,349,721,184

Consolidated Statements of Comprehensive Income (For the years ended December 31, 2019 and 2018)

(In thousands of won, except per share information)

	<u>2019</u>	<u>2018</u>
Revenue	10,097,426,165	9,158,272,455
Cost of sales	(7,882,255,450)	(7,118,188,528)
Gross profit	2,215,170,715	2,040,083,927
Selling, general and administrative expenses	(1,752,994,251)	(1,325,113,320)
Operating income (loss)	462,176,464	714,970,606
Other income	84,720,340	129,512,317
Other expenses	(90,910,750)	(193,470,665)
Finance income	314,411,077	381,754,697
Finance costs	(383,670,662)	(338,715,141)
Share of profit of equity accounted investees	178,629,731	342,181,824
Profit(loss) before income taxes	564,642,232	1,036,233,637
Income tax expense(income)	(162,275,802)	291,184,452
Profit (loss) for the year	402,366,430	745,049,185
Other comprehensive income (loss)		
Items that will never be reclassified to profit or loss:		
Defined benefit plan actuarial losses	5,897,603	(29,815,081)
Unrealized net changes in fair value of FVOCI financial assets	41,532,379	77,282,457
Related tax	(11,199,966)	(11,443,794)
Items that are or may be reclassified to profit or loss:		
Effective portion of unrealized changes in fair values of cash flow hedges	28,819,436	(25,658,004)
Change in equity of equity-method accounted investees	21,850,440	(6,897,968)
Change in gain (loss) on translation of foreign operations	60,421,136	39,557,924
Related tax	(8,605,119)	8,252,786
Other comprehensive income (loss) for the year, net of tax	138,715,909	51,278,320
Total comprehensive income (loss)	541,082,339	796,327,505
Profit(loss) attributable to:		
Owners of the Parent Company	356,548,861	701,166,337
Non-controlling interests	45,817,569	43,882,848
Total comprehensive income (loss) attributable to:		
Owners of the Parent Company	493,820,677	748,427,028
Non-controlling interests	47,261,662	47,900,477
Earnings per share		
Basic earnings per share (won) - Ordinary share	5,331	10,484
Basic earnings per share (won) - Preferred share	5,381	10,534

Consolidated Statements of Changes in Equity (For the years ended December 31, 2019 and 2018)

<i>(In thousands of won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Other capital</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2018	356,712,130	5,042,698,139	(345,131,584)	602,435,775	5,600,587,220	194,697,817	11,451,999,497
Change in accounting policies	-	-	-	(400,263,326)	400,263,326	-	-
Restated balance at January 1, 2018	356,712,130	5,042,698,139	(345,131,584)	202,172,449	6,000,850,546	194,697,817	11,451,999,497
Comprehensive income							
Profit (loss) for the year	-	-	-	-	701,166,337	43,882,848	745,049,185
Defined benefit plan actuarial gain	-	-	-	-	(22,556,520)	-	(22,556,520)
Effective portion of unrealized changes in fair values of cash flow hedges	-	-	-	(19,439,526)	-	-	(19,439,526)
Changes in fair values of FVOCI financial assets	-	-	-	58,580,102	-	-	58,580,102
Change in equity of equity-accounted investees	-	-	-	(5,585,884)	-	-	(5,585,884)
Change in gain (loss) on translation of foreign operations	-	-	-	36,262,519	-	4,017,629	40,280,148
Total comprehensive income (loss)	-	-	-	69,817,211	678,609,817	47,900,477	796,327,505
Transactions with shareholders directly recognized in equity	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	(66,944,609)	(4,781,908)	(71,726,517)
Capital contribution from non-controlling interests	-	-	-	-	-	56,321,980	56,321,980
Capital reduction to non-controlling interests	-	-	-	-	-	(107,500)	(107,500)
Acquisition of non-controlling interest	-	(3,154,855)	-	-	-	(2,834,394)	(5,989,249)
Others	-	(1,606,500)	-	-	-	-	(1,606,500)
Balance at December 31, 2018	356,712,130	5,037,936,784	(345,131,584)	271,989,660	6,612,515,754	291,196,472	12,225,219,216

<i>(In thousands of won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Other capital</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2019	356,712,130	5,037,936,784	(345,131,584)	271,989,660	6,612,515,754	291,196,472	12,225,219,216
Comprehensive income							
Profit (loss) for the year	-	-	-	-	356,548,861	45,817,569	402,366,430
Defined benefit plan actuarial gain	-	-	-	-	4,748,473	-	4,748,473
Effective portion of unrealized changes in fair values of cash flow hedges	-	-	-	21,845,133	-	-	21,845,133
Changes in fair values of FVOCI financial assets	-	-	-	31,481,544	-	-	31,481,544
Change in equity of equity-accounted investees	-	-	-	16,599,622	-	-	16,599,622
Change in gain (loss) on translation of foreign operations	-	-	-	62,597,045	-	1,444,093	64,041,138
Total comprehensive income (loss)	-	-	-	132,523,344	361,297,344	47,261,662	541,082,340
Transactions with shareholders directly recognized in equity							
Dividends to owners of the Company	-	-	-	-	(66,944,610)	-	(66,944,610)
Capital contribution from non-controlling interests	-	-	-	-	-	14,871,010	14,871,010
Capital reduction to non-controlling interests	-	-	-	-	-	(84,400)	(84,400)
Disposal of Subsidiaries	-	-	-	-	-	(8,543,359)	(8,543,359)
Liquidation of Subsidiaries	-	(3,517,575)	-	-	-	(655,204)	(4,172,779)
Acquisition of non-controlling interest	-	(32,444,516)	-	-	-	(8,637,706)	(41,082,222)
Balance at December 31, 2019	356,712,130	5,001,974,693	(345,131,584)	404,513,004	6,906,868,478	335,408,475	12,660,345,196

Consolidated Statements of Cash Flows (As of December 31, 2019 and 2018)

<i>(In thousands of won)</i>	2019	2018
Cash flows from operating activities		
Profit for the year	402,366,430	745,049,185
Adjustments for expense (benefit)	981,811,235	629,720,089
Changes in assets and liabilities	(306,525,782)	(979,201,821)
Interest received	18,526,591	17,250,052
Interest paid	(76,707,916)	(48,904,350)
Dividends received	17,560,342	25,532,902
Income taxes paid	(113,959,268)	(128,836,322)
Net cash provided by (used in) operating activities	923,071,632	260,609,735
Cash flows from investing activities		
Sale of other investments	354,134,808	576,569,660
Disposal of non-current assets held for sale	14,985,000	-
Proceeds from sale of property, plant and equipment	19,321,226	3,742,953
Proceeds from sale of intangible assets	2,388,237	500,292
Proceeds from sale of investment property	-	83,410
Government grants received	11,132,957	41,074,938
Acquisition of other investment assets	(28,435,487)	(147,385,243)
Acquisition of property, plant and equipment	(1,898,302,352)	(2,146,134,809)
Acquisition of intangible assets	(5,117,254)	(13,186,617)
Increase of loan receivables	(5,166,900)	(19,993,781)
Net cash from investing activities	(1,535,059,765)	(1,704,729,197)
Cash flows from financing activities		
Proceeds from short-term borrowings	616,344,422	1,080,084,321
Proceeds from long-term borrowings	829,278,139	793,007,292
Issuance of debentures	-	588,240,960
Capital contribution from non-controlling interest	14,871,010	56,321,980
Dividends paid	(66,937,929)	(71,719,718)
Repayment of short-term borrowings	(862,536,301)	(393,049,640)
Repayment of long-term borrowings	(265,800,161)	(249,580,360)
Capital reduction from non-controlling interest	(84,400)	(107,500)
Repayment of lease debt	(26,200,032)	-
Acquisition of non-controlling interest	-	(47,071,471)
Net cash used in financing activities	238,934,748	1,756,125,864
Net increase (decrease) in cash and cash equivalents	(373,053,385)	312,006,402
Cash and cash equivalents at January 1	1,516,585,547	1,209,015,664
Effect of exchange rate fluctuations on cash held	12,763,259	(4,436,519)
Cash and cash equivalents at December 31	1,156,295,421	1,516,585,547

Separate Statements of Appropriation of Retained Earnings (For the year ended December 31, 2019 and 2018)

(1) Retained earnings as of December 31, 2019 and 2018 are summarized as follows:

<i>(In thousands of won)</i>	2019	2018
Legal reserve	159,198,482	152,012,652
Discretionary reserve	5,401,128,000	4,578,728,000
Unappropriated retained earnings	1,346,541,996	1,881,775,102
Total	<u>6,906,868,478</u>	<u>6,612,515,754</u>

(2) Statement of retained earnings of the Parent Company in equity for the years ended December 31, 2019 and 2018 are summarized as follows:

<i>(In thousands of won)</i>	2019	2018
(i) Unappropriated retained earnings	205,046,245	896,042,112
- Retained Earnings from Previous Year	3,041	9,811
- Defined benefit plan actuarial gain	5,374,683	(22,777,851)
- Change in accounting policies	-	392,973,236
- Profit (loss) for the Year	199,668,522	525,836,916
(ii) Transfer of discretionary reserve	-	-
(iii) Changed retained earnings	(205,039,071)	(896,039,071)
- Legal reserve	(6,694,461)	(6,694,461)
- Dividends	(66,944,610)	(66,944,610)
- Reserve of facility	(131,400,000)	(822,400,000)
Total	<u>7,174</u>	<u>3,041</u>

(END)