

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

Contents

	Page
Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	8

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Samsung SDI Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Samsung SDI Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012 and the financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

KPMG Samjong Accounting Corp.

Seoul, Korea
February 19, 2014

This report is effective as of February 19, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

(In thousands of won)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Assets			
Cash and cash equivalents	4,6 ₩	730,176,084	946,516,332
Trade and other receivables, net	4,7,30	685,033,763	776,407,709
Inventories, net	8	525,775,079	558,451,773
Other investments	4,9	71,488,711	65,011,477
Other assets	10	50,717,934	68,469,041
Total current assets		<u>2,063,191,571</u>	<u>2,414,856,332</u>
Long-term trade and other receivables, net	4,7,30	6,089,116	5,570,544
Equity method investments	11	4,706,765,588	4,004,966,280
Property, plant and equipment, net	5,12	1,787,954,648	1,971,102,028
Intangible assets, net	5,13	167,070,502	171,007,082
Investment property	5,14	35,533,798	34,078,481
Deferred tax assets	28	48,843,357	164,181,243
Non-current other investments	4,9	1,667,224,759	2,047,301,194
Non-current other assets	10,13	72,997,550	82,024,108
Total non-current assets		<u>8,492,479,318</u>	<u>8,480,230,960</u>
Total assets	₩	<u>10,555,670,889</u>	<u>10,895,087,292</u>
Liabilities			
Trade and other payables	4,15,17,19,30	1,088,024,851	1,317,601,806
Income tax payable	28	19,667,238	17,689,999
Advance received		3,324,294	9,320,359
Unearned revenue		727,563	667,546
Short-term borrowings	4,16	415,213,243	658,761,555
Total current liabilities		<u>1,526,957,189</u>	<u>2,004,041,265</u>
Long-term trade and other payables	4,15,17,19,30	33,226,696	16,118,217
Long-term borrowings	4,16	768,951,600	474,292,540
Employee benefits	18	29,409,085	42,592,368
Deferred tax liabilities	28	654,709,888	793,561,300
Total non-current liabilities		<u>1,486,297,269</u>	<u>1,326,564,425</u>
Total liabilities		<u>3,013,254,458</u>	<u>3,330,605,690</u>
Equity			
Capital stock	1,20	240,681,185	240,681,185
Capital surplus	20	1,262,958,484	1,258,440,118
Other capital	21	(163,442,079)	(163,787,925)
Accumulated other comprehensive income	22	1,001,906,308	1,051,350,256
Retained earnings	23	5,035,989,172	4,986,541,200
Equity attributable to owners of the Parent Company		<u>7,378,093,070</u>	<u>7,373,224,834</u>
Non-controlling interests	31	<u>164,323,361</u>	<u>191,256,768</u>
Total equity		<u>7,542,416,431</u>	<u>7,564,481,602</u>
Total liabilities and equity	₩	<u>10,555,670,889</u>	<u>10,895,087,292</u>

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(In thousands of won except earnings per share)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Revenue	5,30	₩ 5,016,464,902	5,771,184,920
Cost of sales	8,25,30	<u>(4,260,003,196)</u>	<u>(4,863,335,814)</u>
Gross profit		756,461,706	907,849,106
Selling, general and administrative expenses	24,25	<u>(783,856,065)</u>	<u>(720,974,876)</u>
Operating profit (loss)		<u>(27,394,359)</u>	<u>186,874,230</u>
Other income	26	207,469,202	1,822,689,046
Other expenses	26	(387,857,617)	(452,674,982)
Finance income	27	202,091,504	179,177,777
Finance costs	27	(216,288,053)	(210,436,061)
Share of profit of equity accounted investees	11	405,998,488	503,791,260
Income before income taxes		184,019,165	2,029,421,270
Income tax expense	28	<u>36,103,464</u>	<u>542,606,922</u>
Net income		<u>₩ 147,915,701</u>	<u>1,486,814,348</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18	(18,142,603)	(37,418,011)
Tax effect		4,375,398	9,120,643
Items that may be reclassified subsequently to profit or loss:			
Cashflow hedge – effective portion of change in fair value	27	531,521	(873)
Available-for-sale financial assets – net change in fair value and reclassification to profit or loss	9,27	(343,075,855)	(55,663,219)
Change in unrealized holding gain (loss) on equity method investments	11	294,123,770	(29,065,062)
Foreign currency translation differences of foreign operations		(16,235,696)	(73,214,647)
Tax effect		<u>10,108,660</u>	<u>23,956,884</u>
Total comprehensive income		<u>₩ 79,600,896</u>	<u>1,324,530,063</u>
Net income attributable to:			
Owners of the Parent Company		130,598,633	1,471,502,017
Non-controlling interests	31	17,317,068	15,312,331
Total comprehensive income attributable to:			
Owners of the Parent Company		67,387,481	1,320,643,104
Non-controlling interests		12,213,415	3,886,958
Earnings per share			
	29		
Basic earnings per share (in won)		2,957	33,885
Diluted earnings per share (in won)		2,957	33,879

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

<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, 2012	₩	240,681,185	1,258,119,974	(165,394,676)	1,173,911,801	3,610,804,370	196,404,567	6,314,527,221
Comprehensive income								
Net income		-	-	-	-	1,471,502,017	15,312,331	1,486,814,348
Other comprehensive income								
Remeasurements of defined benefit liability		-	-	-	-	(28,297,368)	-	(28,297,368)
Cashflow hedge – effective portion of change in fair value		-	-	-	(873)	-	-	(873)
Net change in fair value of available-for-sale financial assets and reclassifications to profit or loss		-	-	-	(44,244,387)	-	-	(44,244,387)
Change in unrealized holding gain (loss) on equity method investments		-	-	-	(20,921,688)	-	-	(20,921,688)
Foreign currency translation differences of foreign operations		-	-	-	(57,394,597)	-	(11,425,373)	(68,819,970)
Total comprehensive income		-	-	-	(122,561,545)	1,443,204,649	3,886,958	1,324,530,062
Transactions with shareholders directly recognized in equity								
Dividends		-	-	-	-	(67,333,747)	(9,036,575)	(76,370,322)
Capital contribution from Non-controlling interests		-	-	-	-	-	1,818	1,818
Exercise of share options		-	320,144	1,606,751	-	-	-	1,926,895
Changes in associates' retained earnings		-	-	-	-	(134,072)	-	(134,072)
Balance at December 31, 2012	₩	<u>240,681,185</u>	<u>1,258,440,118</u>	<u>(163,787,925)</u>	<u>1,051,350,256</u>	<u>4,986,541,200</u>	<u>191,256,768</u>	<u>7,564,481,602</u>

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2013 and 2012

<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, 2013	₩	240,681,185	1,258,440,118	(163,787,925)	1,051,350,256	4,986,541,200	191,256,768	7,564,481,602
Comprehensive income								
Net income		-	-	-	-	130,598,633	17,317,068	147,915,701
Other comprehensive income								
Remeasurements of defined benefit liability		-	-	-	-	(13,767,205)	-	(13,767,205)
Cashflow hedge – effective portion of change in fair value		-	-	-	531,521	-	-	531,521
Net change in fair value of available-for-sale financial assets and reclassifications to profit or loss		-	-	-	(259,832,263)	-	-	(259,832,263)
Change in unrealized holding gain on equity method investments		-	-	-	222,896,263	-	-	222,896,263
Foreign currency translation differences of foreign operations		-	-	-	(13,039,468)	-	(5,103,653)	(18,143,121)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,443,947)</u>	<u>116,831,428</u>	<u>12,213,415</u>	<u>79,600,896</u>
Transactions with shareholders directly recognized in equity								
Dividends		-	-	-	-	(67,383,457)	(25,514,076)	(92,897,533)
Capital distribution of subsidiaries		-	-	-	-	-	(10,547,714)	(10,547,714)
Exercise of share options		-	1,433,334	345,846	-	-	-	1,779,180
Acquisition of interests in subsidiary		-	3,085,032	-	-	-	(3,085,032)	-
Balance at December 31, 2013	₩	<u>240,681,185</u>	<u>1,262,958,484</u>	<u>(163,442,079)</u>	<u>1,001,906,309</u>	<u>5,035,989,171</u>	<u>164,323,361</u>	<u>7,542,416,431</u>

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In thousands of won)

	2013	2012
Cash flows from operating activities		
Net income	₩ 147,915,701	1,486,814,348
Adjustments for:		
Retirement benefits	50,895,281	36,220,620
Loss on valuation of inventories	18,477,421	10,605,799
Depreciation	391,577,004	423,733,996
Amortization	39,003,086	30,811,417
Reversal of bad debt expense	(820,951)	(61,769)
Other bad debt expense	-	105,437
Commission fee	5,856,334	3,317,202
Share of profit of equity method investments	(405,998,488)	(503,791,260)
Loss on sale of equity method investments	-	7,411,653
Gain on sale of equity method investments	-	(1,742,204,293)
Loss on sale of available-for-sale securities	2,304,799	-
Gain on sale of available-for-sale securities	(86,996,950)	-
Foreign currency translation loss	12,656,346	12,234,338
Foreign currency translation gain	(8,551,376)	(3,553,128)
Loss on derivatives valuation	-	16,921
Gain on derivatives valuation	(5,064,777)	-
Loss on sale of property, plant and equipment	17,161,168	47,973,279
Gain on sale of property, plant and equipment	(38,416,649)	(721,130)
Loss on impairment of property, plant and equipment	303,346,514	32,341,051
Reversal of loss on impairment of property, plant and equipment	(520,760)	(2,389,168)
Loss on sale of intangible assets	7,734,734	5,074,461
Loss on impairment of intangible assets	1,144,289	2,439,937
Gain on sale of investments	-	(610,718)
Legal expense	2,940,928	311,836,718
Miscellaneous income	(15,120,000)	(30,741,171)
Income tax expense	36,103,464	542,606,922
Interest expense	32,815,517	24,452,614
Interest income	(17,474,570)	(20,611,015)
Dividends income	(19,163,710)	(19,145,705)
Changes in assets and liabilities:		
Trade receivables	91,901,151	111,701,761
Other receivables	82,468,920	(128,359)
Other current assets	17,650,434	(7,667,959)
Inventories	15,845,581	2,375,878
Non-current other receivables	(18,107,878)	(1,453,149)
Non-current other assets	-	(5,849,313)
Trade payables	(44,122,644)	35,591,654
Other payables	(199,097,444)	(64,653,586)
Advances payables	(5,889,664)	1,526,898
Unearned income	(235,520)	(2,619,032)
Non-current other payables	17,693,282	(3,393,415)
Payment of retirement and employee benefits	(18,685,666)	(14,688,560)
Plan assets	(66,252,113)	(59,995,298)
Transfer in from related parties for employee benefits	3,491,056	1,335,650
Interest received	18,699,072	18,965,093
Interest paid	(34,027,365)	(25,200,932)
Dividends received	19,163,710	19,145,705
Income taxes paid	(43,849,507)	(81,358,063)
Net cash provided by operating activities	308,449,760	577,802,329

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from investing activities		
Sale of other investments	W 129,260,658	24,410,914
Proceeds from disposal of associates and joint ventures	-	6,651,981
Sale of property, plant and equipment	68,727,685	41,836,222
Sale of intangible assets	-	34,730
Sale of investment property	-	905,740
Acquisition of other investments	(9,408,546)	(50,192,377)
Acquisition of associates and joint ventures	(4,393,346)	-
Acquisition of other non-current assets	(20,092,337)	(28,934,581)
Acquisition of property, plant and equipment	(667,127,019)	(459,720,982)
Acquisition of intangible assets	(1,198,127)	-
Acquisition of business, net of cash acquired	-	(46,264,265)
Net cash used in investing activities	<u>(504,231,032)</u>	<u>(511,272,618)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	349,336,025	484,625,937
Exercise of share options	2,159,477	2,029,104
Issuance of debentures	199,242,600	199,242,600
Proceeds from long-term borrowings	190,890,065	275,049,940
Capital increase by issuing new stocks of subsidiaries	-	1,818
Repayment of short-term borrowings	(598,872,767)	(532,946,499)
Repayment of long-term borrowings	-	(10,000,000)
Repayment of current portion of long-term borrowings	(65,000,000)	(228,832,500)
Dividends paid	(92,897,535)	(76,370,322)
Capital reduction by cash distribution of subsidiaries	(10,547,714)	-
Net cash provided by (used in) financing activities	<u>(25,689,849)</u>	<u>112,800,078</u>
Net increase (decrease) in cash and cash equivalents	(221,471,121)	179,329,789
Cash and cash equivalents at January 1	946,516,332	757,661,035
Effect of exchange rate fluctuations on cash held	5,130,873	9,525,508
Cash and cash equivalents at December 31	<u>W 730,176,084</u>	<u>946,516,332</u>

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

1. Reporting entity

Samsung SDI Co., Ltd. (the "Parent Company" or the "Company") was incorporated on January 20, 1970 under the laws of the Republic of Korea with paid-in capital of ₩200 million and is engaged in the manufacture and sale of plasma display panels and rechargeable batteries. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates. In 1979, the Parent Company was listed on the Korean Stock Exchange.

The Parent Company's head office is located in Kiheung, Gyeong-gi Do, and its factories are located in Ulsan and Cheon-An, Chungcheongnam-Do. In addition to these local business sites, the Parent Company also has 16 subsidiaries operating in the United States, Malaysia, Vietnam, Germany, Mexico, Hong Kong, China, Japan, Brazil, Hungary, and Korea.

Under its Articles of Incorporation, the Parent Company is authorized to issue 100,000 thousand shares of capital stock with a par value of ₩5,000 per share. As of December 31, 2012, 47,176,237 shares of capital stock (including 1,617,896 preferred shares) have been issued and are outstanding, and the Parent Company's paid-in-capital amounts to ₩240,681 million. The major shareholder of the Parent Company is Samsung Electronics Co., Ltd. (19.68%). The Parent Company is allowed to retire its stock through a board resolution within the amount that would be paid as dividends to shareholders. Pursuant to the resolution made by the Board of Directors on October 18, 2004, the Parent Company retired 930,000 common shares and 30,000 preferred shares, which were acquired at ₩99,333 million on December 8, 2004 with appropriating retained earnings. Due to the share retirement, the par value of the outstanding shares in the amount of ₩235,881 million (₩227,792 million for common stock and ₩8,089 million for preferred stock, excluding the retired shares) is different from the paid-in capital.

Under its Articles of Incorporation, the Parent Company is authorized to issue 30,000 thousand non-voting preferred shares. Holders of preferred shares issued before February 28, 1997 are entitled to receiving additional dividends of 1% of its par value per annum. As of December 31, 2013, 1,617,896 shares of non-cumulative and non-voting preferred stocks are eligible for these additional dividends.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations. The consolidated financial statements were authorized for issue by the Board of Directors on January 24, 2014 and will be submitted to general shareholders meeting for approval scheduled on March 14, 2014.

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit and loss and available-for-sale financial assets are measured at fair value.
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(2) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Parent Company's functional currency and the currency of the primary economic environment in which the Group operates.

For the years ended December 31, 2013 and 2012

2. Basis of preparation, Continued

(3) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Beginning January 1, 2013, the Group determined to change the useful life of machinery of a division from five years to eight years in order to improve the usefulness of the accounting information based on the accumulated historical experience of new machinery. As a result of this change in accounting estimates, the Group's depreciation expense under the new useful life was ₩16,350 million lower than it would have been under the previous useful life for the year ended December 31, 2013. In addition, assuming that the Group holds the machinery until the end of the estimated useful life, such decreases in depreciation expense for the years ending December 31, 2014 and 2015 are expected to be ₩12,740 million and ₩9,357 million, respectively, due to the estimated useful life changes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 : Property, Plant and Equipment – Assumption on recoverable amount estimation
- Note 13 : Intangible Asset – Assumption on recoverable amount estimation
- Note 17 : Provisions – Assumption on amount and probability of resources outflow
- Note 18 : Employee Benefits – Actuarial insurance assumption
- Note 19 : Commitments and Contingencies – Assumption on amount and probability of resources outflow

(4) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team measures the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

2. Basis of preparation, Continued

(5) Changes in accounting policies,

Except for the changes below which were adopted with a date of initial application of January 1, 2013, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in the consolidated financial statements of the Group.

- K-IFRS No. 1110 : Consolidated Financial Statements
- K-IFRS No. 1111 : Joint Arrangements
- K-IFRS No. 1112 : Disclosure of Interests in Other Entities
- K-IFRS No. 1113 : Fair Value Measurement
- K-IFRS No. 1019 : Employee Benefits
- Presentation of Items of Other Comprehensive Income ("OCI"), Amendments to K-IFRS No. 1001
- Off-set of financial assets and liabilities, Amendments to K-IFRS No. 1107

The nature and effects of the changes are explained below and the impact of the amendments on the Group's consolidated financial statements is not significant.

1) Subsidiaries

As a result of K-IFRS No. 1110, Consolidated Financial Statements, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. K-IFRS No. 1110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of K-IFRS 1110, the Group reassessed the control conclusion for its investee at January 1, 2013 and there is no change in subsidiaries.

2) Joint Arrangements

Under K-IFRS No. 1111, Joint Arrangements, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangement and has reclassified the investment from a jointly controlled entity to a joint venture. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method and has been no impact on the recognized assets, liabilities and comprehensive income of the Group.

3) Disclosures of Interests in Other Entities

As explained in Notes 3, 11 and 31, the Group provides detailed information on interests on subsidiaries and equity-accounted investee as required by K-IFRS No. 1112, Disclosure of Interests in Other Entities.

4) Fair Value Measurement

K-IFRS No. 1113, Fair Value Measurement, establishes a single framework for measuring fair value and providing relevant disclosures when such measurements are required or permitted by other K-IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. As it replaces and expands the disclosure requirements about fair value measurements in other K-IFRSs, including K-IFRS No. 1107. As a result, the Group provides required disclosures in note 4.

In accordance with the transitional provisions of K-IFRS No. 1113, the Group applies the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

For the years ended December 31, 2013 and 2012

2. Basis of preparation, Continued

(5) Changes in accounting policies, Continued

5) Post-employment defined benefit plans

As a result of the amendments to K-IFRS No. 1019, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under the amendment of K-IFRS No. 1019, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The Change in accounting policy did not have any significant impact on the Group's consolidated financial statements.

6) Presentation of items of OCI

As a result of the amendments to K-IFRS No. 1001, the Group has modified the presentation of items of OCI in its statement of comprehensive income into "items that will never be reclassified to profit or loss" and "items that are or may be reclassified to profit or loss." Comparative information has been re-presented accordingly.

7) Offsetting of financial assets and liabilities

As described in Note 4, as a result of the amendments to K-IFRS No. 1107, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except as disclosed in note 2.

(1) Consolidation

1) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination for entities or businesses under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Acquisition-related costs, other than those associated with the issue of debt or equity securities recognized in accordance with K-IFRS No. 1032 and No. 1039, are expensed in the periods in which the costs are incurred and the services are received.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amount are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's replacement (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

2) Non-controlling Interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

3) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(1) Consolidation, Continued

(i) The list of subsidiaries as of December 31, 2013 is as follows. All subsidiaries' fiscal year end is December 31.

(In thousands of won, except number of shares and percentage of ownership)

Subsidiaries	Location	Primary business	Capital stock as of December 31, 2013	Percentage of ownership (**)	
				December 31, 2013	December 31, 2012
Samsung SDI America, Inc. ("SDIA")	U.S.A.	Manufacturing and sale of PDP, sale of rechargeable battery	28,626,950	91.70%	91.70%
Samsung SDI Germany GmbH ("SDIG") (*)	Germany	Supporting sales in Europe region	22,400,891	100.00%	100.00%
Samsung SDI Hungary Rt. ("SDIHU")	Hungary	Manufacturing and sale of PDP	4,860,887	100.00%	100.00%
Samsung SDI Europe GmbH ("SDIEU") (*)	Germany	Sale of rechargeable battery, etc.	1,558,180	100.00%	100.00%
Samsung SDI (Malaysia) Sdn, Bhd. ("SDI(M)")	Malaysia	Manufacturing and sale of CPT	43,581,363	68.60%	68.60%
Samsung SDI Vietnam Co., Ltd. ("SDIV") (*)	Vietnam	Manufacturing and sale of rechargeable battery	62,336,000	100.00%	100.00%
Samsung SDI Energy Malaysia Sdn, Bhd. ("SDIEM")	Malaysia	Manufacturing and sale of rechargeable battery	121,321,000	100.00%	100.00%
Samsung SDI (Hong Kong) Ltd. ("SDIHK") (***)	Hong Kong	Sale of rechargeable battery, PDP, etc.	261,864,048	97.60%	95.90%
Samsung SDI Japan Co., Ltd. ("SDIJ") (*)	Japan	Purchase and sale of PDP, raw materials of rechargeable battery	4,210,454	100.00%	100.0%-
Samsung SDI China Co., Ltd. ("SDIC") (*)	China	Supporting sales in China	2,267,400	100.00%	100.0%-
Samsung SDI Brazil Ltda. ("SDIB") (***)	Brazil	Supporting sales in South America region	117,239,846	96.10%	95.90%
SVIC 15 Fund ("SVIC 15")	Korea	Investments in new technology venture business	27,000,000	99.00%	99.00%
SB Limotive Ltd. (***)	Korea	Manufacturing and sale of rechargeable car battery	-	-	100.00%
Subsidiary of SDIA					
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	Mexico	Manufacturing of PDP	2,854,723	91.70%	91.70%
Subsidiaries of SDIHK					
Shenzhen Samsung SDI Co., Ltd. ("SSDI") (*)	China	Manufacturing and sale of CRT, PDP	95,764,575	78.00%	76.70%
Tianjin Samsung SDI Co., Ltd. ("TSDI") (*)	China	Manufacturing and sale of rechargeable battery	113,123,338	78.00%	76.70%
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED") (*)	China	Manufacturing and sale of rechargeable battery, sale of VFD	47,671,714	58.90%	57.90%

(*) In accordance with the local laws and regulations, no shares have been issued and ownership interest has been measured based on investments.

(**) Effective ownership interest has been measured based on ownership of the Parent Company and its subsidiaries considering the control structure.

(***) The Parent Company merged SB Limotive Ltd. as of January 1, 2013 which had been its subsidiary.

(****) The Parent Company purchased equities of SDIHK and SDIB from its subsidiary SDI(M).

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(1) Consolidation, Continued

(ii) Summary financial information of subsidiaries as of and for the year ended December 31, 2013 is as follows:

(In thousands of won)

Subsidiaries	Assets	Liabilities	Equity	Revenue	Net income (loss)	Total comprehensive income (loss)
Samsung SDI America, Inc. ("SDIA")	₩ 140,612,409	68,479,644	72,132,765	549,550,452	5,760,473	9,176,928
Samsung SDI Germany GmbH ("SDIG")	54,108,567	-	54,108,567	-	14,911,597	15,606,800
Samsung SDI Hungary Rt. ("SDIHU")	44,232,101	4,673,421	39,558,680	132,508,576	(18,518,049)	(16,498,943)
Samsung SDI Europe GmbH ("SDIEU")	8,864,354	5,287,205	3,577,149	11,313,286	1,284,344	1,350,616
Samsung SDI (Malaysia) Sdn, Bhd. ("SDI(M)")	85,142,532	28,990,261	56,152,271	3,804,349	(2,389,978)	(15,634,849)
Samsung SDI Vietnam Co., Ltd. ("SDIV")	177,341,024	107,806,261	69,534,776	585,370,635	2,829,175	(1,390,757)
Samsung SDI Energy Malaysia Sdn, Bhd. ("SDIEM")	498,504,413	369,502,436	129,001,977	334,041,396	18,408,883	13,251,270
Samsung SDI (Hong Kong) Ltd. ("SDIHK")	442,579,774	146,760,941	295,818,833	854,416,242	30,624,757	64,557,883
Samsung SDI Japan Co., Ltd. ("SDIJ")	8,531,609	5,311,027	3,220,582	20,220,095	9,335	(795,589)
Samsung SDI China Co., Ltd. ("SDIC")	3,636,992	816,014	2,820,978	7,853,975	517,022	547,395
Samsung SDI Brazil Ltda. ("SDIB")	49,371,886	9,201,184	40,170,702	-	10,088,368	4,711,524
SVIC 15 Fund ("SVIC 15")	23,803,579	79,184	23,724,395	-	(684,780)	182,913
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	22,583,063	2,773,985	19,809,078	21,771,282	8,957,630	8,368,444
Shenzhen Samsung SDI Co., Ltd. ("SSDI")	346,213,499	13,308,371	192,905,128	816,135,845	53,791,741	27,786,604
Tianjin Samsung SDI Co., Ltd. ("TSDI")	520,608,120	218,417,510	302,190,610	1,263,360,624	18,485,031	21,435,307
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED")	124,360,465	68,663,541	55,696,924	407,218,465	5,078,589	5,652,689

4) Loss of Control

If the controlling company loses control of subsidiaries, the controlling company derecognizes the assets and liabilities of the former subsidiaries from the consolidated statement of financial position and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest. Meanwhile, the controlling company recognizes any investment retained in the former subsidiaries at its fair value when control is lost.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(1) Consolidation, Continued

5) Investments in associates and joint ventures (equity-accounted investees)

The Group's interests in equity-accounted investees comprise interests in associates and joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

6) Transactions eliminated on consolidation

Intra-group balances and transactions, including income and expenses and any unrealized income and expenses arising from intra-group transactions, are eliminated. Meanwhile, unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

7) Business combination under common control

Combination of entities and business under common control recognizes the acquired assets and liabilities obtained at book values of consolidated financial statements of ultimate controlling company. The Group recognizes the differences between the net book value acquired and consideration transferred in capital surplus.

(2) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(3) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items, except for translation differences from net investment in foreign operation and from financial liabilities designated to cash flow hedges, are recognized in profit or loss in the period in which they arise. If profit or loss from non-monetary items is regarded as other comprehensive income then the exchange rate change effects are treated as other comprehensive income, where regarded as current profit or loss then treated as current profit or loss.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date. Although equity instrument is not classified as cash and cash equivalents, substantive cash and cash equivalents such as preference share capital that redemption date has been determined and the period from the acquisition date to the redemption date is short term are included in cash and cash equivalents.

(5) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value and transaction costs of other than financial assets at fair value through profit and loss are directly attributable to the asset's fair value at the initial recognition.

1) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

2) Held-to-maturity financial assets

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

5) De-recognition of a financial asset

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

5) De-recognition of a financial asset, Continued

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. If the Group has not retained control, derecognizes the financial asset. If the Group has retained control, continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

6) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(7) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the capital transactions are recognized as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(8) Property, plant and equipment

1) Recognition and measurement

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If the useful lives of certain components of the property, plant and equipment are different from the useful life of the asset as a whole, those components are treated as separate assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognized in other income and expenses.

2) Subsequent costs

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

3) Depreciation

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

If the cost of a part of property, plant and equipment is significant compared to the cost of property, plant and equipment as a whole, and has a different useful life, that part of the cost should be accounted for as separate items and is depreciated over its separate useful life.

The estimated useful lives of the Group's property, plant and equipment are as follows:

	Useful lives (years)
Buildings	10 ~ 60
Structures	10 ~ 40
Machineries	5 ~ 8
Tools, furniture and fixtures	4
Vehicles	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Beginning January 1, 2013, the Group determined to change the useful life of machinery of a division from five years to eight years in order to improve the usefulness of the accounting information based on the accumulated historical experience of new machinery. As a result of this change in accounting estimates, the Group's depreciation expense under the new useful life was ₩16,350 million lower than it would have been under the previous useful life for the year ended December 31, 2013. In addition, assuming that the Group holds the machinery until the end of the estimated useful life, such decreases in depreciation expense for the years ending December 31, 2014 and 2015 are expected to be ₩12,740 million and ₩9,357 million, respectively, due to the estimated useful life changes.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(9) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time (more than 1 year) to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(10) Intangible asset

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero.

The estimated useful lives of the group's assets are as follows:

	<u>Useful lives (years)</u>
Exclusive facility usage rights	5 ~10
Others	4 ~20

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at each end of reporting period. If appropriate, the changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(11) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost and transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

(12) Inventories

The cost of inventories is based on specific method for materials in transit, moving average method for raw materials and sub-materials and gross average method (monthly moving average method) for all the other inventories, and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(13) Impairment

1) Impairment of financial assets

A financial asset other than financial assets at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If financial assets have objective evidence that they are impaired, impairment losses are be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in profit or loss either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and is recorded in profit or loss. Such impairment losses shall not be reversed.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(13) Impairment, Continued

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

2) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(14) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

2) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

3) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit and that benefit is discounted to determine its present value deducted by the fair value of plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of the net defined benefit liability comprise of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and recognized in other comprehensive income. The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the plan amendment or curtailment occurs, gains or losses on amendment or curtailment in benefits for the past service provided are recognized through profit or loss. The Group recognizes gain or loss on a settlement when the settlement of defined benefit plan occurs.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(14) Employee benefits, Continued

5) Share-based payment transactions

For equity-settled share-based awards which are granted to employees, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be reliably estimated. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted.

(15) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision shall be used only for expenditures for which the provision was originally recognized.

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(16) Revenue

Revenue from sale of goods, rendering of services or use of the Group's assets is measured at the fair value of the consideration received or receivable, and returns, trade discounts and volume rebates are recognized as a reduction of revenue.

1) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit.

2) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the construction. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion is assessed by the ratio to divide accumulated contract cost by total estimated contract revenue.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When it is highly probable that contract cost exceed contract revenue, an expected loss on a contract is recognized immediately in profit or loss.

3) Rental income

Rental income from investment property is recognized in profit on a straight-line basis over the term of the lease.

(17) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received. Government grants which are intended to compensate the Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses. If the Group has received government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets, the amounts are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

As of December 31, 2013, the Group has 28 ongoing national projects on which government grants are provided including 'Commercialization of 10KWh storage device for home use'.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(18) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method.

(19) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

2) Deferred tax

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that the differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(19) Income tax, Continued

2) Deferred tax, Continued

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(20) Earnings per share

The Group presents basic and diluted earnings per share (the "EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(21) Operating segment

The Group has two reportable segments: the energy business segment (Rechargeable Battery) and the display business and other segment (Color Cathode Ray Tube and Plasma Display Panel and Other). Strategic operations are operated separately because each segment is manufacturing different products respectively and requires different technologies and marketing strategies.

The performance of the operating segment is assessed based on profit attributable to owners of the Parent Company of each segment, which is considered to be useful for the management to compare the Group's performance in a specific segment with other companies in the same industry.

(22) New standards and interpretations not yet adopted

The following new amendment to existing standards has been published and is mandatory for the Group for annual periods beginning on or after January 1, 2014, and the Group has not early adopted it. Management believes that the adoption of the amendment is expected to have no significant impact on the consolidated financial statements of the Group.

K-IFRS No.1132, 'Financial Instruments : Presentation'

The amendment improves application guidance to clarify criterion of offsetting financial assets and financial liabilities. The amendment will be effective for annual periods beginning on or after January 1, 2014.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management

The Group has exposure to the credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Most customers have been transacting with the Group for many years and impairment loss has not occurred very often. In addition, the Group reviews credit rating of new customers prior to the determination of payment terms and also re-examines the credit rating of customers on a regular basis.

The Group sets allowances for estimated losses from accounts receivable and investment assets. In addition, the Group reports present conditions and countermeasures of delayed recovery for the financial assets and takes reasonable steps depending on the reasons for delay in order to manage the credit risk.

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group limits its exposure to credit risk by depositing cash and cash equivalents in financial institutions that have a high credit rate. The maximum exposure to credit risk at the reporting date was as follows:

<i>(In thousands of won)</i>	December 31, 2013	December 31, 2012
Cash and cash equivalents	₩ 730,176,084	946,516,332
Trade and other receivables	696,735,230	788,387,043
Held-to-maturity financial assets	42,625	57,330
Available-for-sale financial assets	1,608,881,219	1,979,576,859
Non-derivative financial instruments	28,302,973	40,804,700
Guarantee deposits	96,114,138	91,873,782
Derivative financial asset	5,372,515	-
	₩ 3,165,624,784	3,847,216,046

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

<i>(In thousands of won)</i>	December 31, 2013	December 31, 2012
Domestic	₩ 67,112,430	114,335,571
North America	15,936,380	27,654,635
Euro zone	130,457	10,069,650
China	258,398,666	564,195,835
Other	355,157,297	72,131,352
	₩ 696,735,230	788,387,043

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(1) Credit risk, Continued

2) Impairment loss

The aging of trade and other receivables and respective impaired amounts as of December 31, 2013 and 2012 are as follows:

		2013		2012	
		Gross	Impairment	Gross	Impairment
<i>(In thousands of won)</i>					
Not past due	₩	665,767,240	-	783,492,702	-
Past due 0-30 days		24,921,506	-	4,353,593	-
Past due 31-60 days		1,759,350	-	378,643	-
Past due 61-365 days		4,287,134	-	162,106	-
	₩	696,735,230	-	788,387,044	-

3) Financial assets that are past due but not impaired

Financial assets that are past due but not impaired as of December 31, 2013 are summarized as follows:

		Carrying amount	6 months or less	More than 6 months
		<i>(In thousands of won)</i>		
Trade and other receivables	₩	30,967,990	29,899,758	1,068,232

Financial assets that are past due but not impaired as of December 31, 2012 are summarized as follows:

		Carrying amount	6 months or less	More than 6 months
		<i>(In thousands of won)</i>		
Trade and other receivables	₩	4,894,342	4,894,342	-

(2) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flows through long-term and short-term management strategies and ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group establishes short-term and long-term cash management plans to manage liquidity risk. The Group matches maturity structures of financial assets and liabilities through analyzing and reviewing cash flow budget and actual cash flow. Management believes that the Group is able to redeem its financial liabilities through operating cash flows and cash inflows of financial assets.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(2) Liquidity risk, Continued

Maturity analysis of financial liabilities as of December 31, 2013 is as follows:

<i>(In thousands of won)</i>		Carrying amount	Contractual Cash flow	1 year or less	More than 1 year and less than 5 years
Short-term borrowings	₩	415,213,243	415,262,680	415,262,680	-
Long-term borrowings		768,951,600	826,517,804	25,155,431	801,362,373
	₩	<u>1,184,164,843</u>	<u>1,241,780,484</u>	<u>440,418,111</u>	<u>801,362,373</u>

(3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

The Group has exposure to the exchange rate risk for the sale, purchase, and borrowing of currencies not denominated in functional currency. Main currencies used for these transactions are EUR, USD, JPY and etc. The Group manages the exchange rate risk through currency forward transactions as considered necessary in order to hedge the exchange risk.

Carrying amounts of monetary assets and liabilities expressed as other than functional currency as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>		December 31, 2013			December 31, 2012		
		USD	EUR	JPY, etc	USD	EUR	JPY, etc
Monetary assets:							
Cash and cash equivalents	₩	115,382,898	-	659,286	130,435,714	-	288,399
Trade and other receivables		995,183,709	13,387,286	7,720,442	1,151,756,936	21,877,308	8,336,270
Other investments		210,879	3,298	-	230,579	4,549	264,876
Total		<u>1,110,787,487</u>	<u>13,390,584</u>	<u>8,379,728</u>	<u>1,282,423,229</u>	<u>21,881,857</u>	<u>8,889,545</u>
Monetary liabilities:							
Trade and other payables		705,632,983	7,969,893	9,520,903	853,045,041	32,410,376	19,752,491
Borrowings		489,083,840	-	-	599,202,003	-	-
Total	₩	<u>1,194,716,823</u>	<u>7,969,893</u>	<u>9,520,903</u>	<u>1,452,247,044</u>	<u>32,410,376</u>	<u>19,752,491</u>

The following significant exchange rates were applied during the years ended December 31, 2013 and 2012:

Currency	Average rate		Reporting date spot rate	
	2013	2012	December 31, 2013	December 31, 2012
USD	1,095.0	1,126.9	1,055.3	1,071.1
EUR	1,453.7	1,448.2	1,456.3	1,416.3
JPY	11.23	14.13	10.05	12.48

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(3) Market risk, Continued

1) Exchange rate risk, Continued

Effects on income (loss) as a result of change in exchange rate as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

Currency		December 31, 2013		December 31, 2012	
		If increased by 5%	If decreased by 5%	If increased by 5%	If decreased by 5%
USD	₩	(3,180,922)	3,180,922	(6,436,323)	6,436,323
EUR		205,444	(205,444)	(399,031)	399,031
JPY, etc		(43,251)	43,251	(2,532,893)	2,532,893

2) Interest rate risk

The Group entered into interest rate swaps contracts in order to hedge the interest rate fluctuation risk for certain borrowings.

(i) At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

(In thousands of won)

		December 31, 2013	December 31, 2012
Fixed interest rate:			
Short-term borrowings	₩	-	148,437,301
Long-term borrowings		598,985,003	399,328,651
		<u>598,985,003</u>	<u>547,765,952</u>
Floating interest rate:			
Short-term borrowings		415,213,243	510,324,254
Long-term borrowings		169,966,597	74,963,889
	₩	<u>585,179,840</u>	<u>585,288,143</u>

(ii) Fair value sensitivity analysis for fixed rate instruments

Debentures and borrowings at amortized cost bear fixed interest rates. Therefore a change in interest rates at the reporting date would not affect profit or loss.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(3) Market risk, Continued

2) Interest rate risk, Continued

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of one percent point in interest rates at the reporting date would have increased (decreased) equity and income after income taxes by the amounts shown below. This analysis assumes that all other variables remain constant.

(In thousands of won)

		December 31, 2013			
		Equity		Profit after income taxes	
Item		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(4,435,663)	4,435,663	(4,435,663)	4,435,663

(In thousands of won)

		December 31, 2012			
		Equity		Profit after income taxes	
Item		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(4,436,484)	4,436,484	(4,436,484)	4,436,484

3) Other market price risk

Market price risk arises from the available-for-sale financial assets that the Group possesses. Major investments within the portfolio are managed separately and the approval of the Board of Directors is necessary for important acquisition or sale decisions.

The effect on other comprehensive income (gains/losses on valuation of available-for-sale financial assets), when the price of listed equity financial assets, among the available-for-sale financial assets that the Group possesses, changed by five percent points is as follows:

(In thousands of won)

Item		If increased by 5%	If decreased by 5%
Total comprehensive income, net of tax effect	₩	43,908,249	(43,908,249)

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(4) Capital management

The Group's capital management is to maintain a sound capital structure and to maximize shareholder profit. The Group uses financial ratios such as debt ratio and net borrowings ratio as a capital management indicator to achieve the optimum capital structure. Debt to equity ratio is calculated as total debt divided by total equity and net borrowings to equity ratio is calculated as net borrowings divided by total equity.

(In thousands of won)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Debt to equity ratio:		
Total liabilities	₩ 3,013,254,459	3,330,605,690
Total equity	<u>7,542,416,431</u>	<u>7,564,481,602</u>
Debt to equity ratio	<u>40.0%</u>	<u>44.0%</u>
Net borrowings to equity ratio:		
Borrowings	₩ 1,184,164,843	1,133,054,095
Less : Cash and cash equivalents	(730,176,083)	(946,516,332)
Less : Short-term financial instruments	(25,026,984)	(25,425,864)
Net borrowings	<u>428,961,776</u>	<u>161,111,899</u>
Net borrowings ratio	<u>5.7%</u>	<u>2.1%</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(5) Fair values

1) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(In thousands of won)

Item	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Assets carried at fair value				
Available-for-sale financial assets	₩ 1,608,881,219	1,608,881,219	1,979,576,859	1,979,576,859
Derivative financial assets	₩ 5,372,516	5,372,516	-	-
Assets carried at amortized cost				
Cash and cash equivalents	730,176,083	730,176,083	946,516,332	946,516,332
Trade and other receivables	691,122,879	691,122,879	781,978,253	781,978,253
Held-to-maturity financial assets	42,625	42,625	57,330	57,330
Financial instruments	28,302,973	28,302,973	40,804,700	40,804,700
Guarantee deposits	96,114,138	96,114,138	91,873,782	91,873,782
Total financial assets	₩ 3,160,012,433	3,160,012,433	3,840,807,256	3,840,807,256
Financial liabilities:				
Liabilities carried at amortized cost				
Borrowings	₩ 1,184,164,843	1,192,667,454	1,133,054,095	1,135,375,103
Trade and other payables	826,017,075	826,017,075	1,025,582,558	1,025,582,558
Total financial liabilities	₩ 2,010,181,918	2,018,684,529	2,158,636,653	2,160,957,661

2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the treasury bond yield curve at the reporting date plus an adequate credit spread, and were as follows:

	December 31, 2013	December 31, 2012
Borrowings	3.30%	3.26%

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

4. Financial Risk Management, Continued

(5) Fair values, Continued

3) Fair value hierarchy

The Group classifies financial instruments carried at fair value in the statement of financial position according to fair value hierarchy which reflects significance of input variables used. The different levels of fair value hierarchy have been defined as follows:

"Level 1" indicates quoted prices in active markets for identical assets or liabilities. Instruments included in "Level 1" are composed of listed equity securities that are classified as available-for-sale financial assets.

The Group uses a valuation technique to estimate fair values of financial instruments which are not traded in an active market. If the significant inputs which are required for a fair value measurement are observable directly or indirectly in a market, the fair value input is classed as "Level 2". "Level 2" consists of currency swap agreement which is classified as derivatives. On the other hand, if the significant inputs are not based on observable market data, the fair value input for that instrument is classed as "Level 3".

Among unlisted equity securities, the fair value of Samsung Everland Inc. is estimated using continuous probability distribution of value per share in accordance with estimated price per share calculated by the net value method, applying value of assets and the discounted cash flow method applying weighted average cost of capital based on the estimated cash flow. The fair value of Samsung Total Petrochemicals Co., LTD. is measured based on estimated price per share using the net value method. The fair value of Samsung Venture Investment Corporation is estimated using the probability distribution of value per share in accordance with estimated price per share calculated by the free cash flows to equity method. These unlisted equity securities are classed as "Level 3".

The fair values of financial instruments based on the fair value hierarchy as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2013:				
Financial assets				
Available-for-sale financial assets	₩ 1,157,928,523	-	435,126,798	1,593,045,321
Derivative financial assets	-	5,372,516	-	5,372,516
December 31, 2012:				
Financial assets				
Available-for-sale financial assets	₩ 1,548,042,899	-	417,698,952	1,965,741,851

(6) Transfer of financial assets and etc.

As of December 31, 2013 and 2012 there is no transferred financial asset which is entirely derecognized. The list of transferred financial assets which are not derecognized in the statement of financial position is as follows:

<i>(In thousands of won)</i>		<u>Trade receivables</u>	
		<u>December 31, 2013</u>	<u>December 31, 2012</u>
Carrying amounts of assets	₩	387,274,836	337,023,478
Carrying amounts of associated liabilities		387,274,836	337,023,478

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

5. Segments Information

(1) Operating segments

1) The Group has two reportable segments, which are summarized as follows:

Segment	Main business
Energy	Manufacture and sale of rechargeable batteries
Display and other	Manufacture and sale of Plasma Display Panels and Cathode Ray Tube and other

2) Group's operating segments are determined based on strategic decision of management. Management who makes decisions about resources to be allocated to each segment has evaluated financial performance based on the operating profit of each segment. Revenue primarily represents sales of goods. It could be divided into two types in terms of the product, which are display and energy and other. The following table provides information for each reportable segment types for the years ended December 31, 2013 and 2012:

(In thousands of won)

		Energy		Display and other		Total	
		2013	2012	2013	2012	2013	2012
Revenues	₩	3,356,454,857	3,393,260,602	1,660,010,046	2,377,924,318	5,016,464,902	5,771,184,920
Depreciation		301,033,341	248,282,775	90,543,663	175,451,221	391,577,004	423,733,996
Amortization		30,014,818	22,850,891	8,988,268	7,960,526	39,003,086	30,811,417
Operating profit (loss)		44,917,716	178,595,522	(72,312,075)	8,278,707	(27,394,359)	186,874,229

Total amount of assets and liabilities of each segment is not represented due to the fact that it hasn't been provided to the management on a regular basis.

(2) Geographical information

The Group has operated in the global markets such as Korea (the Parent Company's domicile), North America, Europe, South America, Southeast Asia and China. The following table provides information for each geographical region as of and for the years ended December 31, 2013 and 2012.

(In thousands of won)

		December 31, 2013		December 31, 2012	
		Revenue (*)	Non-current assets (**)	Revenue (*)	Non-current assets (**)
Republic of Korea	₩	2,088,862,566	1,306,198,580	2,814,541,742	1,504,204,280
North America		711,144,689	23,479,513	941,465,781	26,483,255
Europe & South America		979,184,212	9,221,780	1,383,868,165	28,428,395
Southeast Asia		1,855,469,496	344,915,310	1,781,766,518	197,771,809
China		3,361,995,318	362,717,544	3,693,040,286	405,007,648
Consolidation adjustments		(3,980,191,379)	(55,973,779)	(4,843,497,572)	14,292,204
	₩	<u>5,016,464,902</u>	<u>1,990,558,948</u>	<u>5,771,184,920</u>	<u>2,176,187,591</u>

(*) As described in Note 30, the Group's related party transactions comprise more than 10% of consolidated revenue.

(**) Non-current assets include carrying amount of property, plant and equipment, intangible assets and investment property.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013		December 31, 2012	
Cash on hand	₩	615,966		700,534	
Demand deposits		552,458,841		853,539,280	
Short-term investments		177,101,277		92,276,518	
	₩	<u>730,176,084</u>		<u>946,516,332</u>	

7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013		December 31, 2012	
		Current	Non-current	Current	Non-current
Loans	₩	351,081	4,710,265	831,742	3,923,966
Present value discount		-	(633,723)	-	(538,082)
Allowance		-	-	(3,350)	-
Other account receivable		50,402,658	-	32,745,456	100,000
Allowance		(324,218)	-	(377,480)	-
Accrued income		2,982,094	-	4,206,596	-
VAT receivables		27,211,100	-	67,813,507	-
Trade account receivable		608,674,909	2,403,123	676,212,458	2,553,319
Allowance		(4,263,861)	(390,549)	(5,021,220)	(468,659)
	₩	<u>685,033,763</u>	<u>6,089,116</u>	<u>776,407,709</u>	<u>5,570,544</u>

(2) Changes in allowance for trade and other receivables for the years ended December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		2013		2012	
		Current	Non-current	Current	Non-current
Balance at beginning	₩	5,402,050	468,659	5,412,384	550,119
(Reversal of) Bad debt expense		(813,971)	(78,110)	(10,334)	(81,460)
Balance at ending	₩	<u>4,588,079</u>	<u>390,549</u>	<u>5,402,050</u>	<u>468,659</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

8. Inventories

(1) Inventories as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013		
		Acquisition cost	Allowance for valuation	Carrying amount
Finished goods	₩	261,478,416	(38,121,360)	223,357,056
Semi-finished goods		120,818,670	(8,453,466)	112,365,204
Raw materials		131,175,446	(5,378,612)	125,796,834
Supplies		7,159,369	-	7,159,616
Materials-in-transit		57,096,369	-	57,096,369
	₩	<u>577,728,517</u>	<u>(51,953,438)</u>	<u>525,775,079</u>
 <i>(In thousands of won)</i>		 December 31, 2012		
		Acquisition cost	Allowance for valuation	Carrying amount
Finished goods	₩	228,107,481	(17,946,905)	210,160,576
Semi-finished goods		128,923,602	(11,159,649)	117,763,953
Raw materials		165,130,512	(4,441,775)	160,688,737
Supplies		6,390,061	-	6,390,061
Materials-in-transit		63,448,446	-	63,448,446
	₩	<u>592,000,102</u>	<u>(33,548,329)</u>	<u>558,451,773</u>

(2) The amounts of inventories recognized as cost of sales and loss on valuation of inventories recorded in cost of sales for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Inventories recognized as cost of sales	₩	4,241,525,775	4,852,730,015
Loss on valuation of inventories		18,477,421	10,605,799
		<u>4,260,003,196</u>	<u>4,863,335,814</u>

9. Other Investments

(1) Other investments as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013		December 31, 2012	
		Current	Non-current	Current	Non-current
Held for maturity	₩	-	42,625	-	57,330
Available-for-sale financial assets		-	1,608,881,219	-	1,979,576,859
Financial instruments		25,026,984	3,275,989	25,425,864	15,378,836
Guarantee deposits		41,089,212	55,024,926	39,585,613	52,288,169
Derivatives		5,372,515	-	-	-
	₩	<u>71,488,711</u>	<u>1,667,224,759</u>	<u>65,011,477</u>	<u>2,047,301,194</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

9. Other Investments, Continued

(2) Available-for-sale financial assets as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

		Acquisition cost	Unrealized gain (loss)			Carrying amount
			Beginning balance	Changes in unrealized gain or loss	Ending balance	
December 31, 2013						
Listed equity securities (*)	₩	366,482,700	1,151,939,524	(360,503,701)	791,435,823	1,157,918,523
Unlisted equity securities		81,720,431	351,814,419	17,427,846	369,242,265	450,962,696
Total	₩	448,203,131	1,503,753,943	(343,075,855)	1,160,678,088	1,608,881,219
Tax effect	₩		(364,342,383)	83,243,594	(281,098,789)	
December 31, 2012						
Listed equity securities	₩	396,103,375	1,242,639,812	(90,700,288)	1,151,939,524	1,548,042,899
Unlisted equity securities		79,719,541	316,777,350	35,037,069	351,814,419	431,533,960
Total	₩	475,822,916	1,559,417,162	(55,663,219)	1,503,753,943	1,979,576,859
Tax effect	₩		(375,761,215)	11,418,832	(364,342,383)	

(*) The Group disposed 2,036,966 shares of Samsung Engineering Co., Ltd. at ₩ 55,500 per share and recognized ₩ 85,284 million of gain on disposal of available-for-sale financial assets for the year ended December 31, 2013.

The Group estimates fair values of certain unlisted equity securities as follows:

- 1) The fair value of Samsung Everland Inc. is estimated using continuous probability distribution of value per share in accordance with estimated price per share calculated by the net value method, applying value of assets and the discounted cash flow method applying weighted average cost of capital based on the estimated cash flow. The acquisition cost and the carrying value of the unlisted security are ₩10,000 million and ₩208,962 million, respectively, as of December 31, 2013.
- 2) The fair value of Samsung Total Petrochemicals Co., Ltd. is measured based on estimated price per share using the net value method. The acquisition cost and the carrying value of the unlisted security are ₩50,985 million and ₩220,089 million, respectively, as of December 31, 2013.
- 3) The fair value of Samsung Venture Investment Corporation is estimated using probability distribution of value per share in accordance with estimated price per share calculated by the free cash flows to equity method. The acquisition cost and the carrying value of the unlisted security are ₩4,900 million and ₩6,075million, respectively, as of December 31, 2013.

Other unlisted equity securities such as LOGIPA Co., Ltd., The Korea Economic Daily, Korea Housing Guarantee Co., Ltd., Imarket Asia Co., Ltd., Polyplus Battery Company, Intellectual Discovery Co., Ltd., POSCO Social Enterprise Fund, EN Technologies Inc. and Hunan Reshine New Material Co., Ltd., and debt security of Younicos AG are valued as acquisition costs net of impairment loss as they are nonmarketable and fair value cannot be reliably estimated. The acquisition cost and the carrying value of those securities are ₩15,837 million.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

10. Other Current Assets and Non-current Assets

Other current assets and non-current assets as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

		December 31, 2013		December 31, 2012	
		Current	Non-current	Current	Non-current
Advance payments	₩	19,448,931	-	27,541,741	-
Prepaid expenses		27,113,462	54,834,609	37,477,266	61,458,476
Prepaid corporate income tax		4,155,541	18,162,941	3,450,034	20,565,632
	₩	<u>50,717,934</u>	<u>72,997,550</u>	<u>68,469,041</u>	<u>82,024,108</u>

11. Investments in Associates

(1) Investments in associates as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

	Primary business	December 31, 2013		December 31, 2012	
		Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Associates:					
Samsung Display Ltd. ("SDC") (*)	Manufacturing and sale of LCD, AMOLED, etc.	15.2%	4,632,864,753	15.2%	3,933,617,302
SSH Ltd. ("SSH")	Holding company	40.0%	251,439	40.0%	258,320
Samsung B.P. Chemicals Co., Ltd. ("SBPC")	Manufacturing and sale of acetic acid	29.2%	45,140,010	29.2%	48,011,618
Samsung Economic Research Institute Ltd. ("SERI")	Management advisory consulting	28.6%	24,862,759	28.6%	23,079,040
Intellectual Keystone Technology ("IKT") (*)	Investing in new technology	17.0%	3,646,627	-	-
			₩ <u>4,706,765,588</u>		₩ <u>4,004,966,280</u>

For all companies above, the fiscal year end is December 31.

(*) Although equity ownership is less than 20%, the Group has classified the shares as investments in associates due to the fact that the Group has representations in the Board of Directors of SDC and IKT.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

11. Investments in Associates, Continued

(2) Summarized financial information of investees :

1) 2013

<i>(In thousands of won)</i>		SDC	SSH	SBPC	SERI	IKT
Current assets	₩	14,473,615,222	636,927	126,614,137	64,587,347	548,745
Non-current assets		23,454,045,798	-	181,577,160	62,806,077	48,367,917
Current liabilities		6,115,202,850	8,329	106,877,505	22,355,836	27,465,917
Non-current liabilities		914,398,882	-	46,764,411	18,104,862	-
Revenue		29,478,707,382	-	333,695,222	166,090,511	-
Profit (loss) from continuing operations		2,825,720,937	(8,640)	1,104,625	(4,236,625)	(579,010)
Post-tax profit or loss from discontinued operations		-	-	-	-	-
Other comprehensive income		26,416,021	-	-	-	-
Total comprehensive income (loss)		2,643,207,276	(8,640)	819,160	5,950,648	(579,010)
Dividends		-	-	2,716,296	-	-

2) 2012

<i>(In thousands of won)</i>		SDC	SSH	SBPC	SERI
Current assets	₩	11,605,284,596	654,257	120,970,161	63,936,806
Non-current assets		23,338,930,521	-	188,613,656	46,323,206
Current liabilities		6,328,756,224	8,457	105,644,959	16,714,398
Non-current liabilities		2,627,546,734	-	40,909,066	13,118,262
Revenue		21,737,346,733	-	370,580,082	154,490,743
Profit (loss) from continuing operations		2,459,635,331	(7,571)	9,007,800	(2,315,969)
Post-tax profit or loss from discontinued operations		-	-	-	-
Other comprehensive income (loss)		(82,279,311)	-	(1,888,439)	-
Total comprehensive income (loss)		2,246,799,025	(7,741)	11,376,664	174,341
Dividends		-	-	7,214,253	-

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

11. Investments in Associates, Continued

(3) The comparison between carrying amount of the investments and the investees' net assets based on the Group's percentage of ownership as of December 31, 2013 and 2012, are as follows:

1) 2013

<i>(In thousands of won)</i>	SDC	SSH	SBPC	SERI	IKT
Net assets(a)(*)	30,434,115,552	628,598	154,549,381	86,932,726	21,450,745
Percentage of ownership(b)	15.2%	40.0%	29.2%	28.6%	17.0%
Equity to net assets(axb)	4,632,864,753	251,439	45,140,010	24,862,759	3,646,627
Carrying amounts	4,632,864,753	251,439	45,140,010	24,862,759	3,646,627

2) 2012

<i>(In thousands of won)</i>	SDC	SSH	SBPC	SERI
Net assets(a)(*)	25,840,634,231	645,800	164,381,128	80,695,944
Percentage of ownership(b)	15.2%	40.0%	29.2%	28.6%
Equity to net assets(axb)	3,933,617,302	258,320	48,011,618	23,079,040
Carrying amounts	3,933,617,302	258,320	48,011,618	23,079,040

(*) Net assets are equal of net asset of associates deducted by non-controlling equities.

(4) Changes in investments in associates for the years ended December 31, 2013 and 2012 were as follows:

1) 2013

(In thousands of won)

Company	January 1, 2013	Acquisition	Dividends received	Share of profits and loss	Other capital movements	December 31, 2013
SDC ₩	3,933,617,302	-	-	404,591,075	294,656,376	4,632,864,753
SSH	258,320	-	-	(3,085)	(3,796)	251,439
SBPC	48,011,618	-	(2,716,296)	391,165	(546,477)	45,140,010
SERI	23,079,040	-	-	1,561,279	222,440	24,862,759
IKT	-	4,393,346	-	(541,946)	(204,773)	3,646,627
₩	<u>4,004,966,280</u>	<u>4,393,346</u>	<u>(2,716,296)</u>	<u>405,998,488</u>	<u>294,123,770</u>	<u>4,706,765,588</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

11. Investments in Associates, Continued

(4) Changes in investments in associates for the years ended December 31, 2013 and 2012 were as follows,
Continued:

2) 2012

(In thousands of won)

Company	January 1, 2012	Disposal	Dividends received	Share of profits and loss	Other capital movements	Other	December 31, 2012
SBL(*) ₩	106,267,485	(85,550,981)	-	(37,291,042)	1,806,053	14,768,485	-
SDC(*)	1,708,114,560	-	-	536,738,389	(30,712,669)	1,719,477,022	3,933,617,302
SSH	275,286	-	-	(3,096)	(13,870)	-	258,320
SBPC	51,474,692	-	(7,214,253)	4,194,920	(443,741)	-	48,011,618
SERI	24,146,953	-	-	48,453	(982,295)	(134,071)	23,079,040
ESI(**)	5,641,519	(7,466,545)	-	543,566	1,281,460	-	-
SVIC 4(**)	3,107,717	(2,667,787)	-	(439,930)	-	-	-
₩	<u>1,899,028,212</u>	<u>(95,685,313)</u>	<u>(7,214,253)</u>	<u>503,791,260</u>	<u>(29,065,062)</u>	<u>1,734,111,436</u>	<u>4,004,966,280</u>

(*) The Group purchased additional 50% shares of SBL in 2012, and reclassified from associates to subsidiary. As described in note 32, the Parent Company merged SBL in 2013.

(**) ESI and SVIC 4 were liquidated in 2012.

(5) None of the associates is listed company as of December 31, 2013.

(6) There is no significant restriction on the Group's ability to transfer money from associates and redemption of borrowings or advances to associates.

(7) There is no contingent liability occurred related to interests in associates.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

12. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Acquisition cost									
Jan.1, 2012	₩	121,745,072	1,359,797,499	477,527,116	3,047,473,691	14,549,356	306,428,857	153,652,063	5,481,173,654
Acquisitions		-	6,447,540	2,388,005	20,239,376	389,932	22,758,213	483,519,461	535,742,527
Disposals		-	(8,485,100)	(985,622)	(360,899,476)	(1,292,794)	(29,337,025)	(1,240,017)	(402,240,034)
Other		3,603,240	39,063,842	28,206,302	203,344,535	502,097	30,683,734	(347,381,453)	(41,977,704)
Increased by business combination		-	59,749,413	13,040,439	115,347,466	401,667	21,696,521	59,622,719	269,858,225
Exchange rate fluctuations		4,377,174	(5,932,370)	(15,590,077)	(37,057,297)	(311,172)	(3,806,914)	(7,083,291)	(65,403,946)
Dec.31, 2012	₩	129,725,486	1,450,640,824	504,586,163	2,988,448,295	14,239,086	348,423,386	341,089,482	5,777,152,722
Acquisitions		8,629,878	15,941,230	6,729,214	15,261,093	653,706	30,002,130	604,303,319	681,520,570
Disposals		(7,734,371)	(47,000,565)	(89,600,076)	(389,644,795)	(2,748,338)	(56,533,907)	(1,084,401)	(594,346,453)
Other		(3,853,361)	166,914,071	(25,903,117)	426,948,151	1,226,657	41,630,152	(841,705,376)	(234,742,823)
Exchange rate fluctuations		(701,099)	(6,783,440)	863,810	(10,319,165)	5,700	(1,262,169)	(1,292,750)	(19,489,113)
Dec.31, 2013	₩	126,066,533	1,579,712,120	396,675,994	3,030,693,579	13,376,811	362,259,592	101,310,274	5,610,094,903
Accumulated depreciation									
Jan.1, 2012	₩	-	620,287,397	259,499,970	2,275,770,615	11,110,046	247,341,053	-	3,414,009,081
Disposals		-	(7,136,681)	(688,493)	(253,818,560)	(1,089,253)	(26,308,034)	-	(289,041,021)
Depreciation		-	68,871,370	21,044,267	290,710,990	1,239,364	39,417,958	-	421,283,949
Other		-	-	-	(223,823)	(513)	(5,715)	-	(230,051)
Increased by business combination		-	6,608,015	1,444,422	47,264,173	166,811	13,031,249	-	68,514,670
Exchange rate fluctuations		-	(6,386,582)	(7,272,339)	(32,889,418)	(205,650)	(2,376,065)	-	(49,130,054)
Dec.31, 2012	₩	-	682,243,519	274,027,827	2,326,813,977	11,220,805	271,100,446	-	3,565,406,574
Disposals		-	(22,563,156)	(61,952,756)	(317,813,146)	(2,525,977)	(47,883,952)	-	(452,738,987)
Depreciation		-	71,377,099	21,115,833	241,254,309	1,310,742	56,524,548	-	391,582,531
Other		-	4,091,336	(29,539,676)	(54,123,289)	(144,424)	(9,238,739)	-	(88,954,792)
Exchange rate fluctuations		-	269,760	1,532,681	2,370,621	16,597	(591,766)	-	3,597,893
Dec.31, 2013	₩	-	735,418,558	205,183,909	2,198,502,472	9,877,743	269,910,537	-	3,418,893,219

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

12. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the years ended December 31, 2013 and 2012 were as follows, continued:

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Accumulated impairment									
Jan.1, 2012	₩	-	98,384,108	35,565,507	100,426,603	257,268	5,329,452	-	239,962,938
Disposal		-	(476,796)	(78,549)	(22,123,367)	-	(1,431,933)	-	(24,110,645)
Impairment (reversal)		647,661	(2,389,168)	-	28,411,947	-	3,281,443	-	29,951,883
Increased by business combination		-	-	-	-	-	1,604,691	-	1,604,691
Exchange rate fluctuations		(5,197)	(2,833,244)	(1,673,977)	(2,722,722)	(24,198)	(100,048)	-	(7,359,386)
Dec.31, 2012	₩	642,464	92,684,900	33,812,981	103,992,461	233,070	8,683,605	-	240,049,481
Disposal		(639,178)	(15,157,891)	(23,153,808)	(51,830,193)	(726)	(3,353,465)	-	(94,135,261)
Impairment (reversal) (*)		1,050,305	211,001,416	28,626,407	34,482,140	76,931	3,770,822	-	279,008,021
Other		(1,050,305)	(25,482,047)	2,882,244	1,324,293	52,488	(802,848)	-	(23,076,175)
Exchange rate fluctuations		(3,286)	300,549	544,895	(253,250)	(14,530)	(93,039)	-	481,339
Dec.31, 2013	₩	-	263,346,927	42,712,719	87,715,451	347,233	8,205,075	-	402,327,405
Government grant									
Jan.1, 2012	₩	-	-	-	-	-	-	-	-
Acquisitions		-	-	-	633,790	-	55,657	-	689,447
Depreciation offset		-	-	-	(86,614)	-	(8,194)	-	(94,808)
Dec.31, 2012	₩	-	-	-	547,176	-	47,463	-	594,639
Acquisitions		-	-	-	222,971	-	359,794	-	582,765
Depreciation offset		-	-	-	(183,773)	-	(74,000)	-	(257,773)
Dec.31, 2013	₩	-	-	-	586,374	-	333,257	-	919,631
Carrying amount									
Jan.1, 2012	₩	121,745,072	641,125,994	182,461,639	671,276,473	3,182,042	53,758,352	153,652,063	1,827,201,635
Dec.31, 2012		129,083,022	675,712,405	196,745,355	557,094,681	2,785,211	68,591,872	341,089,482	1,971,102,028
Dec.31, 2013		126,066,533	580,946,635	148,779,366	743,889,282	3,151,835	83,810,723	101,310,274	1,787,954,648

Other increase or decrease includes reclassification of construction-in-progress to property, plant, and equipment and property, plant, and equipment to investment property and the amount immediately expensed from construction-in-progress.

(*) The Group recognized impairment loss for the difference between carrying amount and recoverable value of relevant assets in certain division, as it expects the division's performance might not meet reasonable expectation due to the decrease in demand on the division's product. The Group estimated the recoverable value of the assets by forecasting future cash flows of the division and the recoverable value was assessed to be nil.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

13. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		Exclusive facility usage rights	Others	Goodwill	Total
Acquisition cost					
Jan.1, 2012	₩	94,535,621	173,270,849	11,342,211	279,148,681
Acquisitions		-	-	-	-
Disposals		(25,937,403)	(248,892)	-	(26,186,295)
Other		13,994,621	13,003,462	-	26,998,083
Increased by business combination		148,102	19,371,547	29,322,981	48,842,630
Exchange rate fluctuations		(1,303,667)	6,705,274	-	5,401,607
Dec.31, 2012	₩	<u>81,437,274</u>	<u>212,102,240</u>	<u>40,665,192</u>	<u>334,204,706</u>
Acquisitions		-	1,198,127	-	1,198,127
Disposals		(13,124,934)	(2,811,674)	-	(15,936,608)
Other		15,538,063	26,286,396	-	41,824,459
Exchange rate fluctuations		126,300	(134,555)	-	(8,255)
Dec.31, 2013	₩	<u>83,976,703</u>	<u>236,640,534</u>	<u>40,665,192</u>	<u>361,282,429</u>
Accumulated depreciation					
Jan.1, 2012	₩	49,904,578	77,604,981	-	127,509,559
Amortization		6,402,036	24,409,381	-	30,811,417
Disposals		(20,828,212)	(248,892)	-	(21,077,104)
Other		-	(30,606)	-	(30,606)
Increased by business combination		68,363	3,828,965	-	3,897,328
Exchange rate fluctuations		(1,014,091)	6,673,839	-	5,659,748
Dec.31, 2012	₩	<u>34,532,674</u>	<u>112,237,668</u>	<u>-</u>	<u>146,770,342</u>
Amortization		6,092,550	32,910,536	-	39,003,086
Disposals		(5,250,875)	(805,894)	-	(6,056,769)
Other		845,919	826,092	-	1,672,011
Exchange rate fluctuations		126,300	(84,352)	-	41,948
Dec.31, 2013	₩	<u>36,346,568</u>	<u>145,084,050</u>	<u>-</u>	<u>181,430,618</u>
Accumulated impairment					
Jan.1, 2012	₩	-	-	11,342,210	11,342,210
Impairment		378,125	2,061,812	-	2,439,937
Increased by business combination		-	2,645,135	-	2,645,135
Dec.31, 2013		<u>378,125</u>	<u>4,706,947</u>	<u>11,342,210</u>	<u>16,427,282</u>
Impairment		702,242	424,738	-	1,126,980
Disposals		(139,327)	(2,005,778)	-	(2,145,105)
Other		-	(2,627,848)	-	(2,627,848)
Dec.31, 2013	₩	<u>941,040</u>	<u>498,059</u>	<u>11,342,210</u>	<u>12,781,309</u>
Carrying amount					
Jan.1, 2012	₩	44,631,043	95,665,868	1	140,296,912
Dec.31, 2012		46,526,475	95,157,625	29,322,982	171,007,082
Dec.31, 2013		46,689,095	91,058,425	29,322,982	167,070,502

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

13. Intangible Assets, Continued

(1) Changes in intangible assets for the years ended December 31, 2013 and 2012 were as follows, Continued:

Other amounts include reclassification of long-term prepaid expenses to exclusive facility usage rights and of construction-in-progress to other intangible assets. For the year ended December 31, 2013, the Group has recognized impairment loss due to the judgment that carrying amount of intangible assets of some divisions is lower than recoverable amount.

(2) Amortization expenses

Amortization expenses are classified as manufacturing cost and selling, general and administrative expenses, and the Group recognizes the manufacturing cost as cost of sales when the inventory is sold.

(3) Research and development expenses

Research and development expenses recognized as selling, general and administrative expenses during 2013 and 2012 were ₩74,831 million and ₩56,497 million, respectively.

(4) Impairment of CGU including goodwill

The Group performed impairment test on the goodwill allocated to the car battery division, a cash generating unit, and the expected recoverable amount exceeded the carrying amount of the CGU. The basic assumptions used in the estimation of recoverable amount are as follows:

The assumptions are reflected by the management's evaluation on future trends of relevant industry, and based on internal/external historical data of the Group.

	2013
Discount rate	11.35%
Permanent growth rate	2%

The discount rate is estimated based on weighted average cost of capital of the industry's average and is calculated with 13.87% of cost of equity, 3.55% of cost of debt capital and 24.44% of targeted debt ratio. Cash flows forecast for future 6 years is based on reasonable business plan which is based on the Group's expected long term supply contracts and market forecast of external research organizations. Growth rate is based on management's estimated EBITA (Earnings Before Interest, Taxes, depreciation and Amortization) long-term growth rate per year and coincide with market participants presumption.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

14. Investment Property

Changes in investment property for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

		2013			2012		
		Land	Buildings	Total	Land	Buildings	Total
Balance at January 1	₩	32,152,237	1,926,244	34,078,481	41,449,579	13,304,240	54,753,819
Reclassification		3,381,560	(1,673,997)	1,707,563	(3,603,240)	-	(3,603,240)
Disposal		-	-	-	(295,022)	-	(295,022)
Depreciation		-	(252,246)	(252,246)	-	(2,544,855)	(2,544,855)
Other		-	-	-	(5,399,080)	(8,833,141)	(14,232,221)
Balance at December 31	₩	<u>35,533,797</u>	<u>1</u>	<u>35,533,798</u>	<u>32,152,237</u>	<u>1,926,244</u>	<u>34,078,481</u>

Investment property consists of land in Cheonan and land in Ulsan which were leased to SDC and STM.

15. Trade Payables and Other Liabilities

Trade payables and other liabilities as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

		December 31, 2013		December 31, 2012	
		Current	Non-current	Current	Non-current
Trade payables	₩	296,285,301	-	361,549,375	-
Accounts payable		119,991,808	-	177,292,979	-
Accrued expenses		374,546,507	-	449,846,973	-
Other liabilities		<u>297,201,235</u>	<u>33,226,696</u>	<u>328,912,479</u>	<u>16,118,217</u>
	₩	<u>1,088,024,851</u>	<u>33,226,696</u>	<u>1,317,601,806</u>	<u>16,118,217</u>

Other liabilities include provisions, withholdings, guarantee deposits received, etc. (note 17, 19).

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

16. Borrowings

(1) Borrowings as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013	December 31, 2012
Short-term borrowings			
Current portion of long-term borrowings in Korean won	₩	-	65,000,000
Disposals of trade receivable		387,274,836	337,023,478
Short-term borrowings in foreign currency		27,938,407	256,738,077
	₩	<u>415,213,243</u>	<u>658,761,555</u>
Long-term borrowings			
Debentures	₩	398,985,003	199,328,651
Long-term borrowings in Korean won		200,000,000	200,000,000
Long-term borrowings in foreign currency		169,966,597	74,963,889
	₩	<u>768,951,600</u>	<u>474,292,540</u>

(2) Debentures as of December 31, 2013 and 2012 are as summarized follows:

<i>(In thousands of won)</i>							
Borrower	Type	Classification	Date of maturity	Annual Interest rate (%)		December 31, 2013	December 31, 2012
Parent Company	Corporate bonds	Unsecured	2015.9.14	3.19	₩	200,000,000	200,000,000
			2016.4.5	2.72		200,000,000	-
						<u>(1,014,997)</u>	<u>(671,349)</u>
					₩	<u>398,985,003</u>	<u>199,328,651</u>

(3) Long-term borrowings as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>							
Borrower	Description	Financial institution	Date of maturity	Annual Interest rate (%)		December 31, 2013	December 31, 2012
Parent Company	Korean won loans	Korea Development bank	2015.7.10	4.16		100,000,000	100,000,000
		Shinhan bank	2015.10.25	4.00		100,000,000	100,000,000
SDIEM	Foreign currency loans	Standard Chartered Bank, etc	2015.9.12, etc	Libor 3M + 1.50, etc		169,966,597	74,963,889
SBL	Korean won loans	Kookmin bank	2013.9.7	5.11		-	65,000,000
						<u>-</u>	<u>(65,000,000)</u>
					₩	<u>369,966,597</u>	<u>274,963,889</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

17. Provisions

Changes in provisions for the years ended December 31, 2013 and 2012 were as follows:

		Current			Non-current	Total
		Royalty expenses	Quality assurance	Incentives	Incentives	
<i>(In thousands of won)</i>						
Balance at Jan. 1, 2012	₩	91,549,764	33,343,189	6,646,960	20,056,660	151,596,573
Provisions made		17,533,614	13,727,057	6,676,960	20,042,328	57,979,959
Provisions used		(27,681,122)	(11,311,262)	(6,676,960)	(30,466,360)	(76,135,704)
Other		-	-	-	1,605,745	1,605,745
Balance at Dec. 31, 2012	₩	<u>81,402,256</u>	<u>35,758,984</u>	<u>6,646,960</u>	<u>11,238,373</u>	<u>135,046,573</u>
Balance at Jan. 1, 2013	₩	81,402,256	35,758,984	6,646,960	11,238,373	135,046,573
Provisions made		11,179,102	18,968,905	-	17,947,527	48,095,534
Provisions used		<u>(44,845,655)</u>	<u>(38,027,011)</u>	<u>(6,646,960)</u>	<u>(365,408)</u>	<u>(89,885,034)</u>
Balance at Dec. 31, 2013	₩	<u>47,735,703</u>	<u>16,700,878</u>	<u>-</u>	<u>28,820,492</u>	<u>93,257,073</u>

The Group recognizes a warranty provision (quality assurance) for the estimated costs of future repairs and recalls as accrued expenses, based on past experience.

The Group has long-term incentive plans for its executives based on three-year management performance criteria and has made a provision for the estimated incentive costs.

Royalty expenses in relation to the technology usage agreement for which the related amounts have not been determined are recorded as accrued expense based on expected future royalty expenses. The payment timing of some royalty expenses may be changeable according to negotiations with respective companies.

The Group does not disclose the details concerning litigation as it could affect the result of the ongoing investigations and the pending litigations.

18. Employee Benefits

(1) Employee benefit liabilities as of December 31, 2013 and 2012 are summarized as follows:

1) Present value of defined obligations

(In thousands of won)

		2013	2012
Beginning balance	₩	218,593,855	143,461,978
Current service costs		48,578,458	34,951,743
Interest expenses		8,811,237	7,443,532
Transfer in related parties		3,491,056	1,606,246
Gross benefit payments		(17,746,204)	(14,147,314)
Actuarial loss in other comprehensive income		16,082,731	36,319,871
Payments with a subscription to the defined contribution plan		(939,462)	(541,245)
Obligations assumed in business combination		-	9,547,539
Exchange rate fluctuations		(139,818)	(48,495)
Ending balance	₩	<u>276,731,853</u>	<u>218,593,855</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

18. Employee Benefits, Continued

2) Fair value of plan assets

<i>(In thousands of won)</i>		2013	2012
Beginning balance	₩	176,001,487	111,679,087
Contributions paid into the plan		76,381,300	62,062,152
Benefits paid by the plan		(9,468,178)	(6,513,357)
Payments with a subscription to the defined contribution plan		(859,899)	(479,053)
Expected return on plan assets		6,494,414	5,479,617
Actuarial loss in other comprehensive income		(2,059,872)	(1,098,140)
Transfer in from related parties and etc.		164,226	4,925,556
Exchange rate fluctuations		669,290	(54,375)
Ending balance	₩	247,322,768	176,001,487

3) Other liabilities for employee benefits as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013	December 31, 2012
Liabilities for paid absence	₩	33,605,766	31,475,535
Long-term incentive provisions		28,820,491	17,885,333
	₩	62,426,257	49,360,868

(2) Expenses for employee benefits for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Current service cost	₩	48,578,458	34,951,743
Expected return on plan assets		8,811,237	(5,479,617)
Interest cost		(6,494,414)	7,443,532
Cost effects from the business acquisition, etc		-	(695,038)
Payments for the defined contribution plan		94,481	8,806
	₩	50,989,762	36,229,426

(3) Fair value of plan assets as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013	December 31, 2012
Severance insurance bonds (*)	₩	246,998,372	175,664,091
National pension fund		324,396	337,396
	₩	247,322,768	176,001,487

(*) Mainly includes deposit, government securities and corporate bond, etc.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

18. Employee Benefits, Continued

- (4) The Group determined the discount rate based on market returns of blue chip corporate bonds consistent with currencies and estimated payment terms of defined benefit obligations as of the reporting date in order to calculate present value of the defined benefit obligations. Major actuarial assumptions for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Expected rate of salary increase	6.00%	6.00%
Discount rate for defined benefit obligations	4.50%	4.25%

- (5) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<i>(In thousands of won)</i>	<u>Present value of defined obligations</u>	
	<u>If increased by 1%</u>	<u>If decreased by 1%</u>
Expected rate of salary increase	32,609,497	(27,894,290)
Discount rate for defined benefit obligations	(27,264,308)	32,413,022

19. Commitments and Contingencies

- (1) As of December 31, 2013, the Group has been provided a guarantee of ₩2,260 million by Seoul Guarantee Insurance Co., Ltd. in relation to a court deposit and licensing procedures.
- (2) In December 2005, Samsung Motor Inc's Creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of Samsung Electronics Co., Ltd. and 28 Samsung Group affiliates including the Group, which seeks ₩2,450,000 million and damages for breach of contract and etc. based on the agreement entered in September 1999. During the year ended December 31, 2010, shares of Samsung Life Insurance Co., Ltd. ("SLI") owned by the creditors were disposed of and ₩877,600 million was deposited into an escrow account and majority of the claims for this case were settled. The deposited amount of ₩877,600 million was the summation of surplus over ₩70,000 per disposed share. On January 11, 2011, the Seoul High Court sentenced Samsung Group affiliates to pay ₩600,000 million and late payment penalty. In accordance with the Seoul High Court order, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow. Samsung Group affiliates including the Company and the Creditors all have appealed to the Korean Supreme Court. The Group is unable to reasonably predict the financial effects on the consolidated financial statements as the ultimate outcome of this case and the amount burden to the Group are uncertain.
- (3) In December 2012, the European Commission imposed the fine of EUR 150,840 thousand to the Group for Cathod Ray Tubes (CRT) price fixing, and the Group is under review of appealing the decision to a court. Also, the Group is under investigations on CRT price fixing from the appropriate authorities of Japan and other countries, and buyers from the United States and three other countries claimed for civil damages. Estimated losses concerning the investigations have been recognized by the Group, However, actual losses may be different from the amount estimated by the Group and the difference can be significant. In addition, concerning the lawsuits, the proceedings are in progress, and neither result of the lawsuits nor the impact on the financial statements can be reasonably determined. Based on legal advice, the management does not expect the outcome of the action to have a material effect on the Group's financial position. The Group does not disclose the details as it could affect the result of the investigations and the pending litigations.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

19. Commitments and Contingencies, Continued

- (4) In addition to the litigation described in (2), (3) above, as of December 31, 2013, the Group is a defendant in five cases in domestic and foreign jurisdictions arising from the ordinary course of business. However, certain information as required by the related K-IFRSs has not been disclosed as such disclosures may be prejudicial to the outcome of these cases. While the amount and the timing of outflow of resources from the litigations are uncertain, the impact on the consolidated financial statements cannot be reasonably estimated.
- (5) As of December 31, 2013, the Group has entered into agreements with Shinhan Bank and eight other banks in relation to bank overdrafts for up to ₩26,100 million, USD 204,800 thousand and CNY 1,400,000 thousand and agreements with Woori Bank and two other banks in relation to general purpose loans for up to ₩120,000 million.
- (6) As of December 31, 2013, the Group has entered into agreements with Korea Exchange Bank and another bank in relation to trade finance for up to ₩80,000 million and agreements with Woori Bank and two other banks in relation to import credits for up to USD 124,700 thousand.
- (7) As of December 31, 2013, the Group has entered into agreements with Agricultural Bank of China and another bank to discount trade notes receivable for up to CNY 450,000 thousand, and agreements with Woori Bank and six other banks to discount export trade accounts receivable for up to USD 835,000 thousand.
- (8) As of December 31, 2013, the Group has entered into agreements with Woori Bank and three other banks in relation to trade account receivable collateral loans for up to ₩94,000 million.
- (9) In accordance with technical license agreements, the Group recorded royalty expenses of ₩9,650 million and ₩41,238 million for the years ended December 31, 2013 and 2012, respectively.
- (10) In accordance with technology usage agreements, the Group recorded royalty income of ₩2,694 million for prior year and no royalty income was recorded for current year due to the expiration of the agreements.
- (11) As of December 31, 2013, the Group provides a guarantee up to ₩24,371 million relating to the borrowings for rented housing to its employees.
- (12) The Supreme Court made a judgement to include regular bonus and allowances in normal wages in 2013 but the Group expects the outflow of resources is not probable. The Group does not disclose the financial effect, if any, because it could not reasonably estimate the effect due to the uncertainty of estimation.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

20. Capital Stock and Capital Surplus

(1) Capital stock

Common shares and preferred shares issued and outstanding as of December 31, 2013 and 2012 are summarized as follows:

<i>(In shares)</i>		2013		
Classification	Issued shares	Treasury shares	Outstanding shares	
Common shares				
January, 1	45,558,341	2,195,849	43,362,492	
Exercise of share option	-	(17,450)	17,450	
December, 31	<u>45,558,341</u>	<u>2,178,399</u>	<u>43,379,942</u>	
Preferred shares	1,617,896	108,400	1,509,496	
<i>(In shares)</i>		2012		
Classification	Issued shares	Treasury shares	Outstanding shares	
Common shares				
January, 1	45,558,341	2,228,989	43,329,352	
Exercise of share option	-	(33,140)	33,140	
December, 31	<u>45,558,341</u>	<u>2,195,849</u>	<u>43,362,492</u>	
Preferred shares	1,617,896	108,400	1,509,496	

(2) Capital surplus as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2013	December 31, 2012
Capital in excess of par value	₩	1,195,810,753	1,195,810,753
Other capital surplus		67,147,731	62,629,365
	₩	<u>1,262,958,484</u>	<u>1,258,440,118</u>

(3) Dividends declared by Board of Directors after the reporting period are summarized as follows. Dividends for 2012 are not yet paid and there are no income tax effect relating to these dividends.

<i>(In thousands of won)</i>		2013	2012
Common share			
(2013: ₩1,500 per share, 2012: ₩1,500 per share)	₩	65,069,913	65,043,738
Preferred share			
(2013: ₩1,550 per share, 2012: ₩1,550 per share)		2,339,719	2,339,719
	₩	<u>67,409,632</u>	<u>67,383,457</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

21. Other Capital

(1) Other capital as of December 31, 2013 and 2012 are summarized as follows:

<i>(In thousands of won)</i>		<u>December 31, 2013</u>	<u>December 31, 2012</u>
Treasury shares	₩	(166,929,947)	(168,229,205)
Share options		3,487,868	4,441,280
	₩	<u>(163,442,079)</u>	<u>(163,787,925)</u>

(2) As of December 31, 2013, the Group has common stock of 2,178,399 shares and preferred stock of 108,400 shares acquired at market value as treasury (other capital) and the Group is planning to dispose of these shares according to market conditions.

(3) Share based payments

1) The terms and conditions of grants as of December 31, 2013 are summarized as follows:

<i>(In won, except number of options)</i>	<u>Sixth</u>
Date of grant	2004. 4. 23
Number of shares granted	90,000
Remaining shares	65,927
Exercise Price	166,900
Payment method	Stock
Exercisable period	Ten years
Vesting conditions	Two years of service

2) The estimated fair value was calculated using the modified fair value method and the assumptions applied to this method are summarized as follows:

	<u>Sixth</u>
Risk free rate	4.55%
Expected exercise period	3 years
Expected volatility	48.15%
Expected dividend yield	1.84%
Expected forfeiture rate	0%

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

21. Other Capital, Continued

(3) Share based payments, Continued

3) The number and weighted average exercise price of share options as of December 31, 2013 and 2012 are as follows:

(In won, except number of options)

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning	87,949	158,339	121,089	₩131,761
Exercised	22,022	123,752	33,140	61,228
Exercisable at end	65,927	166,900	87,949	₩158,339

The remaining weighted average exercisable period is 0.31 years.

Expenses arising from the above share-based payments were fully recognized during the resting period and there were no expenses recognized for the year ended December 31, 2013.

22. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

	2013	2012
Effective portion of changes in fair value of cash flow hedges	₩ 530,648	(873)
Gain in fair value of available-for-sale financial assets	879,579,299	1,139,411,562
Unrealized holding gain on equity method investments	354,442,412	37,566,606
Unrealized holding loss on equity method investments	(147,229,816)	(53,250,273)
Loss on translation of foreign operations	(85,416,234)	(72,376,766)
	₩ 1,001,906,309	1,051,350,256

23. Retained Earnings

(1) Retained earnings as of December 31, 2013 and 2012 are summarized as follows:

(In thousands of won)

	2013	2012
Legal reserve	₩ 120,462,823	115,265,000
Discretionary reserve	5,264,428,000	2,818,228,000
Unappropriated retained earnings	(348,901,651)	2,053,048,200
	₩ 5,035,989,172	4,986,541,200

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

23. Retained Earnings, Continued

(2) Statements of disposal of retained earnings

<i>(In thousands of won)</i>		<u>2013</u>	<u>2012</u>
I. Unappropriated retained earnings	₩	(55,199,169)	2,518,696,111
Balance at beginnings of year		37,062	74,447
Defined benefit plan remeasurement		8,126,433	(28,567,965)
Net income (loss)		(63,362,664)	2,547,189,629
II. Transfer from reserves		122,610,000	-
Reserve for facility		122,610,000	-
III. Appropriated retained earnings		(67,409,632)	(2,518,659,049)
Legal reserve		-	(5,075,592)
Dividends		(67,409,632)	(67,383,457)
Reserve for research and human resource development		-	(446,200,000)
Debt sinking reserve		-	(1,000,000,000)
Reserve for facility		-	(1,000,000,000)
IV. Unappropriated retained earnings to be carried over to subsequent year		1,199	37,062

Above Statements of disposal of retained earnings are prepared based on Control Company's separate financial statements. The Statements are to be approved on March 14, 2014.

24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		<u>2013</u>	<u>2012</u>
Salaries and wages	₩	276,684,240	231,054,231
Accrual for retirement and severance benefits		22,433,889	14,392,336
Employee fringe benefits		69,617,915	59,989,312
Depreciation		91,858,928	75,140,364
Research and development expenses		74,830,612	56,497,468
Supplies and repair cost		18,837,532	16,985,092
Power and water cost		11,929,786	10,307,101
Transportation cost		28,297,017	23,710,718
Insurance expenses		8,416,482	14,941,541
Selling and distribution cost		46,349,900	57,356,580
Fees and commissions		76,625,106	80,709,462
Rental expenses		7,402,630	8,679,871
Bad debt expenses		1,869,014	661,866
Others		48,703,014	70,548,934
	₩	<u>783,856,065</u>	<u>720,974,876</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

25. The Nature of Expenses

The nature of certain expenses for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Salaries and wages	₩	657,664,555	565,081,941
Accrual for retirement and severance benefits		50,989,762	36,229,426
Employee fringe benefits		187,889,099	165,789,053
Depreciation		391,577,004	423,733,996
Amortization		39,003,086	30,811,417
	₩	<u>1,327,123,506</u>	<u>1,221,645,833</u>

26. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Dividends income	₩	19,163,710	19,145,705
Gain on sale of available-for-sale assets		86,996,950	-
Gain on disposal of associates and joint ventures		-	1,742,204,293
Gain on sale of property, plant and equipment		38,416,649	721,130
Gain on sale of investment assets		-	610,718
Reversal of loss on impairment of property, plant and equipment		520,760	2,389,168
Reversal of allowance for doubtful accounts		2,689,965	723,635
Rental income		1,223,038	485,187
Miscellaneous income		58,458,130	56,409,210
	₩	<u>207,469,202</u>	<u>1,822,689,046</u>

(2) Other expenses for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Bad debt expenses-other	₩	-	105,437
Donation		9,444,672	5,284,610
Loss on disposal of associates and joint ventures		-	7,411,653
Loss on sale of available-for-sale assets		2,304,799	-
Loss on disposal of property, plant and equipment		17,161,168	47,973,278
Loss on impairment for property, plant and equipment		303,346,514	32,341,051
Loss on disposal of intangible assets		7,734,734	5,074,461
Loss on impairment for intangible assets		1,144,289	2,439,937
Litigation expense, etc		46,721,441	352,044,555
	₩	<u>387,857,617</u>	<u>452,674,982</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

27. Finance Income and Finance Costs

Finance income and costs for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

		2013				
		Interest income/ expense	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Gain / loss on transaction of derivatives	Other comprehensiv e income
Cash and cash equivalents	₩	15,936,794	7,593,972	-	-	-
Loans and receivables		39,975	(8,207,412)	(2,204,013)	-	-
Available-for-sale assets		-	-	-	-	(259,832,263)
Financial instruments		1,497,801	465	(4,616)	-	-
Other financial liabilities		(32,815,517)	797,566	(1,896,342)	-	-
Derivative instruments		-	-	-	5,064,777	531,521
	₩	<u>(15,340,947)</u>	<u>184,591</u>	<u>(4,104,971)</u>	<u>5,064,777</u>	<u>(259,300,742)</u>

(In thousands of won)

		2012				
		Interest income/ expense	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Gain / loss on transaction of derivatives	Other comprehensiv e income
Cash and cash equivalents	₩	18,593,308	(5,578,173)	(620)	-	-
Loans and receivables		219,725	(55,693,399)	(15,141,646)	-	-
Available-for-sale assets		-	-	-	-	(44,244,387)
Financial instruments		1,797,982	(7,487)	(17,498)	-	-
Other financial liabilities		(24,452,614)	42,560,506	6,478,554	-	-
Derivative instruments		-	-	-	(16,921)	(873)
	₩	<u>(3,841,599)</u>	<u>(18,718,553)</u>	<u>(8,681,210)</u>	<u>(16,921)</u>	<u>(44,245,260)</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

28. Income Tax Expense

(1) Income tax expenses for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Current income taxes	₩	43,849,507	81,358,063
Deferred income taxes from changes in temporary differences		66,707,893	489,969,026
Deferred income taxes from changes in tax credit carryforwards		(77,875,204)	(30,026,931)
Deferred income taxes from changes in loss carryforwards		-	1,600,738
Deferred income taxes recorded in stockholders' equity		(380,297)	(102,209)
Others		3,801,565	(191,765)
Income tax expense	₩	<u>36,103,464</u>	<u>542,606,922</u>

(2) Deferred tax assets and liabilities recognized as stockholders' equity for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013		
		Deferred tax assets		
		Before tax	(liabilities)	After tax
Retained earnings	₩	(85,141,448)	4,723,569	(89,865,017)
Capital surplus of equity method investee		(14,375,895)	12,690,485	(27,066,380)
Capital movements of equity method investee		(133,049,003)	(61,206,582)	(71,842,421)
Gain on valuation of available-for-sale securities		(1,161,603,484)	(281,108,043)	(880,495,441)
	₩	<u>(1,394,169,830)</u>	<u>(324,900,571)</u>	<u>(1,069,269,259)</u>

<i>(In thousands of won)</i>		2012		
		Deferred tax assets		
		Before tax	(liabilities)	After tax
Retained earnings	₩	(103,221,606)	348,171	(103,569,776)
Capital surplus of equity method investee		(14,375,895)	12,690,485	(27,066,380)
Capital movements of equity method investee		102,920,766	8,063,946	94,856,820
Gain on valuation of available-for-sale securities		(1,505,547,032)	(364,342,382)	(1,141,204,650)
	₩	<u>(1,520,223,767)</u>	<u>(343,239,780)</u>	<u>(1,176,983,986)</u>

Income tax of ₩380,297 thousand related to gains/losses on sale of treasury stock was recognized directly in capital surplus in equity and income tax related to defined benefit plan actuarial gains/losses and gains/losses on valuation of available-for-sale assets were recognized in other comprehensive income.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

28. Income Tax Expense, Continued

(3) Reconciliation of effective tax rate for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>		2013	2012
Profit before income tax	₩	184,019,165	2,029,421,270
Statutory tax rate		24.20%	24.20%
Income tax using the Company's statutory tax rate		44,532,638	491,119,947
Adjustments			
Foreign withholding tax		17,231,726	13,927,479
Permanent differences		9,834,354	3,079,086
Loss carryforwards		(567,903)	106,938
Unrecognized temporary differences		(16,483,079)	45,432,562
Tax credits		(78,898,568)	(40,116,150)
Difference in tax rate		(7,433,914)	(2,296,647)
Adjustments for consolidation and other		67,888,210	31,353,707
Income tax expense	₩	36,103,464	542,606,922
Average effective tax rate		19.62%	26.74%

(4) As of December 31, 2013, the tax effects of temporary differences were calculated by using expected tax rate for the year when the temporary differences are expected to be reversed.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

28. Income Tax Expense, Continued

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2013 and 2012 are summarized as follows:

1) As of December 31, 2013

(In thousands of won)		Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
		Beginning balance	Changes	Ending balance	Beginning balance	Changes	Ending balance
Tangible/Intangible assets	₩	234,806,416	228,053,332	462,859,748	56,823,153	55,188,906	112,012,059
Investment in associates		(3,002,194,098)	(347,472,559)	(3,349,666,657)	(731,554,899)	(106,501,399)	(838,056,298)
Inventory		24,284,638	22,800,547	47,085,185	5,876,882	5,517,733	11,394,615
Accrued expenses		584,598,424	(64,792,155)	519,806,269	141,472,819	(15,679,702)	125,793,117
Others		29,378,261	(17,709,606)	11,668,655	6,215,374	(4,283,708)	1,931,666
Sub total	₩	(2,129,126,359)	(179,120,441)	(2,308,246,800)	(521,166,671)	(65,758,170)	(586,924,841)
Deferred tax added to capital		(1,520,223,767)	126,053,938	(1,394,169,829)	(343,239,781)	18,339,210	(324,900,571)
Loss carryforwards		15,464,230	449,372,450	464,836,680	3,742,344	108,748,133	112,490,477
Tax credit		72,548,327	76,628,805	149,177,132	72,548,327	76,628,805	149,177,132
Temporary differences of subsidiaries		695,661,140	(478,604,338)	217,056,802	158,735,724	(114,444,451)	44,291,273
Total	₩						(605,866,530)

2) As of December 31, 2012

(In thousands of won)		Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
		Beginning balance	Changes	Ending balance	Beginning balance	Changes	Ending balance
Tangible/Intangible assets	₩	190,663,412	44,143,004	234,806,416	46,140,546	10,682,607	56,823,153
Investment in associates		(783,450,437)	(2,218,743,661)	(3,002,194,098)	(183,529,797)	(548,025,102)	(731,554,899)
Inventory		13,053,468	11,231,170	24,284,638	3,158,939	2,717,943	5,876,882
Accrued expenses		280,089,780	304,508,644	584,598,424	67,781,727	73,691,092	141,472,819
Others		54,432,273	(25,054,012)	29,378,261	12,933,092	(6,717,718)	6,215,374
Sub total	₩	(245,211,504)	(1,883,914,855)	(2,129,126,359)	(53,515,493)	(467,651,178)	(521,166,671)
Deferred tax added to capital		(1,720,264,806)	200,041,039	(1,520,223,767)	(376,315,859)	33,076,078	(343,239,781)
Loss carryforwards		-	15,464,230	15,464,230	-	3,742,344	3,742,344
Tax credit		33,376,797	39,171,530	72,548,327	33,376,797	39,171,530	72,548,327
Temporary differences of subsidiaries		193,667,430	501,993,710	695,661,140	49,917,987	108,817,737	158,735,724
Total	₩						(629,380,057)

(6) The Group did not recognize deferred tax liabilities in the amount of ₩80,068,091 thousand for temporary and related deferred tax liability of ₩19,376,478 thousand relating to investments to its subsidiaries, as the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reversal in the foreseeable future.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

29. Earnings Per Share

(1) Basic earnings per share

1) Basic earnings per share for the years ended 2013 and 2012 were as follows:

(In thousands of won, except earnings per share)

		<u>2013</u>	<u>2012</u>
Net income attributable to common shares	₩	128,258,914	1,469,162,298
Weighted average number of common shares outstanding (basic)		<u>43,370,937</u>	<u>43,357,737</u>
Earnings per share (won)	₩	<u>2,957</u>	<u>33,885</u>

2) Net income attributable to common share holders for the years ended 2013 and 2012 were as follows:

(In thousands of won)

		<u>2013</u>	<u>2012</u>
Net income attribute to owners of the Company	₩	130,598,633	1,471,502,017
Dividends on preferred shares		<u>(2,339,719)</u>	<u>(2,339,719)</u>
Net income attributable to common shares	₩	<u>128,258,914</u>	<u>1,469,162,298</u>

3) Weighted average number of common shares outstanding is calculated as follows:

(In shares)

		<u>2013</u>	<u>2012</u>
Issued ordinary shares at January 1		45,558,341	45,558,341
Treasury stock		<u>(2,187,404)</u>	<u>(2,200,604)</u>
Weighted average number of common shares outstanding (basic)		<u>43,370,937</u>	<u>43,357,737</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

29. Earnings Per Share, Continued

(2) Diluted earnings per share

1) Diluted earnings per share for the years ended 2013 and 2012 were as follows:

(In thousands of won, except earnings per share)

		<u>2013</u>	<u>2012</u>
Net income attributable to common shares	₩	128,258,914	1,469,162,298
Weighted average number of common shares outstanding (diluted)		<u>43,371,611</u>	<u>43,364,540</u>
Diluted earnings per share (won)	₩	<u>2,957</u>	<u>33,879</u>

2) Weighted average number of common shares outstanding(diluted) is calculated as follows:

(In shares)

		<u>2013</u>	<u>2012</u>
Weighted average number of common shares outstanding (basic)		43,370,937	43,357,737
Effect of share options on issue (unexercised)		-	4,075
Effect of share options on issue (exercised)		<u>674</u>	<u>2,728</u>
Weighted average number of common shares outstanding (diluted)		<u>43,371,611</u>	<u>43,364,540</u>

(3) Anti-dilutive potential common shares

There are potentially dilutive share options which were not included in the calculation of the diluted earnings per share due to their anti-dilutive effect for the year ended December 31, 2013. Details of these share options were as follows:

<u>Item</u>	<u>Exercise period</u>	<u>Number of shares to be issued</u>	<u>Exercise price</u>
Share options (6 th)	Apr. 24, 2006 to Apr. 23, 2014	65,927	₩166,900 per share

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

30. Related Parties

(1) Significant transactions with related parties for the years ended December 31, 2013 and 2012 were as follows:

1) 2013

(In thousands of won)

		2013			
		Revenues	Other Income	Inventory purchase	Other expenses
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	242,188,356	12,283,296	45,688,487	6,805,726
Associates					
SDC		3,690,039	63,819,969	-	466,125
SERI		-	-	-	3,655,766
Samsung International Inc.		537,656,400	81,401	56,131,352	4,025
Samsung Electronics Suzhou Computer Co., Ltd.		117,917,727	-	-	-
Samsung Electronics Hungarian Rt.		125,175,052	-	3,629,901	-
Samsung Electronics Display (M) SDN BHD.		138,858,064	59,914	-	-
Samsung Electronics Vietnam Co., Ltd.		454,684,181	-	-	-
Tianjin Samsung Electronics Co., Ltd.		111,716,073	-	-	108,668
Other affiliated corporations		891,165,592	43,368	143,373,492	3,308,688
	₩	<u>2,623,051,484</u>	<u>76,287,948</u>	<u>248,823,232</u>	<u>14,348,998</u>

2) 2012

(In thousands of won)

		2012			
		Revenues	Other Income	Inventory purchase	Other expenses
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	233,158,600	6,917,771	57,314,658	26,371,174
Associates					
SBL		3,862,562	28,229,890	4,869,237	2,739,593
Samsung Japan Co., Ltd.		39,375,028	-	57,396,120	-
SDC		1,973,830	32,107,155	-	1,376,382
SERI		-	-	-	2,553,346
Samsung International Inc.		765,817,036	-	6,219,152	-
Samsung Electronics Suzhou Computer Co., Ltd.		177,937,767	-	-	-
Samsung Electronics Hungarian Rt.		320,929,767	-	-	-
Samsung Electronics Display (M) SDN. BHD		179,662,478	60,056	-	-
Samsung Electronics Vietnam Co., Ltd.		326,286,481	-	6,558	276
Tianjin Samsung Electronics Co., Ltd.		117,957,046	-	-	-
Other affiliated corporations		786,997,386	-	176,919,706	-
	₩	<u>2,953,957,611</u>	<u>67,314,872</u>	<u>302,725,431</u>	<u>33,040,771</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

30. Related Parties, Continued

(2) Details of significant account balances with related parties as of December 31, 2013 and 2012 are as follows:

1) As of December 31, 2013

(In thousands of won)

		2013					
		Account receivable	Other receivable	Other	Account payable	Other payable	Other liability
Major shareholder							
Samsung Electronics Co., Ltd. ("SEC")	₩	18,258,451	769,309	718,994	2,148,622	2,906,451	-
Associates							
Samsung Japan Co., Ltd.		-	-	-	-	1,670	-
SDC		-	29,058	-	-	417	-
SERI		-	-	-	-	522,700	-
Samsung International Inc.		9,884,804	-	-	3,426,320	3,356	-
Samsung Electronics Suzhou Computer Co., Ltd.		5,582,761	29,633	-	-	-	-
Samsung Electronics Hungarian Rt.		5,760,276	-	-	-	-	-
Samsung Electronics Display (M) Sch. Bhd.		2,126,390	245,780	-	-	-	-
Samsung Electronics Vietnam Co., Ltd.		26,742,989	-	-	-	-	-
Tianjin Samsung Electronics Co., Ltd.		13,367,216	-	-	-	-	-
Other affiliated corporations		102,379,984	225,489	-	17,487,696	380,884	173
	₩	184,102,871	1,099,269	718,994	23,062,638	3,815,478	173

2) As of December 31, 2012

(In thousands of won)

		2012				
		Account receivable	Other receivable	Other	Account payable	Other payable
Major shareholder						
Samsung Electronics Co., Ltd. ("SEC")	₩	22,302,121	1,718,816	671,000	2,566,150	1,208,542
Associates						
Samsung Japan Co., Ltd.		-	-	-	-	54,340
SDC		3,168	-	-	15,558	-
SERI		-	-	-	-	1,091,651
Samsung International Inc.		17,728,219	-	-	5,784	-
Samsung Electronics Suzhou Computer Co., Ltd.		17,963,675	86,732	-	-	-
Samsung Electronics Hungarian Rt.		5,515	-	-	-	-
Samsung Electronics Display (M) Sch. Bhd.		5,656,653	152,334	-	-	-
Samsung Electronics Vietnam Co., Ltd.		33,804,377	-	-	-	-
Tianjin Samsung Electronics Co., Ltd.		11,154,941	-	-	-	-
Other affiliated corporations		58,004,007	-	-	21,798,898	-
	₩	166,622,676	1,957,882	671,000	24,386,390	2,354,533

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

30. Related Parties, Continued

(3) Personnel compensation in total to registered officers (the "Key management") who have the authority and responsibility in the planning, directing, and control of the Group is ₩3,782 million and ₩2,113 million, for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, liabilities related to long-term employee benefits are ₩3,272 million and ₩5,303 million, respectively. In addition, liabilities related to retirement benefits as of December 31, 2013 and 2012 are ₩3,349 million and ₩4,386 million, respectively.

31. Non-controlling Interest

Non-controlling interests for the years ended December 31, 2013 and 2012 were calculated as follows:

1) 2013

(In thousands of won)

		2013				Total
		SDI(M)	United States (SDIA and 1 other)	China (TSDI and 3 others)	Others	
Current assets	₩	85,002	124,293	912,824	43,677	1,165,796
Non-current assets		140	38,902	497,928	29,498	566,468
Current liability		28,990	71,239	587,150	9,280	696,659
Non-current assets		-	14	-	-	14
Net assets		56,152	91,942	823,602	63,895	1,035,591
Carrying amount of non-controlling interests		11,923	6,089	144,972	1,339	164,323
Sales		3,804	571,321	3,341,131	-	3,916,256
Net income or loss		(2,390)	14,718	107,981	9,403	129,712
Total comprehensive income (loss)		(15,635)	17,545	119,433	4,895	126,238
Net income attributed to non-controlling equity		(750)	(218)	17,903	382	17,317
Cash flows from operation activities		(11,665)	8,566	172,406	35	169,342
Cash from investment activities		9,699	(903)	27,345	96	36,237
Cash flow from financing activities before payment on dividends of non-controlling interest		(30,423)	(30,066)	(309,281)	(3,000)	(372,770)
Dividends attributed to non-controlling equity		(12,558)	(2,785)	(10,170)	-	(25,513)
Exchange rate change effect		(560)	(201)	5,149	(2,429)	1,959
Net increase/decrease of cash		(45,507)	(25,389)	(114,551)	(5,298)	(190,745)

The brief information on cash flows is information translated to Korean Won which were translated of the cash flow of subsidiaries before consolidation adjustments.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Non-controlling Interest, Continued

Non-controlling interests for the years ended December 31, 2013 and 2012 were calculated as follows, Continued:

2) 2012

(In thousands of won)

	₩	2012				Total
		SDI(M)	United States (SDIA and 1 other)	China (TSDI and 3 others)	Others	
Current assets		126,989	146,555	1,078,152	40,214	1,391,910
Non-current assets		27,596	40,113	625,475	31,832	725,016
Current liability		48,191	74,446	766,983	10,046	899,666
Non-current assets		-	907	-	-	907
Net assets		106,394	111,315	936,644	62,000	1,216,353
Carrying amount of non-controlling interests		30,080	9,144	150,828	1,205	191,257
Sales		164,365	812,178	3,835,751	-	4,812,294
Net income or loss		(32,446)	57,236	128,747	(106)	153,431
Total comprehensive income (loss)		39,325	67,520	63,562	2,479	45,431
Net income attributed to non-controlling equity		(10,191)	1,844	23,655	4	15,312
Cash flows from operation activities		22,662	35,052	299,498	(1,127)	366,085
Cash from investment activities		(614)	2,441	(100,508)	(2,022)	(100,703)
Cash flow from financing activities before payment on dividends of non-controlling interest		(30,504)	(34,454)	(91,388)	182	(156,164)
Dividends attributed to non-controlling equity		-	(5,821)	(3,217)	-	(9,038)
Exchange rate change effect		(3,443)	(4,170)	(16,321)	(4,267)	(28,201)
Net increase/decrease of cash		(11,899)	(6,962)	88,064	(7,234)	61,979

The brief information on cash flows is information translated to Korean Won which were translated of the cash flow of subsidiaries before consolidation adjustments.

32. Merger with subsidiary

The Parent Company decided to merge SB Limotive Co., Ltd. ("SBL"), which is a 100% owned subsidiary, at the Board of Directors meeting held on October 26, 2012, and the Parent Company merged SBL on January 1, 2013.