

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Samsung SDI Co, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

(1) Merger

As discussed in note 32 to the consolidated financial statements, Samsung SDI Co., Ltd. consummated merger with former Cheil Industries Inc. on July 1, 2014 with the intention of expanding its chemicals and electronic materials business. As a result, its total assets increased by ₩5,545 billion (including goodwill of ₩734 billion) and the total liabilities increased by ₩1,725 billion.

(2) Discontinued operation

As discussed in note 33 to the consolidated financial statements, the Group discontinued manufacturing and sales of PDP business pursuant to the resolution of the board of directors meeting held on July 1, 2014. Also, it discontinued solar battery related division due to the uncertainty of its market. The comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Other matters

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

Seoul, Korea
February 23, 2015

This report is effective as of February 23, 2015, 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, 2014 and 2013

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and cash equivalents	4,6 ₩	627,528,155	730,176,084
Trade and other receivables, net	4,7,30	980,557,547	685,033,763
Inventories, net	8	768,553,751	525,775,079
Other investments	4,9	1,079,633,824	71,488,711
Other assets	10	79,281,476	50,717,934
Total current assets		<u>3,535,554,753</u>	<u>2,063,191,571</u>
Long-term trade and other receivables	4,7,30	11,213,384	6,089,116
Investments in equity-accounted investees	11	4,979,017,316	4,706,765,588
Property, plant and equipment, net	5,12	3,324,877,551	1,787,954,648
Intangible assets, net	5,13	1,278,941,592	167,070,502
Investments in property	5,14	168,727,599	35,533,798
Deferred tax assets	28	41,031,051	48,843,357
Other non-current investments	4,9	2,549,201,274	1,667,224,759
Other non-current assets	10,13	79,985,426	72,997,550
Total non-current assets		<u>12,432,995,193</u>	<u>8,492,479,318</u>
Total assets	₩	<u>15,968,549,946</u>	<u>10,555,670,889</u>
Liabilities			
Trade and other liabilities	4,15,17,19,30 ₩	1,232,310,509	1,088,024,851
Income taxes payable	28	16,653,576	19,667,238
Advance received		29,989,860	3,324,294
Unearned revenue		886	727,563
Short-term borrowings	4,16	975,300,399	415,213,243
Total current liabilities		<u>2,254,255,230</u>	<u>1,526,957,189</u>
Trade and other liabilities	4,15,17,19,30	33,834,787	33,226,696
Long-term borrowings	4,16	802,528,420	768,951,600
Employee benefits	18	11,525,368	29,409,085
Deferred tax liabilities	28	1,039,494,849	654,709,888
Total non-current liabilities		<u>1,887,383,424</u>	<u>1,486,297,269</u>
Total liabilities		<u>4,141,638,654</u>	<u>3,013,254,458</u>
Capital stock	1,20	356,712,130	240,681,185
Capital surplus	20	5,032,600,515	1,262,958,484
Other capital	21	(10,848,672)	(163,442,079)
Accumulated other comprehensive income	22	1,345,646,158	1,001,906,309
Retained earnings	23	4,862,321,913	5,035,989,171
Equity attributable to owners of the Parent Company	31	<u>11,586,432,044</u>	<u>7,378,093,070</u>
Non-controlling interests		<u>240,479,248</u>	<u>164,323,361</u>
Total equity		<u>11,826,911,292</u>	<u>7,542,416,431</u>
Total liabilities and equity	₩	<u>15,968,549,946</u>	<u>10,555,670,889</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, 2014 and 2013

(In thousands of won, except per share information)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue	5,30	₩ 5,474,221,641	3,428,462,196
Cost of sales	8,18,25,30	(4,545,477,394)	(2,812,023,341)
Gross profit		928,744,247	616,438,855
Selling, general and administrative expenses	18,24,25	(857,926,738)	(627,755,947)
Operating income (loss)	5	70,817,509	(11,317,092)
Other income	26,30	233,600,659	184,099,134
Other expenses	26,30	(303,118,319)	(64,951,188)
Finance income	27	193,321,655	177,190,273
Finance costs	27	(185,521,932)	(177,843,368)
Share of profit of equity-accounted investees	11	190,268,412	405,998,488
Profit before income taxes		199,367,984	513,176,247
Income tax expense	28	47,249,364	105,473,947
Profit from continuing operations		152,118,620	407,702,300
Profit (loss) from discontinued operations	29,33	(232,433,057)	(259,786,599)
Profit (loss) for the year	₩	(80,314,437)	147,915,701
Other comprehensive income (loss)			
Items that will never be reclassified to profit of loss:			
Defined benefit plan actuarial losses	18	(29,611,203)	(18,142,603)
Tax effect		7,201,331	4,375,398
Items that are or may be reclassified to profit of loss:			
Gain (loss) on derivatives evaluation		(810,278)	531,521
Unrealized net change in fair values of available-for-sale financial assets	9	345,363,047	(343,075,855)
Change in unrealized holding gain (loss) on equity method investments	11	74,416,352	294,123,770
Change in gain(loss) on translation of foreign operations		15,578,551	(16,235,696)
Tax effect		(87,942,640)	10,108,660
Other comprehensive income(loss) for the year, net of tax		324,195,160	(68,314,805)
Total comprehensive income for the year	₩	243,880,723	79,600,896
Profit (loss) attributable to:			
Owners of the Parent Company	₩	(83,847,754)	130,598,633
Non-controlling interests	31	3,533,317	17,317,068
Total comprehensive income attributable to:			
Owners of the Parent Company		237,482,223	67,387,481
Non-controlling interests	31	6,398,500	12,213,415
Earnings per share - Continuing operations	29		
Basic earnings per share (in won)	₩	2,610	8,947
Diluted earnings per share (in won)		2,610	8,947
Earnings per share – Discontinued operations			
Basic earnings per share (in won)		(4,127)	(5,990)
Diluted earnings per share (in won)		(4,127)	(5,990)

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, 2014 and 2013

(In thousands of won)

		<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								
Profit for the year		-	-	-	-	130,598,633	17,317,068	147,915,701
Defined benefit plan actuarial losses		-	-	-	-	(13,767,205)	-	(13,767,205)
Loss on valuation of derivatives		-	-	-	531,521	-	-	531,521
Change in fair value of available-for-sale financial assets		-	-	-	(259,832,263)	-	-	(259,832,263)
Change in equity of equity-accounted investees		-	-	-	222,896,263	-	-	222,896,263
Change in gain on translation of foreign operations		-	-	-	(13,039,468)	-	(5,103,653)	(18,143,121)
Total comprehensive income		-	-	-	(49,443,947)	116,831,428	12,213,415	79,600,896
Transactions with shareholders directly recognized in equity								
Dividends to owners of the Company		-	-	-	-	(67,383,457)	(25,514,076)	(92,897,533)
Capital contribution from non-controlling interesting		-	-	-	-	-	(10,547,714)	(10,547,714)
Exercise of share options		-	1,433,334	345,846	-	-	-	1,779,180
Changes in associates' retained earning		-	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 Changes in Equity

For the years ended December 31, 2014 and 2013

(In thousands of won)

		<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, 2014	₩	240,681,185	1,262,958,484	(163,442,079)	1,001,906,309	5,035,989,171	164,323,361	7,542,416,431
Comprehensive income								
Profit for the year		-	-	-	-	(83,847,754)	3,533,317	(80,314,437)
Defined benefit plan actuarial losses		-	-	-	-	(22,409,872)	-	(22,409,872)
Loss on valuation of derivatives		-	-	-	(810,278)	-	-	(810,278)
Change in fair value of available-for-sale financial assets		-	-	-	261,899,693	-	4,935	261,904,628
Change in equity of equity-accounted investees		-	-	-	56,551,593	-	-	56,551,593
Change in gain on translation of foreign operations		-	-	-	26,098,841	-	2,860,248	28,959,089
Total comprehensive income		-	-	-	343,739,849	(106,257,626)	6,398,500	243,880,723
Transactions with shareholders directly recognized in equity								
Dividends to owners of the Company		-	-	-	-	(67,409,632)	(15,593,989)	(83,003,621)
Disposal of treasury shares		-	136,906,021	162,195,490	-	-	-	299,101,511
Acquisition of treasury stock		-	-	(6,096,395)	-	-	-	(6,096,395)
Exercise of share options		-	3,487,868	(3,487,868)	-	-	-	-
Acquisition of interests in subsidiary		116,030,945	3,642,739,984	(17,820)	-	-	60,089,424	3,818,842,533
Capital contribution from non-controlling interesting		-	-	-	-	-	25,261,952	25,261,952
Other		-	(13,491,842)	-	-	-	-	(13,491,842)
Balance at December 31, 2014	₩	<u>356,712,130</u>	<u>5,032,600,515</u>	<u>(10,848,672)</u>	<u>1,345,646,158</u>	<u>4,862,321,913</u>	<u>240,479,248</u>	<u>11,826,911,292</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, 2014 and 2013

(In thousands of won)

	2014	2013
Cash flows from operating activities		
Profit (loss) for the year	₩ (80,314,437)	147,915,701
Adjustments for:		
Expenses for employee benefits	66,845,666	50,895,281
Loss (reversal) on valuation of inventories	(31,673,272)	18,477,421
Depreciation	444,184,243	391,577,004
Amortization	88,509,369	39,003,086
Reversal of bad debt expense	(3,957,162)	(820,951)
Reversal of other bad debt expense	(296,090)	-
Commission fee	8,711,350	5,856,334
Share of profit of equity accounted investees	(190,268,412)	(405,998,488)
Loss on sale of investments in equity-accounted investees	12,896	-
Loss on disposal of available-for-sale financial assets	-	2,304,799
Gain on disposal of available-for-sale financial assets	(146,299,750)	(86,996,950)
Impairment losses on available-for-sale financial assets	221,056,218	-
Foreign currency translations loss	12,933,635	12,656,346
Foreign currency translations gain	(15,902,972)	(8,551,376)
Gain on valuation of derivatives	(4,539,720)	(5,064,777)
Loss on sale of property, plant and equipment	23,093,556	17,161,168
Gain on sale of property, plant and equipment	(3,595,596)	(38,416,649)
Impairment losses on property, plant and equipment	45,898,430	303,346,514
Reversal of Impairment losses on property, plant and equipment	-	(520,760)
Loss on sale of intangible assets	149,895	7,734,734
Impairment losses on intangible assets	15,142,459	1,144,289
Gain on sale of investments	(204,670)	-
Miscellaneous loss	312,424	2,940,928
Miscellaneous income	(72,695,951)	(15,120,000)
Income tax expense (benefit)	(26,006,144)	36,103,464
Interest expense	46,074,766	32,815,517
Interest income	(26,010,113)	(17,474,570)
Dividends income	(11,381,936)	(19,163,710)
Changes in assets and liabilities:		
Trade receivables	272,274,228	91,901,151
Other receivables	25,724,939	82,468,920
Other current assets	(3,894,478)	17,650,434
Inventories	139,780,485	15,845,581
Non-current other receivables	(4,884,456)	(18,107,878)
Trade payables	(213,003,867)	(44,122,644)
Other payables	(75,033,036)	(199,097,444)
Advances payables	9,453,245	(5,889,664)
Unearned income	(734,588)	(235,520)
Non-current other payables	12,650,171	17,693,282
Payment of employee benefits	(43,072,705)	(18,685,666)
Transfer in from related parties for employee benefits	1,443,667	3,491,056
Plan assets	(110,577,566)	(66,252,113)
Interest received	27,572,855	18,699,072
Interest paid	(48,120,739)	(34,027,365)
Dividends received	11,381,936	19,163,710
Income taxes paid	(50,145,951)	(43,849,507)
Net cash provided by operating activities	₩ 310,592,822	308,449,760

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

For the years ended December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Cash flows from investing activities		
Sale of other investments	₩ 66,259,134	119,852,112
Sale of property, plant and equipment	42,099,122	68,727,685
Sale of investment property	256,450	-
Proceeds from sale of investments in equity-accounted investees	238,618	-
Acquisition of business, net of cash acquired	71,446,653	-
Acquisition of other non-current assets	(28,857,700)	(20,092,337)
Acquisition of property, plant and equipment	(476,280,781)	(667,127,019)
Acquisition of intangible assets	(2,791,646)	(1,198,127)
Acquisition of investments in equity-accounted investees	-	(4,393,346)
Net cash used in investing activities	<u>(327,630,150)</u>	<u>(504,231,032)</u>
Cash flows from financing activities		
Exercise of share options	-	2,159,477
Issuance of debentures	-	199,242,600
Proceeds from long-term borrowings	-	190,890,065
Capital contribution from non-controlling interesting	25,261,952	-
Proceeds from sale of treasury stock	342,810,294	-
Dividends paid	(83,003,621)	(92,897,533)
Repayment of short-term borrowings	(61,265,668)	(249,536,744)
Repayment of current portion of long-term borrowings	(100,884,792)	(65,000,000)
Repayment of long-term borrowings	(200,000,000)	-
Capital reduction by cash distribution of subsidiaries	-	(10,547,714)
Acquisition of treasury stock	(6,096,395)	-
Payment of transaction costs related to new stock	(631,689)	-
Net cash used in financing activities	<u>(83,809,919)</u>	<u>(25,689,849)</u>
Net increase (decrease) in cash and cash equivalents	(100,847,247)	(221,471,121)
Cash and cash equivalents at January 1	730,176,084	946,516,332
Effect of exchange rate fluctuations on cash held	(1,800,682)	5,130,873
Cash and cash equivalents at December 31	<u>₩ 627,528,155</u>	<u>730,176,084</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, 2014 and 2013

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. 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 and the Parent Company’s head office is located in Giheung, Gyeong-gi Do.

The Parent Company has merged with former Cheil Industries Inc. (new material division) on July 1, 2014. Its main business is manufacturing and selling chemicals and electronic materials. The major business area and locations of domestic production facilities of the Parent company are as follows.

Business	Major product lines	Domestic manufacturing facilities
Energy solution business	Small-sized li-on battery, Automotive battery, ESS (Energy Storage System)	Ulsan, Cheonan
Material business	Chemicals, electronic materials	Gumi, Uiwang, Cheongju, Yeosu

In addition to these local business sites, the Parent Company also has 30 subsidiaries operating in the United States, China, Germany, Hungary, and so on.

Under its Articles of Incorporation, the Parent Company is authorized to issue 200,000 thousand shares of capital stock with a par value of ₩5,000 per share. As of December 31, 2014, 70,382,426 shares of capital stock (including 1,617,896 shares of preferred stock) have been issued and are outstanding, and the Parent Company’s paid-in-capital amounts to ₩356,712 million. The major shareholder of the Parent Company is Samsung Electronics Co., Ltd. (19.13%). 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 ordinary shares and 30,000 preferred shares, which were acquired at ₩99,333 million on December 8, 2004 with appropriating retained earnings. The par value of outstanding shares is ₩351,912 million (₩ 343,823 million for common stock and ₩8,089 million for preferred stock, excluding the retired shares) and it differs from the Group’s paid-in-capital due to the share retirement.

Under its Articles of Incorporation, the Parent Company is authorized to issue 30,000 thousand shares of non-voting preferred stock. 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, 2014, 1,617,896 shares of non-cumulative and non-voting preferred stocks are eligible for these additional dividends.

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

For the years ended December 31, 2014 and 2013

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 in the Republic of Korea. The consolidated financial statements were authorized for issue by the Board of Directors on January 26, 2015 and will be submitted for approval to general shareholders meeting to be held on March 13, 2015.

(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.

(3) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS 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.

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 and 13: impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Notes 17 and 19: recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;
- Note 18: measurement of defined benefit obligations: key actuarial assumptions; and
- Note 28: recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

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

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

(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's 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.

Further information about the assumptions made in measuring fair values is included in following note:

- Note 4: Financial Risk Management

(5) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following amendments to standards and new interpretation with a date of initial application of January 1, 2014.

- Amendments to K-IFRS No. 1032 : Offsetting Financial Assets and Financial Liabilities
- Amendments to K-IFRS No. 1110, 1112, and 1027 : Investment entities
- Amendments to K-IFRS No. 1036 : Recoverable Amount Disclosures for Non-financial Assets
- K-IFRS No. 2121 : Levies

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.

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

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

(5) Changes in accounting policies, continued

1) Offsetting financial assets and financial liabilities

The Group has adopted amendments to K-IFRS No.1032, 'Offsetting Financial Assets and Financial Liabilities' since January 1, 2014. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

The change had no significant impact on the measurements of the Group's assets and liabilities.

2) Investment Entities

The Group has adopted Amendments to K-IFRS No.1110, K-IFRS No.1112 and K-IFRS No.1027, 'Investment Entities' since January 1, 2014.

The amendments define an investment entity and provide an exception to the consolidation requirements in K-IFRS No.1110 for investment entities by instead requiring investment entities to measure their investments in particular subsidiaries at fair value through profit or loss in accordance with K-IFRS No.1039 'Financial Instruments: Recognition and Measurement.' The amendments also provide related disclosure and separate financial statement requirements for investment entities.

The Parent Company has evaluated and concluded that the Parent Company is an investment entity, as of January 1, 2014. As a result, the Group applied the amendments retrospectively, adjusting the difference between previous carrying amount of assets and liabilities of subsidiaries, and new carrying amount of investment in subsidiaries directly in equity.

The change had no significant impact on the measurements of the Group's assets and liabilities.

For the years ended December 31, 2014 and 2013

2. Basis of Preparation, Continued

(5) Changes in accounting policies, continued

3) Recoverable Amount Disclosures for Non-Financial Assets

The Group has adopted amendments to K-IFRS No.1036 'Impairment of Assets' since January 1, 2014. The amendments require the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. They also require the disclosure of additional information about that fair value measurement. In addition, if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique, the amendments also require the disclosure of the discount rates that have been used in the current and previous measurements.

The Group retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS No.1036.

4) Levies

The Group has adopted K-IFRS No.2121, 'Levies' since January 1, 2014. K-IFRS No.2121 is an Interpretation of K-IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets, on the accounting for levies imposed by governments. K-IFRS No.1037 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (or 'obligating event'). K-IFRS No.2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The interpretation does not provide guidance on the accounting for the costs arising from recognizing the liability to pay a levy. Other K-IFRSs should be applied to determine whether the recognition of a liability to pay a levy gives rise to an asset or an expense.

The change had no significant impact on the measurements of the Group's assets and liabilities.

For the years ended December 31, 2014 and 2013

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.

Certain comparative amounts in the statement of comprehensive income have been reclassified as a result of an operation discontinued during the current year (see note 33).

(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 re-measured 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, 2014 and 2013

3. Significant Accounting Policies, Continued

(1) Consolidation, continued

3) Subsidiaries, continued

(i) The list of subsidiaries as of December 31, 2014 and 2013 are 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, 2014	Percentage of ownership(*1)	
				December 31, 2014	December 31, 2013
Samsung SDI America, Inc. ("SDIA")	U.S.A.	Manufacturing and sale of PDP, sale of rechargeable battery	28,626,950	91.7%	91.7%
Samsung SDI Germany GmbH ("SDIG")(*3)	Germany	Supporting sales in Europe region	-	-	100%
Samsung SDI Hungary Rt. ("SDIHU")	Hungary	Manufacturing and sale of PDP	4,860,887	100%	100%
Samsung SDI Europe GmbH ("SDIEU")	Germany	Sale of rechargeable battery, etc.	1,558,180	100%	100%
Samsung SDI Battery Systems GmbH ("SSBS")(*5)	Austria	Manufacturing of automotive battery	47,107	100%	-
Samsung SDI (Malaysia) Sdn. Bhd. ("SDI(M)")	Malaysia	Manufacturing and sale of CPT	43,581,363	68.6%	68.6%
Samsung SDI Vietnam Co., Ltd. ("SDIV")	Vietnam	Manufacturing and sale of rechargeable battery	62,336,000	100%	100%
Samsung SDI Energy Malaysia Sdn. Bhd. ("SDIEM")	Malaysia	Manufacturing and sale of rechargeable battery	121,321,000	100%	100%
Samsung SDI (Hong Kong) Ltd. ("SDIHK")	Hong Kong	Sale of rechargeable battery, PDP	261,864,048	97.6%	97.6%
Samsung SDI Japan Co., Ltd. ("SDIJ")	Japan	Purchase and sale of PDP, raw materials of rechargeable battery	4,210,454	100%	100%
Samsung SDI China Co., Ltd. ("SDIC")	China	Supporting sales in China region	2,267,400	100%	100%
Samsung SDI-ARN (Xi'An) Power Battery Co., Ltd. ("SAPB")(*2)	China	Manufacturing of automotive battery	50,493,904	50.0%	-
Samsung SDI Brasil Ltda. ("SDIB")	Brazil	Supporting sales in South America region	117,239,846	96.1%	96.1%
SVIC 15 Fund ("SVIC15")	Korea	Investments in new technology venture business	27,000,000	99.0%	99.0%
Samsung Chemical U.S.A Inc. ("SCI")(*4)	U.S.A.	Sales of chemical products	202,880	100%	-
Samsung Chemical Europe GmbH ("SCEG")(*4)	Germany	Sales of chemical products	692,075	100%	-
Samsung Chemical Material Trading (Shanghai) Co., Ltd. ("SCSC")(*4)	China	Sales of chemical products	2,567,828	100%	-
Starex Compounding America Inc. ("SCA")(*4)	U.S.A.	Sales of chemical products	3,296,800	100%	-
Tianjin Samsung Engineering Plastics Co., Ltd.("TSEP")(*4)	China	Manufacturing and sales of chemical products	5,572,423	100%	-
Samsung Chemical (Thailand) Co., Ltd.("SCT")(*4)	Thailand	Sales of chemical products	375,120	59.4%	-

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

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(1) Consolidation, continued

3) Subsidiaries, continued

(i) The list of subsidiaries as of December 31, 2014 and 2013 are as follows: All subsidiaries' fiscal year end is December 31, continued

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

Subsidiaries	Location	Primary business	Capital stock as of December 31, 2014	Percentage of ownership(*1)	
				December 31, 2014	December 31, 2013
Samsung Chemical Hungary LLC ("SCH")(*4)	Hungary	Manufacturing and sales of chemical products	50,033	100%	-
Samsung Chemical Electronic Materials (SuZhou) Co., Ltd. ("SCES")(*4)	China	Manufacturing and sales of electronic material products	4,685,600	100%	-
Samsung Cheil industries Japan Ltd. ("SCJ")(*4)	Japan	Sales of chemical products, electronic material market research	400,000	100%	-
SVIC24 Fund ("SVIC24")(*4)	Korea	Investments in new technology venture business	3,800,000	99.00%	-
Dongguan Samsung Engineering Plastics Co., Ltd. ("DSEP")(*4)	China	Manufacturing and sales of chemical products	5,519,971	100.00%	-
Novald GmbH ("NOVALED")(*4)	Germany	Manufacturing and sales of electronic material products	8,556,814	50.1%	-
Subsidiary of SDIA					
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	Mexico	Manufacturing of PDP	2,854,723	91.7%	91.7%
Subsidiaries of SDIHK					
Shenzhen Samsung SDI Co., Ltd. ("SSDI")	China	Manufacturing and sale of CRT, PDP	95,764,575	78.0%	78.0%
Tianjin Samsung SDI Co., Ltd. ("TSDI")	China	Manufacturing and sale of rechargeable battery	113,123,338	78.0%	78.0%
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED")	China	Manufacturing and sale of rechargeable battery, sale of VFD	47,671,714	58.9%	58.9%
Subsidiary of SCA					
Stacom Mexico, S.A. de C.V. ("STACOM")(*4)	Mexico	Manufacturing and sales of chemical products	7,826	100%	-

(*1) Effective ownership interest has been measured based on ownership of the Parent Company and its subsidiaries considering the control structure. In accordance with the local laws and regulations, no shares have been issued and ownership interest has been measured based on investments.

(*2) A subsidiary, SAPB, has been established in Xi'an, China in this current year. Although the Group holds ownership interests of SAPB less than the majority, SAPB was classified as a subsidiary because the Group controlled SAPB through a shareholders' agreement.

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

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(1) Consolidation, continued

3) Subsidiaries, continued

(i) The list of subsidiaries as of December 31, 2014 and 2013 are as follows: All subsidiaries' fiscal year end is December 31, continued

(*3) SDIG was excluded from consolidation due to the completion of liquidation process in this current year.

(*4) Newly acquired subsidiaries as a result of merger with former Cheil industries Inc. in this current year.

(*5) A subsidiary, SSBS, has been established in Austria in this current year.

(ii) Summary of financial information of subsidiaries as of and for the year ended December 31, 2014 is as follows:

(In thousands of won)

Subsidiaries	Assets	Liabilities	Equity	Revenue	Net profit (loss)	Total comprehensive income (loss)
SDIA	86,973,199	26,988,836	59,984,363	317,468,631	11,258,201	46,469,381
SDIHU	14,128,553	349,241	13,779,312	2,998,684	(1,409,166)	(3,417,260)
SDIEU	7,996,007	5,282,721	2,713,286	14,672,683	1,439,970	1,089,875
SSBS	46,778	-	46,778	-	-	(328)
SDI(M)	76,740,658	29,498,828	47,241,830	-	(8,050,864)	(9,245,678)
SDIV	227,828,456	148,905,143	78,923,313	732,207,470	7,366,189	9,388,537
SDIEM	581,084,805	374,235,062	206,849,743	570,753,879	83,279,614	77,847,767
SDIHK	334,201,080	58,733,896	275,467,184	632,927,003	32,187,871	32,023,490
SDIJ	10,280,507	6,949,191	3,331,316	32,242,202	497,075	110,733
SDIC	3,413,015	364,910	3,048,105	8,944,082	717,187	765,163
SAPB	52,065,671	1,999,145	50,066,526	-	(3,006,139)	(427,378)
SDIB	29,289,676	2,920,902	26,368,774	-	2,293,609	653,752
SVIC15	24,274,677	100,090	24,174,587	-	(43,359)	450,192
SCI	49,314,369	42,640,540	6,673,829	99,650,843	1,045,163	1,507,131
SCEG	41,096,257	31,424,871	9,671,386	31,983,074	1,115,186	791,016
SCSC	9,594,994	1,119,615	8,475,379	7,801,492	1,321,065	1,911,186
SCA	25,025,288	22,094,154	2,931,134	33,093,518	1,172,880	1,264,847
TSEP	32,033,353	7,306,495	24,726,858	33,591,615	1,277,075	3,121,936
SCT	3,154,527	412,444	2,742,083	3,705,418	307,933	479,119
SCH	41,082,523	30,080,615	11,001,908	57,903,283	487,482	105,168
SCES	10,545,127	8,026,682	2,518,445	9,076,973	415,899	590,661
SCJ	1,702,784	602,394	1,100,390	2,562,632	(6,241)	(123,787)
SVIC24	2,513,138	192,341	2,320,797	-	(372,189)	(372,189)
DSEP	26,781,587	20,195,983	6,585,604	25,088,394	493,239	997,925
NOVALED	42,633,313	8,883,796	33,749,517	27,251,993	9,511,291	8,483,201
SDIM	21,904,383	764,603	21,139,780	17,527,296	3,052,345	(902,077)
SSDI	166,845,886	12,927,982	153,917,904	377,555,355	11,887,312	14,673,139
TSDI	531,176,250	187,723,962	343,452,288	1,092,004,843	41,620,983	47,896,997
SSED	47,535,674	1,008,548	46,527,126	99,169,696	(9,345,515)	(9,169,797)
STACOM	1,192,864	592,453	600,411	2,135,434	28,615	(8,911)

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(1) Consolidation, continued

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.

5) Interest in 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 initially recognized 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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(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.

(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 that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when it has a short maturity with a specified redemption date.

(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 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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

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 financial assets

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.

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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(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.

1) Financial liabilities at fair value through profit or loss

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.

2) Other financial liabilities

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, 2014 and 2013

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 de-recognition 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 a separate item and is depreciated over its separate useful life.

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

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

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.

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For the years ended December 31, 2014 and 2013

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 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
Development costs	8 ~11
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.

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For the years ended December 31, 2014 and 2013

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.

Subsequent costs are recognized in the carrying amount of investment property 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.

Investment property, 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.

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.

(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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(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 to 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.

(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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(13) Impairment, continued

2) Impairment of non-financial assets, continued

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.

(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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(14) Employee benefits, continued

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 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.

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.

6) Termination benefits

The Group recognizes a liability and expense for termination benefits at the earlier of the period when the Group can no longer withdraw the offer of those benefits and the period when the Group recognizes costs for a restructuring. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

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

(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) Sales of goods

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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(16) Revenue, continued

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, 2014, the Group has 29 ongoing national projects on which government grants are provided such as 'The development of electrode materials of secondary cells'.

(18) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, 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.

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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(19) Income taxes

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

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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(21) Operating segment

The Group has three reportable segments: the chemicals business segment, electronic materials business segment and energy and other business segment. 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) Non-current assets held for sale

If the carrying amount of non-current assets held for sale or disposal group is highly probable to be recovered through sale other than from continuing operation, those assets are classified as non-current assets held for sale. The asset (or, disposal group) must be available for immediate sale and the sale is highly probable to be classified as held for sale. Immediately before the initial classification of the asset (or, disposal group) as held for sale, the carrying amount of the asset will be measured at the lower of carrying amount and fair value less costs to sell.

Any subsequent decrease in fair value less costs to sell of an asset, recognized impairment loss at the time of classification as held for sale, may result in an immediate charge to profit or loss and gain for any subsequent increase in fair value less costs to sell of an asset can be recognized in the profit or loss to the extent that it is not in excess of the cumulative impairment loss that has been recognized previously.

Non-current assets or disposal groups that are classified as held for sale are not depreciated

(23) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2014, and the Group has not early adopted them.

Management believes the impact of the amendments on the Group's consolidated financial statements is not significant.

K-IFRS No.1019 'Employee Benefits' – Employee contributions

Amendments to K-IFRS No.1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related. The amendment is mandatorily effective for annual periods beginning on or after July 1, 2014.

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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 as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Cash and cash equivalents	₩	627,528,155	730,176,084
Trade and other receivables, net		994,038,723	696,735,230
Held-to-maturity financial assets		397,140	42,625
Available-for-sale financial assets		2,448,138,561	1,608,881,219
Non-derivative financial instruments		1,030,736,302	28,302,973
Guarantee deposits		139,746,436	96,114,138
Financial instruments		9,816,659	5,372,515
Total	₩	<u>5,250,401,976</u>	<u>3,165,624,784</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		2014	2013
Domestic	₩	147,975,013	67,112,430
North America		122,230,138	15,936,380
Europe		64,054,841	130,457
China		394,202,309	258,398,666
Other		265,576,422	355,157,297
Total	₩	<u>994,038,723</u>	<u>696,735,230</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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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, 2014 and 2013 are as follows:

		2014		2013	
		Gross	Impairment	Gross	Impairment
Not past due	₩	955,952,541	150,195	665,767,240	-
Past due 1-30 days		32,007,048	-	24,921,506	-
Past due 31-60 days		497,783	-	1,759,350	-
Past due 61-365 days		4,142,095	150,195	4,287,134	-
Past due 1 year		1,439,256	877,428	-	-
Total	₩	994,038,723	1,177,818	696,735,230	-

3) Financial assets that are past due but not impaired

Financial assets that are past due but not impaired as of December 31, 2014 are summarized as follows:

		Carrying amount	6 months	More than
			or less	6 months
Trade and other receivables	₩	37,058,559	32,754,812	4,303,747

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

		Carrying amount	6 months	More than
			or less	6 months
Trade and other receivables	₩	30,967,990	29,899,758	1,068,232

(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.

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4. Financial Risk Management, Continued

(2) Liquidity risk, continued

Maturity analysis of financial liabilities as of December 31, 2014 is as follows:

(In thousands of won)

		Carrying amount	Contractual Cash flow	1 Year or less	More than 1 year and less than 5 years	More than 5 years
Short-term borrowings	₩	975,300,399	983,958,469	983,958,469	-	-
Long-term borrowings		802,528,420	866,128,769	29,625,200	828,783,634	7,719,935
Total	₩	1,777,828,819	1,850,087,238	1,013,583,669	828,783,634	7,719,935

(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, 2014 and 2013 are as follows:

(In thousands of won)

		2014			2013		
		USD	EUR	JPY, etc.	USD	EUR	JPY, etc.
Monetary assets in foreign:							
Cash and cash equivalents	₩	151,407,825	890,847	2,750,649	115,392,899	-	659,286
Trade and other receivables		1,184,867,710	88,295,659	83,204,202	995,183,709	13,387,286	7,720,442
Other investments		353,391	138,733	636,209	210,879	3,298	-
Total	₩	1,336,628,926	89,325,239	86,591,060	1,110,787,487	13,390,584	8,379,728
Monetary liabilities in foreign:							
Trade and other payables	₩	803,278,085	39,229,911	85,200,664	705,632,983	7,969,893	9,520,903
Borrowings		546,062,366	28,297,015	713,592	489,083,840	-	-
Total	₩	1,349,340,451	67,526,926	85,914,256	1,194,716,823	7,969,893	9,520,903

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4. Financial Risk Management, Continued

(3) Market risk, Continued

1) Exchange rate risk, Continued

The following significant exchange rates were applied during the years ended December 31, 2014 and 2013:

<i>(In won)</i> Currency	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD ₩	1,052.8	1,095.0	1,099.2	1,055.3
EUR	1,398.6	1,453.7	1,336.5	1,456.3
JPY	9.96	11.23	9.20	10.05

Effects on income (loss) after income taxes as a result of change in exchange rate as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

Currency	2014		2013	
	If increased by 5%	If decreased by 5%	If increased by 5%	If decreased by 5%
USD ₩	(481,767)	481,767	(3,180,922)	3,180,922
EUR	826,156	(826,156)	205,444	(205,444)
JPY, etc.	25,651	(25,651)	(43,251)	43,251

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 as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014	2013
Fixed interest rate:			
Short-term borrowings	₩	402,098,133	-
Long-term borrowings		802,528,420	695,081,003
Sub-total	₩	1,204,626,553	695,081,003
Floating interest rate:			
Short-term borrowings	₩	573,202,266	415,213,243
Long-term borrowings		-	73,870,597
Sub-total		573,202,266	489,083,840
Total	₩	1,777,828,819	1,184,164,843

(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.

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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 as of December 31, 2014 and 2013. This analysis assumes that all other variables remain constant.

(In thousands of won)

		2014			
		Equity		Profit after income taxes	
		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(4,344,873)	4,344,873	(4,344,873)	4,344,873

(In thousands of won)

		2013			
		Equity		Profit after income taxes	
		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(3,707,256)	3,707,256	(3,707,256)	3,707,256

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 as of December 31, 2014 is as follows:

(In thousands of won)

		If increased by 5%	If decreased by 5%
Total comprehensive income, net of tax effect	₩	81,879,141	(81,879,141)

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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, 2014</u>	<u>December 31, 2013</u>
Debt to equity ratio:		
Total liabilities	₩ 4,141,638,654	3,013,254,458
Total equity	<u>11,826,911,292</u>	<u>7,542,416,431</u>
Debt to equity ratio	<u>35.0%</u>	<u>40.0%</u>
Net borrowings to equity ratio:		
Borrowings	₩ 1,777,828,819	1,184,164,843
Less : Cash and cash equivalents	(627,528,155)	(730,176,084)
Less : Short-term financial instruments	<u>(1,026,840,000)</u>	<u>(25,026,984)</u>
Net borrowings	<u>123,460,664</u>	<u>428,961,775</u>
Net borrowings ratio	₩ <u>1.0%</u>	<u>5.7%</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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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, as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Assets carried at fair value				
Available-for-sale financial assets	₩ 2,448,138,561	2,448,138,561	1,608,881,219	1,608,881,219
Derivative financial assets	9,816,659	9,816,659	5,372,515	5,372,515
Subtotal	₩ 2,457,955,220	2,457,955,220	1,614,253,734	1,614,253,734
Assets carried at amortized cost				
Cash and cash equivalents	₩ 627,528,155	627,528,155	730,176,084	730,176,084
Trade and other receivables	991,770,931	991,770,931	691,122,879	691,122,879
Held-to-maturity financial assets	397,140	397,140	42,625	42,625
Financial instruments	1,030,736,302	1,030,736,302	28,302,973	28,302,973
Guarantee deposits	139,746,436	139,746,436	96,114,138	96,114,138
Subtotal	₩ 2,790,178,964	2,790,178,964	1,545,758,699	1,545,758,699
Total financial assets	₩ 5,248,134,184	5,248,134,184	3,160,012,433	3,160,012,433
Financial liabilities:				
Liabilities carried at amortized cost				
Borrowings	₩ 1,777,828,819	1,798,179,841	1,184,164,843	1,192,667,454
Trade and other payables	1,069,662,124	1,069,662,124	826,017,075	826,017,075
Total financial liabilities	₩ 2,847,490,943	2,867,841,965	2,010,181,918	2,018,684,529

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, 2014	December 31, 2013
Borrowings	2.39%	3.30%

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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 Total Petrochemicals Co., Ltd is estimated using the discounted cash flow method in income approach and 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. The Korea Economic Daily are estimated by the continuous probability distribution of value per share in accordance with estimated price per share calculated by the discounted cash flow valuation model and Comparable company valuation multiples.

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, 2014 and 2013 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, 2014:					
Available-for-sale financial assets	₩	2,159,959,423	-	263,419,320	2,423,378,743
Derivative financial assets		-	9,816,659	-	9,816,659
December 31, 2013:					
Available-for-sale financial assets	₩	1,157,918,523	-	435,126,798	1,593,045,321
Derivative financial assets		-	5,372,515	-	5,372,515

(6) Transfer of financial assets and others

As of December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>
Carrying amounts of assets	₩	496,188,709	387,274,836
Carrying amounts of associated liabilities		496,188,709	387,274,836

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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5. Segments Information

(1) Operating segments

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

Segment	Main business
Chemicals	Resin materials and petrochemicals including ABS and PS
Electronic materials	Semi-conductor and display materials
Energy and other	Manufacture and sale rechargeable batteries and other
Display(*)	Production and sales of PDP(Plasma Display Panel), CRT(Cathode Ray Tube)

(*) As described in note 33, the operation of PDP has been discontinued as of December 31, 2014.

2) The operating segments of the consolidated group are decided by management, which establishes the strategic decision making. Management reviews the operating income for each operating segment in order to decide on resource allocation for each operating segment and assess the segments' performance. The Group has three reportable segments which offer different products and services. The following table provides information for each reportable segment for the years ended December 31, 2014 and 2013.

(i) 2014

(In thousands of won)

		Revenues	Depreciation	Amortization	Operating income (loss)
Chemicals	₩	1,349,039,901	49,523,868	11,088,307	13,556,904
Electronic materials		797,723,166	42,237,354	32,030,208	83,577,285
Energy and other		3,327,458,574	322,616,414	36,081,900	(26,316,680)
Total	₩	5,474,221,641	414,377,636	79,200,415	70,817,509

(ii) 2013

(In thousands of won)

		Revenues	Depreciation	Amortization	Operating income (loss)
Energy and other	₩	3,428,462,196	307,305,781	31,355,602	(11,317,092)

Chemicals and electronic materials segments were newly added in this current year through business combination.

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

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5. Segments Information, Continued

(2) Geographical information

The Group has operated in the global markets such as Korea (the Parent Company's domicile), North America, Europe, South America, China and Southeast Asia and so on. The following table provides information for each geographical region as of and for the years ended December 31, 2014 and 2013.

(In thousands of won)

		2014		2013	
		Revenue(*1)	Non-current assets(*2)	Revenue(*1)	Non-current assets(*2)
Korea	₩	2,294,816,106	3,811,637,620	1,918,084,263	1,306,198,580
North America		395,602,501	5,677,657	125,319,838	23,479,513
Europe & South America		761,417,915	28,377,565	251,044,222	9,221,780
China		1,664,685,093	321,914,410	1,159,450,453	362,717,544
Southeast Asia, etc.		2,772,181,516	432,693,980	2,529,364,866	344,915,310
Consolidation adjustments		(2,414,481,490)	172,245,510	(2,554,801,446)	(55,973,779)
Total	₩	5,474,221,641	4,772,546,742	3,428,462,196	1,990,558,948

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

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

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014	2013
Cash on hand	₩	1,731,652	615,965
Demand deposits		342,325,925	552,458,841
Short-term investments		283,470,578	177,101,278
Total	₩	627,528,155	730,176,084

7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Loans	₩	1,331,822	9,559,579	351,081	4,710,265
Present value discount		-	(747,955)	-	(633,723)
Other account receivable		51,684,339	-	50,402,658	-
Allowance		(127,293)	-	(324,218)	-
Accrued income		6,998,818	-	2,982,094	-
VAT receivables		79,143,166	-	27,211,100	-
Trade account receivable		842,121,084	3,199,915	608,674,909	2,403,123
Allowance		(594,389)	(798,155)	(4,263,861)	(390,549)
Total	₩	980,557,547	11,213,384	685,033,763	6,089,116

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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7. Trade and Other Receivables, Continued

(2) Changes in allowance for trade and other receivables for the years ended December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Beginning balance	₩	4,588,079	390,549	5,402,050	468,659
Increased by business combination		335,928	588,892	-	-
Write off		(8,213)	-	-	-
Reversal of bad debt expense		(4,194,112)	(181,286)	(813,971)	(78,110)
Ending balance	₩	<u>721,682</u>	<u>798,155</u>	<u>4,588,079</u>	<u>390,549</u>

8. Inventories

(1) Inventories as of December 31, 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

		Acquisition cost	Allowance for valuation	Carrying amount
Merchandise	₩	8,335,121	(39)	8,335,082
Finished goods		237,491,752	(19,877,425)	217,614,327
Semi-finished goods		264,880,716	(7,024,185)	257,856,531
Raw materials		219,313,946	(1,284,613)	218,029,333
Supplies		16,067,515	-	16,067,515
Materials-in-transit		49,464,893	-	49,464,893
Other inventories		1,186,070	-	1,186,070
Total	₩	<u>796,740,013</u>	<u>(28,186,262)</u>	<u>768,553,751</u>

2) 2013

(In thousands of won)

		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		7,159,616	-	7,159,616
Materials-in-transit		57,096,369	-	57,096,369
Total	₩	<u>577,728,517</u>	<u>(51,953,438)</u>	<u>525,775,079</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, 2014 and 2013 are as follows:

(In thousands of won)

		2014	2013
Inventories recognized as cost of sales	₩	4,546,381,224	2,801,954,828
Loss on (reversal of) valuation of inventories		(903,830)	10,068,513
Total	₩	<u>4,545,477,394</u>	<u>2,812,023,341</u>

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9. Other Investments

(1) Other investments as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Held for maturity financial assets	₩ -	397,140	-	42,625
Available-for-sale financial assets	-	2,448,138,561	-	1,608,881,219
Financial instruments	1,026,840,000	3,896,302	25,026,984	3,275,989
Guarantee deposits	42,977,165	96,769,271	41,089,212	55,024,926
Derivatives financial assets	9,816,659	-	5,372,515	-
Total	₩ 1,079,633,824	2,549,201,274	71,488,711	1,667,224,759

(2) Available-for-sale financial assets as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

	Acquisition cost	Unrealized gain (loss)			Allowances for impairment	Carrying amount
		Beginning balance	Changes in unrealized gain (loss)	Ending balance		
December 31, 2014						
Listed equity securities	₩ 970,378,158	990,398,123	420,239,360	1,410,637,483	(221,056,218)	2,159,959,423
Unlisted equity securities	192,775,486	170,279,965	(74,876,313)	95,403,652	-	288,179,138
Total	₩ 1,163,153,644	1,160,678,088	345,363,047	1,506,041,135	(221,056,218)	2,448,138,561
Tax effect	₩	(281,098,789)	(83,458,418)	(364,557,207)		
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)		

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9. Other Investments, Continued

- (2) Available-for-sale financial assets as of December 31, 2014 and 2013 are summarized as follows, continued
- 1) The Group estimates fair values of certain unlisted equity securities as follows:
- The fair value of Samsung Total Petrochemicals Co., Ltd. is estimated using the discounted cash flow method in income approach. The acquisition cost and the carrying value of the unlisted security are ₩153,917 million and ₩247,861 million, respectively, as of December 31, 2014.
 - The fair value of Samsung Venture Investment Corporation is estimated using the free cash flows to equity method. The acquisition cost and the carrying value of the unlisted security are ₩4,900 million and ₩6,320million, respectively, as of December 31, 2014.
 - The fair value of The Korea Economic Daily is estimated using the discounted cash flow valuation model and comparable company valuation multiples. The acquisition cost and the carrying value of the unlisted security are ₩9,073 million and ₩9,113 million, respectively, as of December 31, 2014.
 - Listed equity securities of 18 companies including iMarket Asia Co., Ltd. and two other debt securities including XG Sciences 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 ₩24,760 million.
- 2) Samsung Everland Inc., changed its name to Cheil Industries Inc. and was listed in the current year. The Group sold some of stocks of Cheil Industries Inc. and recognized gains on disposal of ₩146,196 million as other income.
- 3) The impairment loss of ₩221,056 million was recognized as other expenses due to the significant decrease of fair value of investments in Samsung Engineering Co., Ltd. below the acquisition cost in the current year.

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10. Other Current Assets and Non-current Assets

Other current assets and non-current assets as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Advance payments	₩	31,997,736	-	19,448,931	-
Prepaid expenses		39,465,469	64,945,717	27,113,462	54,834,609
Prepaid income tax		1,361,400	15,039,709	4,155,541	18,162,941
Non-current asset held for sale		6,456,871	-	-	-
Total	₩	<u>79,281,476</u>	<u>79,985,426</u>	<u>50,717,934</u>	<u>72,997,550</u>

11. Equity-accounted Investees

(1) The equity-accounted investees of the Group as of December 31, 2014 and December 31, 2013 are summarized as follows:

(In thousands of won)

Company	Place of business	Primary business	2014		2013	
			Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Samsung Display Ltd. ("SDC") (*1)	Korea	Manufacturing and sale of LCD, AMOLED, etc.	15.2%	₩ 4,882,490,386	15.2%	₩ 4,632,864,753
SSH Ltd. ("SSH")(*3)	Hong Kong	Holding company	-	-	40.0%	251,439
Samsung B.P. Chemicals Co., Ltd. ("SBPC")	Korea	Manufacturing and sale of acetic acid	29.2%	50,077,859	29.2%	45,140,010
Samsung Economic Research Institute Ltd. ("SERI")(*2)	Korea	Management advisory consulting	29.6%	26,774,200	28.6%	24,862,759
Intellectual Keystone Technology ("IKT")(*2)	U.S.A	Investing in new technology	41.0%	11,724,624	17.0%	3,646,627
Sd flex Co., Ltd. (*2)	Korea	Manufacturing printed-circuit board	50.0%	7,950,247	-	-
Total				₩ <u>4,979,017,316</u>		₩ <u>4,706,765,588</u>

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

(*1) Although equity ownership is less than 20%, the Group has classified the shares equity-accounted investees due to the fact that the Group has representations in the board of directors of SDC.

(*2) Equity-accounted investees and new incorporation increased because of merger with former Cheil industries Inc. during 2014.

(*3) SSH Ltd., was dissolved in the current year and the loss of ₩13 million incurred in relation to the dissolution was recorded in profit or loss in the current year.

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11. Equity-accounted Investees, Continued

(2) The summarized financial information of equity-accounted investees as of and for the years ended December 31, 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

		SDC	SBPC	SERI	IKT	Sd flex
Current assets	₩	14,185,655,826	137,165,598	63,791,889	6,394,056	12,344,790
Non-current assets		25,380,045,889	178,979,888	69,906,577	44,890,601	5,102,409
Current liabilities		6,158,562,242	96,946,819	26,103,124	22,688,015	919,278
Non-current liabilities		871,084,397	47,743,189	17,141,962	-	627,426
Revenue		25,646,108,776	408,135,966	171,834,978	13,160,494	9,281,994
Operating income		594,461,703	47,699,768	7,205	6,603,128	473,666
Profit for the year		1,153,733,552	35,341,026	252,635	5,989,806	421,088
Other comprehensive income		485,350,362	-	-	-	-
Total comprehensive income (loss)		1,639,083,914	35,341,026	252,635	5,989,806	421,088
Dividends		-	5,286,558	-	-	-

2) 2013

(In thousands of won)

		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	-
Operating income (loss)		2,825,720,937	(13,887)	1,104,625	(4,236,625)	(4,906,427)
Profit (loss) for the year		2,669,623,297	(7,712)	819,160	5,950,648	(5,117,205)
Other comprehensive income (loss)		(26,416,021)	-	-	-	-
Total comprehensive income (loss)		2,643,207,276	(7,712)	819,160	5,950,648	(5,117,205)
Dividends		-	-	2,716,296	-	-

(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, 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

		SDC	SBPC	SERI	IKT	Sd flex
Net assets(a)(*)	₩	32,073,950,895	171,455,478	90,453,380	28,596,643	15,900,495
Percentage of ownership(b)		15.2%	29.2%	29.6%	41.0%	50.0%
Equity to net assets(axb)		4,882,490,386	50,077,859	26,774,200	11,724,624	7,950,247
Carrying amounts		4,882,490,386	50,077,859	26,774,200	11,724,624	7,950,247

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11. Equity-accounted Investees, 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, 2014 and 2013 are summarized as follows, continued

2) 2013

(In thousands of won)

		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

(*) Net assets are equal of net asset of equity-accounted investees deducted by non-controlling interests.

(4) Changes in investments in equity-accounted investees for the years ended December 31, 2014 and 2013 are as follows:

1) 2014

(In thousands of won)

Company	January 1, 2014	Acquisition of business combination	Disposition	Dividends received	Share of profits (loss)	Other capital movements	December 31, 2014
SDC	₩ 4,632,864,753	-	-	-	177,049,180	72,576,453	4,882,490,386
SSH	251,439	-	(230,568)	-	(11,606)	(9,265)	-
SBPC	45,140,010	-	-	(5,286,558)	10,267,004	(42,597)	50,077,859
SERI	24,862,759	809,400	-	-	(142,465)	1,244,506	26,774,200
IKT	3,646,627	4,441,935	-	-	2,988,807	647,255	11,724,624
Sd flex	-	7,832,755	-	-	117,492	-	7,950,247
Total	₩ 4,706,765,588	13,084,090	(230,568)	(5,286,558)	190,268,412	74,416,352	4,979,017,316

(*) Increases through business combination are Included.

2) 2013

(In thousands of won)

Company	January 1, 2013	Acquisition	Disposition	Dividends received	Share of profits (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
Total	₩ 4,004,966,280	4,393,346	-	(2,716,296)	405,998,488	294,123,770	4,706,765,588

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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11. Equity-accounted Investees, Continued

- (5) None of the equity-accounted investees is a listed company as of December 31, 2014.
- (6) There is no significant restriction on the Group's ability to transfer money from equity-accounted investees and redemption of borrowings or advances to equity-accounted investees.
- (7) There is no contingent liability related to interests in equity-accounted investees.

12. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013 are summarized as follows:

- (1) 2014

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Beginning balance	₩	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
Acquisition cost		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		-	(998,765,485)	(247,896,628)	(2,286,804,297)	(10,224,976)	(278,448,869)	-	(3,822,140,255)
Acquisitions and capital expenditure		-	338,503	1,596,287	15,301,640	513,685	25,342,824	458,235,641	501,328,580
Depreciation		-	(54,286,615)	(23,222,425)	(289,034,952)	(1,452,779)	(75,198,270)	-	(443,195,041)
Disposals		-	(3,345,246)	(4,029,529)	(35,653,024)	(285,258)	(15,236,316)	(3,240,141)	(61,789,514)
Impairment losses		-	(4,837,670)	(15,273,114)	(16,075,197)	(74,717)	(1,889,583)	(5,274,762)	(43,425,043)
Government grant		-	-	-	(1,534,129)	-	(12,023)	-	(1,546,152)
Business combinations		591,303,575	424,068,215	136,201,620	364,982,587	422,406	77,061,696	52,862,844	1,646,902,943
Other		(6,184,591)	29,426,031	19,382,345	242,367,379	391,584	53,031,508	(398,799,995)	(60,385,739)
Exchange rate fluctuation		(203,918)	192,875	(903,990)	(1,337,013)	55,005	426,396	803,514	(967,131)
Ending balance	₩	<u>710,981,599</u>	<u>972,502,728</u>	<u>262,530,560</u>	<u>1,022,906,573</u>	<u>2,721,761</u>	<u>147,336,955</u>	<u>205,897,375</u>	<u>3,324,877,551</u>
Acquisition cost		710,981,599	2,005,706,495	530,795,295	2,851,780,921	10,081,233	411,725,624	205,897,375	6,726,968,542
Accumulated depreciation		-	(1,033,203,767)	(268,264,735)	(1,828,874,348)	(7,359,472)	(264,388,669)	-	(3,402,090,991)

Other amounts include reclassification of construction-in-progress to appropriate accounts such as investment property, property, plant and equipment, and expense accounts and the effect of merger with subsidiary from prior year.

The Group recognized impairment loss as it expects the recoverable value of relevant assets in certain division is less than the carrying amount of the relevant assets.

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For the years ended December 31, 2014 and 2013

12. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013 are summarized as follows, continued

(2) 2013

(In thousands of won)

		<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Tools, furniture and fixtures</u>	<u>Construction in progress</u>	<u>Total</u>
Beginning balance	₩	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
Acquisition cost		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
Accumulated depreciation		(642,464)	(774,928,419)	(307,840,808)	(2,431,353,614)	(11,453,875)	(279,831,514)	-	(3,806,050,694)
Acquisitions and capital expenditure		8,629,878	15,941,230	6,729,214	15,261,093	653,706	30,002,130	604,303,319	681,520,570
Depreciation		-	(71,377,099)	(21,115,833)	(241,070,536)	(1,310,742)	(56,450,548)	-	(391,324,758)
Disposals		(7,095,193)	(9,279,518)	(4,493,512)	(20,001,456)	(221,635)	(5,296,490)	(1,084,401)	(47,472,205)
Impairment losses		(1,050,305)	(211,522,176)	(28,626,407)	(34,482,140)	(76,931)	(3,770,822)	-	(279,528,781)
Reversal of impairment losses		-	520,760	-	-	-	-	-	520,760
Government grant		-	-	-	(222,971)	-	(359,794)	-	(582,765)
Other		(2,803,056)	188,304,782	754,315	479,747,147	1,318,593	51,671,739	(841,705,376)	(122,711,856)
Exchange rate fluctuation		(697,813)	(7,353,749)	(1,213,766)	(12,436,536)	3,633	(577,364)	(1,292,750)	(23,568,345)
Ending balance	₩	<u>126,066,533</u>	<u>580,946,635</u>	<u>148,779,366</u>	<u>743,889,282</u>	<u>3,151,835</u>	<u>83,810,723</u>	<u>101,310,274</u>	<u>1,787,954,648</u>
Acquisition cost		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		-	(998,765,485)	(247,896,628)	(2,286,804,297)	(10,224,976)	(278,448,869)	-	(3,822,140,255)

Other amounts include reclassification of construction-in-progress, investment property, and the amount immediately expensed from construction-in-progress. Also, the Group revalued the recoverable amount as fair value less costs to sell as it expected future economic benefits of the products in certain division were low due to the decreased demand of the products.

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13. Intangible Assets

Changes in intangible assets for the years ended December 31, 2014 and 2013 are summarized as follows:

(1) 2014

<i>(In thousands of won)</i>	Industrial property	Development costs	Others	Goodwill(*)	Total
Beginning balance ₩	46,689,095	-	91,058,425	29,322,982	167,070,502
Acquisition cost	83,976,703	-	236,640,534	40,665,192	361,282,429
Accumulated amortization	(37,287,608)	-	(145,582,109)	(11,342,210)	(194,211,927)
Acquisitions Business combinations	723,851	-	2,281,049	-	3,004,900
Amortization	(7,981,395)	(2,186,096)	(78,341,878)	-	(88,509,369)
Disposals Impairment losses	(149,749)	-	(146)	-	(149,895)
Other	15,293,955	-	31,804,693	-	47,098,648
Exchange rate fluctuation	(73,129)	-	(4,331,391)	(3,865,335)	(8,269,855)
Ending balance ₩	<u>60,001,781</u>	<u>2,688,214</u>	<u>456,671,330</u>	<u>759,580,267</u>	<u>1,278,941,592</u>
Acquisition cost	104,597,938	16,875,425	665,907,976	770,922,477	1,558,303,816
Accumulated amortization	(44,596,157)	(14,187,211)	(209,236,646)	(11,342,210)	(279,362,224)

(*) As described in note 32, Goodwill is recognized as a result of the merger with former Cheil Industry, Inc. The Group expects strengthening the competitiveness in lithium-ion battery business by utilizing the capabilities of former Cheil Industry, Inc. in materials parts and system sectors, and expanding its capacity with the integrated systems and the mutual interchange of the customer networks.

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, 2014, the Group has recognized impairment loss since the recoverable amount of intangible assets of some divisions is expected to be lower than the carrying amount.

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13. Intangible Assets, Continued

(2) 2013

<i>(In thousands of won)</i>	Industrial property	Others	Goodwill	Total
Beginning balance	₩ 46,526,475	95,157,625	29,322,982	171,007,082
Acquisition cost	81,437,274	212,102,240	40,665,192	334,204,706
Accumulated amortization	(34,910,799)	(116,944,615)	(11,342,210)	(163,197,624)
Acquisitions	-	1,198,127	-	1,198,127
Amortization	(7,014,276)	(37,889,481)	-	(44,903,757)
Disposals	(7,734,731)	(2)	-	(7,734,733)
Impairment losses	(702,242)	(424,738)	-	(1,126,980)
Other	15,613,869	33,067,097	-	48,680,966
Exchange rate fluctuation	-	(50,203)	-	(50,203)
Ending balance	₩ 46,689,095	91,058,425	29,322,982	167,070,502
Acquisition cost	83,976,703	236,640,534	40,665,192	361,282,429
Accumulated amortization	(37,287,608)	(145,582,109)	(11,342,210)	(194,211,927)

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 since the recoverable amount of intangible assets of some divisions is expected to be lower than the carrying amount.

(3) 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.

(4) Research and development expenses

Research and development expenses recognized as selling, general and administrative expenses for the years ended December 31, 2014 and 2013 are ₩68,371 million and ₩74,831 million, respectively.

(5) Impairment of CGU including goodwill

The Group performed impairment test on the goodwill allocated to the automotive battery division, a cash generating unit ("CGU"), and the expected recoverable amount exceeded the carrying amount of the CGU.

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14. Investment Property

Changes in investment property for the years ended December 31, 2014 and 2013 are summarized as follows:

		2014			2013		
		Land	Buildings	Total	Land	Buildings	Total
Beginning balance	₩	35,533,797	1	35,533,798	32,152,237	1,926,244	34,078,481
Acquisition		90,507	1,465,645	1,556,152	-	-	-
Reclassification		-	-	-	3,381,560	(1,673,997)	1,707,563
Disposal		(51,780)	-	(51,780)	-	-	-
Depreciation		-	(989,202)	(989,202)	-	(252,246)	(252,246)
Increased by business combination		58,599,897	76,827,987	135,427,884	-	-	-
Impairment losses		(1,005,200)	(1,468,185)	(2,473,385)	-	-	-
Effect of exchange rate fluctuations		(278,408)	2,540	(275,868)	-	-	-
Ending balance	₩	<u>92,888,813</u>	<u>75,838,786</u>	<u>168,727,599</u>	<u>35,533,797</u>	<u>1</u>	<u>35,533,798</u>

Investment property consists of land and buildings, leased to SDC and STM in Cheon-an and Ulsan and also includes land and buildings leased to Cheil Industries Inc. (former Samsung Everland Inc.), acquired through the merger with former Cheil Industries Inc.

The acquisition cost of the land and buildings leased to Cheil Industries Inc, acquired in the merger is determined in reference to appraisal report by an independent professional real estate appraiser that had previous experience in appraisal of real estate in nearby locations.

The impairment loss of ₩2,473 million has been recorded since the recoverable amount of real estate property located outside of Korea is expected to be lower than the carrying amount.

15. Trade Payables and Other Liabilities

Trade payables and other liabilities as of December 31, 2014 and 2013 are summarized as follows:

		2014		2013	
		Current	Non-current	Current	Non-current
Trade payables	₩	385,429,907	-	296,285,301	-
Accounts payable		180,051,477	30,874	119,991,808	-
Accrued expenses		435,191,620	3,330,784	374,546,507	-
Other liabilities		231,637,505	30,473,129	297,201,235	33,226,696
Total	₩	<u>1,232,310,509</u>	<u>33,834,787</u>	<u>1,088,024,851</u>	<u>33,226,696</u>

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

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16. Borrowings

(1) Borrowings as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014	2013
Short-term borrowings			
Current portion of debentures in Korean won	₩	399,746,834	-
Current portion of long-term borrowings in foreign currency		77,386,296	-
Trade receivable factoring		496,188,709	387,274,836
Short-term borrowings in foreign currency		1,978,560	27,938,407
Sub total	₩	<u>975,300,399</u>	<u>415,213,243</u>
Long-term borrowings			
Debentures	₩	698,915,245	398,985,003
Long-term borrowings in Korean won		-	200,000,000
Long-term borrowings in foreign currency		103,613,175	169,966,597
Sub total		<u>802,528,420</u>	<u>768,951,600</u>
Total		<u><u>1,777,828,819</u></u>	<u><u>1,184,164,843</u></u>

(2) Debentures as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

Borrower	Type	Classification	Date of maturity	Annual Interest rate (%)		2014	2013
			2015.09.14	3.19	₩	200,000,000	200,000,000
			2016.04.05	2.72		200,000,000	200,000,000
			2015.02.02	3.95		100,000,000	-
Parent company	Corporate bonds	Unsecured	2015.08.16	3.17		100,000,000	-
			2016.10.26	4.39		100,000,000	-
			2016.08.01	4.46		200,000,000	-
			2017.02.02	4.03		100,000,000	-
			2017.08.16	3.31		100,000,000	-
Less discount on debentures						<u>(1,337,921)</u>	<u>(1,014,997)</u>
Less current portion of long-term borrowings						<u>(399,746,834)</u>	<u>-</u>
Total						<u><u>₩ 698,915,245</u></u>	<u><u>398,985,003</u></u>

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16. Borrowings, Continued

(3) Long-term borrowings as of December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

Borrower	Description	Financial institution	Date of maturity	Annual Interest rate (%)		2014	2013
Parent Company(*)	Korean won loans	Korea Development Bank	2015.07.10	4.16	₩	-	100,000,000
	Korean won loans	Shinhan Bank	2015.10.25	4.00		-	100,000,000
SDIEM	Facility loans	Standard Chartered Bank, etc.	2015.09.12, etc.	KLIBOR 3M+ 0.55, etc.		171,285,558	169,966,597
SCA	Facility loan	BBCN Bank	2015.04.26	3.25		771,101	-
DSEP	Facility loan	Shinhan bank, etc.	2015.11.23, etc.	2.95, etc.		1,870,705	-
SCH	Financing lease debts	UniCredit Leasing Hungary Zrt	2026.03.31	6.07		7,072,107	-
Subtotal						<u>180,999,471</u>	<u>369,966,597</u>
	Less current portion of long-term borrowings					<u>(77,386,296)</u>	<u>-</u>
	Total				₩	<u>103,613,175</u>	<u>369,966,597</u>

(*) The Parent Company paid off the long-term borrowing early in the current year.

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17. Provisions

Changes in provisions for the years ended December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

	Current					Non-current	Total
	Royalty expenses	Quality assurance	Construction warranties	Incentives	Other	Incentives	
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	(44,845,655)	(38,027,011)	-	(6,646,960)	-	(365,408)	(89,885,034)
Balance at Dec. 31, 2013	₩ 47,735,703	16,700,878	-	-	-	28,820,492	93,257,073
Balance at Jan. 1, 2014	₩ 47,735,703	16,700,878	-	-	-	28,820,492	93,257,073
Increased by business combination	-	-	128,836	-	-	6,675,082	6,803,918
Provisions made	620,431	10,250,355	-	6,999,523	16,201,483	20,013,719	54,085,511
Provisions used	(38,759,112)	(16,400,135)	(74,034)	-	-	(31,572,769)	(86,806,050)
Balance at Dec. 31, 2014	₩ 9,597,022	10,551,098	54,802	6,999,523	16,201,483	23,936,524	67,340,452

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 change according to negotiations with respective companies.

The Group records provision for construction warranties if the expenditure of future repairs and claims after the completion of construction is probable and the amount can be estimated reliably.

Other provision is recorded based on the estimated amount of the payment to be paid to the non-controlling interests of SSED related to the agreement of the planned dissolution of SSED in 2015.

The details of provisions for lawsuits have not been shown as it may affect the investigation result and pending lawsuits.

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18. Employee Benefits

(1) Employee benefit liabilities as of December 31, 2014 and 2013 are summarized as follows:

1) Present value of defined obligations

<i>(In thousands of won)</i>		2014	2013
Beginning balance	₩	276,731,853	218,593,855
Current service costs		64,733,675	48,578,458
Interest expenses		15,403,342	8,811,237
Transfer in related parties		1,443,667	3,491,056
Payments of employee benefits		(40,890,505)	(17,746,204)
Actuarial loss in other comprehensive income		24,884,267	16,082,731
Payments with a subscription to the defined contribution plan		(2,182,200)	(939,462)
Obligations assumed in business combination		167,861,104	-
Exchange rate fluctuations		(101,038)	(139,818)
Ending balance	₩	<u>507,884,165</u>	<u>276,731,853</u>

2) Fair value of plan assets

<i>(In thousands of won)</i>		2014	2013
Beginning balance	₩	247,322,768	176,001,487
Contributions paid into plan		137,628,335	76,381,300
Benefits paid by the plan		(25,037,434)	(9,468,178)
Payments with a subscription to the defined contribution plan		(2,013,335)	(859,899)
Interest income		13,291,351	6,494,414
Actuarial loss in other comprehensive income		(4,726,936)	(2,059,872)
Transfer in form related parties and others, etc.		-	164,226
Obligations assumed in business combination		129,999,797	-
Exchange rate fluctuations		(105,749)	669,290
Ending balance	₩	<u>496,358,797</u>	<u>247,322,768</u>

3) Other liabilities for employee benefits as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Liabilities for paid absence	₩	52,881,528	33,605,766
Long-term incentive provisions		30,936,047	28,820,492
Total	₩	<u>83,817,575</u>	<u>62,426,258</u>

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18. Employee Benefits, Continued

- (2) Expenses for employee benefits for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Current service costs	₩	64,733,675	48,578,458
Interest cost		15,403,342	8,811,237
Interest income		(13,291,351)	(6,494,414)
Payment for the defined contribution plans		338,193	94,481
Total	₩	<u>67,183,859</u>	<u>50,989,762</u>

- (3) Fair value of plan assets as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Severance insurance bonds (*)	₩	495,602,100	246,998,372
National pension fund		756,697	324,396
Total	₩	<u>496,358,797</u>	<u>247,322,768</u>

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

- (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, 2014 and 2013 are summarized as follows:

	2014	2013
Expected rate of salary increase	5.25% ~ 6.75%	6.00%
Discount rate for defined benefit obligations	3.75%	4.50%

- (5) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions as of December 31, 2014, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<i>(In thousands of won)</i>		Present value of defined obligations	
		If increased by 1%	If decreased by 1%
Expected rate of salary increase	₩	65,298,255	(55,525,738)
Discount rate for defined benefit obligations		(54,628,829)	65,411,519

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19. Commitments and Contingencies

- (1) As of December 31, 2014, the Group has been provided a guarantee of ₩19,607 million by Seoul Guarantee Insurance Co., Ltd. in relation to a court deposit and licensing procedures.
- (2) 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 pending litigations.
- (3) In addition to the litigation described in note 19. (2) above, as of December 31, 2014, the Group is a defendant in eighteen 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, but could not materially affect the consolidated financial statements of the Group.
- (4) The group has following borrowing commitments as of December 31, 2014.

(In thousands of USD, CNY and EUR and hundred millions of won)

	<u>Currency</u>	<u>Credit limit</u>	<u>Name of financial institution</u>
Bank overdrafts	KRW	559	Shinhan and 6 others
	USD	174,800	Citi and 4 others
	CNY	1,200,000	Bank of China and 1 other
General purpose loans	KRW	2,250	Woori and 4 others
	USD	9,000	Shinhan and 1 other
	EUR	3,000	Citi
	CNY	53,000	Citi and 1 other
Note receivable discount	CNY	450,000	Bank of China and 1 other
Trade financing	KRW	1,050	KEB and 2 others
A/S, Usance	USD	362,300	KEB and 5 others
Loans for Import trade	USD	155,000	Mizuho and 3 others
Guarantee payments for foreign currency	USD	70,000	KEB
D/A, D/P, O/A	USD	929,525	KEB and 5 others
Secured loan of credit sales	KRW	2,540	KEB and 5 others

- (5) In accordance with technical license agreements, the Group recorded royalty expenses of ₩5,338 million and ₩9,650 million for the years ended December 31, 2014 and 2013, respectively.
- (6) As of December 31, 2014, the Group provides a guarantee up to ₩11,412 million relating to the borrowings for rented housing to its employees.

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20. Capital Stock and Capital Surplus

(1) Capital stock

Ordinary shares and preferred shares issued and outstanding as of December 31, 2014 and 2013 are summarized as follows:

<i>(In shares)</i>	2014		
	Issued shares	Treasury shares	Outstanding shares
Ordinary shares			
January, 01	45,558,341	2,178,399	43,379,942
Disposal of Treasury stock	-	(2,178,399)	2,178,399
Acquisition of Treasury Stock	-	35,781	(35,781)
Business combination	23,206,189	110	23,206,079
December, 31	<u>68,764,530</u>	<u>35,891</u>	<u>68,728,639</u>
Preferred shares	<u>1,617,896</u>	<u>108,402</u>	<u>1,509,494</u>
<i>(In shares)</i>			
	2013		
	Issued shares	Treasury shares	Outstanding shares
Ordinary shares			
January, 1	45,558,341	2,195,849	43,362,492
Exercise of stock option	-	(17,450)	17,450
December, 31	<u>45,558,341</u>	<u>2,178,399</u>	<u>43,379,942</u>
Preferred shares	<u>1,617,896</u>	<u>108,400</u>	<u>1,509,496</u>

For the year ended December 31, 2014, the Group disposed some treasury shares for common stock and gains on sale of treasury shares of ₩136,906 million are recognized, excluding the income tax effect of ₩ 43,708 million.

(2) Capital surplus as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014		2013	
		₩	<u>4,838,550,738</u>	₩	<u>1,195,810,753</u>
Capital in excess of par value			<u>194,049,777</u>	₩	<u>67,147,731</u>
Other capital surplus				₩	<u>5,032,600,515</u>
Total				₩	<u>1,262,958,484</u>

(3) Dividends declared by board of directors after the reporting period as of December 31, 2014 and 2013 are summarized as follows. Dividends for 2014 are not yet paid and there are no income tax effect relating to these dividends.

<i>(In thousands of won)</i>		2014		2013	
		₩	<u>68,728,639</u>	₩	<u>65,069,913</u>
Ordinary share (2014: ₩1,000 per share, 2013: ₩1,500 per share)			<u>1,584,969</u>	₩	<u>2,339,719</u>
Preferred share (2014: ₩1,050 per share, 2013: ₩1,550 per share)			<u>70,313,608</u>	₩	<u>67,409,632</u>

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21. Other Capital

(1) Other capital as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Treasury shares	₩	(10,848,672)	(166,929,947)
Stock options		-	3,487,868
Total	₩	<u>(10,848,672)</u>	<u>(163,442,079)</u>

(2) As of December 31, 2014, the Parent Company has common stock of 35,891 shares and preferred stock of 108,402 shares acquired at market value as treasury (other capital) and the Parent Company is planning to dispose of these shares according to market conditions.

22. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Effective portion of changes in fair value of cash flow hedges	₩	(279,630)	530,648
Unrealized gain in fair values of available-for-sale financial assets		1,141,478,992	879,579,299
Unrealized gain on investments in equity-accounted investees		432,046,368	354,442,412
Unrealized loss on investments in equity-accounted investees		(168,282,179)	(147,229,816)
Loss on translation of foreign operations		<u>(59,317,393)</u>	<u>(85,416,234)</u>
Total	₩	<u>1,345,646,158</u>	<u>1,001,906,309</u>

23. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Legal reserve	₩	122,926,470	120,462,823
Discretionary reserve		5,141,818,000	5,264,428,000
Undisposed accumulated deficit		<u>(402,422,557)</u>	<u>(348,901,652)</u>
Total	₩	<u>4,862,321,913</u>	<u>5,035,989,171</u>

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23. Retained Earnings, Continued

(2) Statements of appropriation of retained earnings the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
I. Undisposed accumulated deficit	₩	<u>(189,364,100)</u>	<u>(55,199,169)</u>
Beginning balance		1,199	37,062
Defined benefit plan remeasurement, etc.		(22,365,558)	8,126,433
Loss for the year		(166,999,741)	(63,362,664)
II. Transfer from reserves		<u>266,720,000</u>	<u>122,610,000</u>
Reserve for facility		266,720,000	122,610,000
III. Appropriated retained earnings		<u>(77,344,969)</u>	<u>(67,409,632)</u>
Legal reserve		(7,031,361)	-
Dividends		<u>(70,313,608)</u>	<u>(67,409,632)</u>
IV. Unappropriated retained earnings to be carried over to subsequent year		10,931	1,199

Above statements of appropriation of retained earnings are prepared based on Parent Company's separate financial statements. The Statements are to be approved on March 13, 2015.

24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Salaries and wages	₩	239,070,068	225,450,679
Expenses for employee benefits		55,507,721	18,426,023
Employee fringe benefits		75,735,397	57,449,991
Depreciation		125,075,358	74,080,479
Research and development expenses		52,016,471	60,577,423
Supplies and repair cost		13,316,050	16,026,912
Power and water cost		11,424,571	9,380,392
Transportation cost		27,173,065	23,754,955
Insurance expenses		10,033,848	7,165,743
Selling and distribution cost		79,621,840	39,554,611
Fees and commissions		82,111,715	54,432,466
Rental expenses		14,625,010	6,194,436
Others		<u>72,215,624</u>	<u>35,261,837</u>
Total	₩	<u>857,926,738</u>	<u>627,755,947</u>

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25. The Nature of Expenses

The nature of certain expenses for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Salaries and wages	₩	581,433,421	483,226,234
Expenses for employee benefits		78,781,508	35,440,348
Employee fringe benefits		179,245,154	136,586,609
Depreciation		414,377,636	307,305,781
Amortization		79,200,415	31,355,602
Total	₩	<u>1,333,038,134</u>	<u>993,914,574</u>

26. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Dividends income	₩	11,381,936	13,860,433
Rental income		569,674	973,382
Reversal of allowance for doubtful accounts		325,166	2,689,965
Gain on sale of available-for-sale assets		146,299,750	86,996,950
Gain on sale of property, plant and equipment		2,919,884	38,375,977
Gain on sale of investment assets		204,670	-
Reversal of loss on impairment of property, plant and equipment		-	520,760
Miscellaneous income		71,899,579	40,681,667
Total	₩	<u>233,600,659</u>	<u>184,099,134</u>

(2) Other expenses for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Bad debt expenses-other	₩	23,044	-
Loss on sale of available-for-sale assets		-	2,304,799
Loss on impairment for available-for-sale assets		221,056,218	-
Loss on disposal of equity-accounted investees		12,896	-
Donation		7,395,883	7,248,591
Loss on disposal of property, plant and equipment		22,943,821	15,963,932
Loss on impairment for property, plant and equipment		5,234,231	4,448,619
Loss on disposal of intangible assets		149,895	2,340,583
Loss on impairment for intangible assets		12,001,115	-
Miscellaneous losses		34,301,216	32,644,664
Total	₩	<u>303,118,319</u>	<u>64,951,188</u>

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27. Finance Income and Finance Costs

Finance income and costs for the years ended December 31, 2014 and 2013 are summarized as follows:

(1) 2014

(In thousands of won)

		2014			
		Interest income / expense	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Gain / loss on transaction of derivatives
Cash and cash equivalents	₩	11,564,941	1,651,558	-	-
Loans and receivables		88,160	(21,323,513)	10,895,580	-
Financial instruments		13,283,163	(10,137,138)	(261)	-
Other financial liabilities		(40,815,696)	28,618,683	9,434,526	-
Derivative financial assets		-	-	-	4,539,720
Total	₩	<u>(15,879,432)</u>	<u>(1,190,410)</u>	<u>20,329,845</u>	<u>4,539,720</u>

(2) 2013

(In thousands of won)

		2013			
		Interest income / expense	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Gain / loss on transaction of derivatives
Cash and cash equivalents	₩	15,711,846	7,871,730	-	-
Loans and receivables		39,974	(4,173,841)	(1,261,364)	-
Financial instruments		(1,110,364)	465	(4,616)	-
Other financial liabilities		(30,241,772)	3,389,977	4,060,093	-
Derivative financial assets		-	-	-	5,064,777
Total	₩	<u>(15,600,316)</u>	<u>7,088,331</u>	<u>2,794,113</u>	<u>5,064,777</u>

Interest expense recognized for the years ended 31, December 2014 and 2013 were ₩ 46,075 million and ₩ 32,816 million, respectively.

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28. Income Tax Expense

(1) Income tax expense (benefit) for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In thousands of won)</i>		2014	2013
Current income taxes	₩	50,145,951	43,849,507
Deferred income taxes from changes in temporary differences		(22,033,916)	66,707,893
Deferred income taxes from changes in tax credit carry forward		(13,731,220)	(77,875,204)
Deferred income taxes recorded in stockholders' equity		(41,598,918)	(380,297)
Others (foreign currency translation difference)		1,211,959	3,801,565
Income tax expense (benefit)	₩	<u>(26,006,144)</u>	<u>36,103,464</u>
Continuing operations		47,249,364	105,473,947
Discontinued operations		(73,255,508)	(69,370,483)

(2) Deferred tax assets and liabilities recognized as stockholders' equity for the years ended December 31, 2014 and 2013 are summarized as follows:

1) 2014

<i>(In thousands of won)</i>		Before tax	Deferred tax assets (liabilities)	After tax
Retained earnings, etc.	₩	10,347,484	19,438,918	29,786,402
Capital surplus of equity method investee		23,237,831	(801,358)	22,436,473
Capital movements of equity method investee		248,806,137	(73,481,241)	175,324,896
Gain on valuation of available-for-sale securities		1,506,472,980	(364,566,461)	1,141,906,519
Total	₩	<u>1,788,864,432</u>	<u>(419,410,142)</u>	<u>1,369,454,290</u>

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28. Income Tax Expense, Continued

(2) Deferred tax assets and liabilities recognized as stockholders' equity for the years ended December 31, 2014 and 2013 are summarized as follows, continued

2) 2013

(In thousands of won)

		Deferred tax assets (liabilities)	
	Before tax		After tax
Retained earnings, etc.	₩ 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
Total	₩ <u>1,394,169,830</u>	<u>(324,900,571)</u>	<u>1,069,269,259</u>

Income tax of ₩41,599 million related to gains/losses on sale of treasury stock and so on. 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.

(3) Reconciliation of effective tax rate for the years ended December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		2014	2013
Profit (loss) before income tax	₩	(106,320,582)	184,019,165
Statutory tax rate		24.2%	24.2%
Income tax expense (benefit) using the Company's statutory tax rate		(25,729,581)	44,532,638
Adjustments:			
Foreign withholding tax		16,478,662	17,231,726
Other permanent differences		4,458,522	9,834,354
Loss carry forwards		2,046,576	(567,903)
Unrecognized temporary differences		18,989,333	(16,483,079)
Tax credits		(43,932,300)	(78,898,568)
Difference in tax rate		5,800,705	(7,433,914)
Adjustments for consolidation and other		(4,118,061)	67,888,210
Income tax expense (benefit)	₩	<u>(26,006,144)</u>	<u>36,103,464</u>
Average effective tax rate		24.46%	19.62%

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28. Income Tax Expense, Continued

(4) As of December 31, 2014, 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. Applied tax rate is 24.2% for the realized portion after year of 2014.

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

	Deductible (taxable) temporary difference				Deferred tax assets (liabilities)			
	Beginning balance	Merger	Changes	Ending balance	Beginning balance	Merger	Changes	Ending balance
Tangible/Intangible assets	₩ 462,859,748	(1,082,738,953)	32,230,474	(587,648,731)	112,012,059	(111,649,164)	16,610,871	16,973,766
Investment in associates	(3,349,666,657)	(687,829,682)	(234,800,096)	(4,272,296,435)	(838,056,298)	(162,040,550)	35,822,387	(964,274,461)
Inventories	47,085,185	7,942,904	(29,778,112)	25,249,977	11,394,615	1,922,183	(7,206,304)	6,110,494
Accrued expenses	519,806,269	34,077,730	(59,437,585)	494,446,414	125,793,117	8,246,811	(14,383,896)	119,656,032
Others	11,668,655	(121,176,142)	(61,149,374)	(170,656,861)	1,931,666	(29,443,249)	(13,787,377)	(41,298,960)
Sub total	₩ (2,308,246,800)	(1,849,724,143)	(352,934,693)	(4,510,905,636)	(586,924,841)	(292,963,969)	17,055,681	(862,833,129)
Deferred tax added to capital	(1,394,169,829)	-	(394,694,603)	(1,788,864,432)	(324,900,571)	-	(94,509,571)	(419,410,142)
Loss carry forwards	464,836,680	96,168,244	(26,976,191)	534,028,733	112,490,477	-	(128,219)	112,362,258
Tax credit	149,177,132	3,623,872	16,683,280	169,484,284	149,177,132	3,623,872	13,731,220	166,532,224
Temporary differences of subsidiaries	217,056,802	(135,345,890)	(109,846,990)	(28,136,078)	44,291,273	(42,678,389)	3,272,107	4,884,991
Total	₩							<u>(998,463,798)</u>

2) 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)
Inventories	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 carry forwards	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	₩					<u>(605,866,530)</u>

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28. Income Tax Expense, Continued

- (6) The Group did not recognize deferred tax liabilities in the amount of ₩8,225,125 thousand for temporary and related deferred tax liability of ₩33,988,118 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 reverse in the foreseeable future.

29. Earnings per Share

- (1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

(In thousands of won, except earnings per share)

		2014	2013
Profit (loss) for the year attributable to ordinary shares	₩	(85,432,723)	128,258,914
Profit from continuing operations attributable to ordinary shares		147,000,334	388,045,513
Loss from discontinued operations attributable to ordinary shares		(232,433,057)	(259,786,599)
Weighted average number of ordinary shares (basic)		56,315,267	43,370,937
Basic earnings per share (won)		(1,517)	2,957
Basic earnings per share of continuing operations (won)		2,610	8,947
Basic earnings per share of discontinued operations (won)	₩	(4,127)	(5,990)

- 2) Profit (loss) for the year attributable to ordinary shares for the years ended December 31, 2014 and 2013 are calculated as follows:

(In thousands of won)

		2014	2013
Profit (loss) for the year attributable to the owners of the Company	₩	(83,847,754)	130,598,633
Profit from continuing operations		148,585,303	390,385,232
Loss from discontinued operations		(232,433,057)	(259,786,599)
Dividends on preferred shares		1,584,969	2,339,719
Profit (loss) for the year attributable to ordinary shares		(85,432,723)	128,258,914
Profit from continuing operations attributable to ordinary shares		147,000,334	388,045,513
Loss from discontinued operations attributable to ordinary shares	₩	(232,433,057)	(259,786,599)

- 3) Weighted average number of ordinary shares for the years ended December 31, 2014 and 2013 are calculated as follows:

(In shares)

	2014	2013
Issued ordinary shares at January 1	45,558,341	45,558,341
Effect of treasury shares held	(941,536)	(2,187,404)
Effect of shares issued related to a business combination	11,698,462	-
Weighted average number of ordinary shares at December 31	<u>56,315,267</u>	<u>43,370,937</u>

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29. Earnings per Share, Continued

(2) Diluted earnings per share

For the year ended December 31, 2014 diluted earnings per share was the same as basic earnings per share.

1) Diluted earnings per share for the year ended December 31, 2013 was calculated as follows:

(In thousands of won, except earnings per share)

	<u>2013</u>
Profit for the year attributable to ordinary shares	₩ 128,258,914
Profit from continuing operations attributable to ordinary shares	388,045,513
Loss from discontinued operations attributable to ordinary shares	(259,786,599)
Weighted average number of ordinary shares (diluted)	43,371,611
Diluted earnings per share (won)	<u>2,957</u>
Diluted earnings per share of continuing operations (won)	8,947
Diluted earnings per share of discontinued operations (won)	(5,990)

2) Weighted average number of ordinary shares (diluted) for the year ended 2013 was calculated as follows:

(In shares)

	<u>2013</u>
Weighted average number of ordinary shares (basic)	43,370,937
Effect of share options on issue (exercised)	674
Weighted average number of ordinary shares (diluted)	<u><u>43,371,611</u></u>

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30. Related Parties

(1) Significant transactions with related parties for the years ended December 31, 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

		<u>Revenues</u>	<u>Other Income</u>	<u>Inventory purchase</u>	<u>Purchase of property plant and equipment</u>	<u>Other expenses</u>
Associates						
Samsung Display Co., Ltd. ("SEC") and subsidiaries	₩	345,495,285	60,303,942	11,588	-	4,649,465
Samsung Economic Research Institute		-	-	-	-	5,890,288
SD FLEX CO., LTD.		-	449,740	4,103,220	-	12,421
Other affiliated corporations						
Samsung Electronics Co., Ltd. ("SEC") and subsidiaries		<u>2,370,649,840</u>	<u>14,496,139</u>	<u>114,264,714</u>	<u>5,391,482</u>	<u>38,442,254</u>
Total	₩	<u>2,716,145,125</u>	<u>75,249,821</u>	<u>118,379,522</u>	<u>5,391,482</u>	<u>48,994,428</u>

2) 2013

(In thousands of won)

		<u>Revenues</u>	<u>Other Income</u>	<u>Inventory purchase</u>	<u>Other expenses</u>
Associates					
Samsung Display Co., Ltd. ("SEC") and subsidiaries	₩	3,690,039	63,819,969	-	466,125
Samsung Economic Research Institute		-	-	-	3,655,766
Other affiliated corporations					
Samsung Electronics Co., Ltd. ("SEC") and subsidiaries		<u>2,619,361,445</u>	<u>12,467,979</u>	<u>248,823,232</u>	<u>10,227,107</u>
Total	₩	<u>2,623,051,484</u>	<u>76,287,948</u>	<u>248,823,232</u>	<u>14,348,998</u>

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30. Related Parties, Continued

(2) Details of significant account balances with related parties as of December 31, 2014 and 2013 are summarized as follows:

1) 2014

(In thousands of won)

	<u>Account receivable</u>	<u>Other receivable</u>	<u>Other assets</u>	<u>Account payable</u>	<u>Other payable</u>	<u>Other liability</u>
Associates						
Samsung Display Co., Ltd. ("SEC") and subsidiaries	₩ 32,414,014	24,599	-	-	72,623	-
Samsung Economic Research Institute	-	-	-	-	874,164	-
SD FLEX CO., LTD.	-	86,827	-	614,800	3,615	-
Other affiliated corporations						
Samsung Electronics Co., Ltd. ("SEC") and subsidiaries	132,926,807	2,883,903	711,443	4,295	5,861,810	8,190
Total	₩ <u>165,340,821</u>	<u>2,995,329</u>	<u>711,443</u>	<u>619,095</u>	<u>6,812,212</u>	<u>8,190</u>

2) 2013

(In thousands of won)

	<u>Account receivable</u>	<u>Other receivable</u>	<u>Other assets</u>	<u>Account payable</u>	<u>Other payable</u>	<u>Other liability</u>
Associates						
Samsung Display Co., Ltd. ("SEC") and subsidiaries	₩ -	29,058	-	-	417	-
Samsung Economic Research Institute	-	-	-	-	522,700	-
Other affiliated corporations						
Samsung Electronics Co., Ltd. ("SEC") and subsidiaries	184,102,871	1,070,211	718,994	23,062,638	3,292,361	173
Total	₩ <u>184,102,871</u>	<u>1,099,269</u>	<u>718,994</u>	<u>23,062,638</u>	<u>3,815,478</u>	<u>173</u>

(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 ₩5,302 million and ₩3,782 million, for the years ended December 31, 2014 and 2013, respectively. For material division, the compensation of former Cheil industries Inc. are recognized for the six month period ended December 31, 2014.

As of December 31, 2014 and 2013, liabilities related to long-term employee benefits for key management are ₩3,916 million and ₩3,272 million, respectively. In addition, liabilities related to retirement benefits for key management as of December 31, 2014 and 2013 are ₩6,935 million and ₩5,303 million, respectively.

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31. Non-controlling Interest

Non-controlling interests as of and for the years ended December 31, 2014 and 2013 are summarized as follows:

(1) 2014

(In millions of won)

		SDI(M)	NOVALED	United States (SDIA and other)	China (TSDI and 4 others)	Others	Total
Current assets	₩	76,678	34,936	98,788	656,265	26,353	893,020
Non-current assets		63	129,941	10,089	475,559	32,879	648,531
Current liabilities		29,499	8,853	27,739	262,394	3,610	332,095
Non-current liabilities		-	38,635	15	-	15	38,665
Net assets		47,242	117,389	81,123	869,430	55,607	1,170,791
Carrying amount of non-controlling interests		54,186	15,212	5,419	163,715	1,947	240,479
Sales		-	27,252	334,996	2,201,657	3,705	2,567,610
Profit (loss)		(8,051)	9,511	14,311	73,345	2,186	91,302
Total comprehensive income		(9,246)	8,483	45,567	84,996	1,211	131,011
Distributed profit (loss) of non-controlling interests		(4,163)	3,116	929	3,442	209	3,533
Cash flow from operating activities		(6,890)	7,836	31,432	195,694	7,176	235,248
Cash flow from investing activities		11,936	(2,723)	(302)	(29,049)	(4,655)	(24,793)
Cash flow from financing activities before payment on dividends of non-controlling interest		-	(4,897)	(24,152)	(92,591)	(13,939)	(135,579)
Dividends attributed to non-controlling equity		-	-	(2,169)	(13,406)	(18)	(15,593)
Exchange rate change effect		(182)	(704)	2,779	7,396	(893)	8,396
Changes on cash and cash equivalents	₩	4,864	(488)	7,588	68,044	(12,329)	67,679

The condensed information on cash flows is translated to Korean Won based on the cash flow of subsidiaries before consolidation adjustments.

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For the years ended December 31, 2014 and 2013

31. Non-controlling Interest, Continued

(2) 2013

(In millions of won)

	SDI(M)	United States (SDIA and other)	China (TSDI and 4 others)	Others	Total
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 liabilities	28,990	71,239	587,150	9,280	696,659
Non-current liabilities	-	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
Profit (loss)	(2,390)	14,718	107,981	9,403	129,712
Total comprehensive income	(15,635)	17,545	119,433	4,895	126,238
Distributed profit (loss) of non-controlling interests	(750)	(218)	17,903	382	17,317
Cash flow from operating activities	(11,665)	8,566	172,406	35	169,342
Cash flow from investing 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
Changes on cash and cash equivalents	₩ (45,507)	(25,389)	(114,551)	(5,298)	(190,745)

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

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32. Business Combination

The Parent Company merged with former Cheil Industries Inc. on July 1, 2014 resulting in the Parent Company as a surviving company and former Cheil Industries Inc. as an extinct company in accordance with resolution of the board of directors meeting held on March 31, 2014.

(1) General details

Plan	Details
Extinct company	Cheil Industries Inc.(CEO: CHO, NAM SUNG)
Purpose of merger	Strengthening SDI's competitiveness in lithium-ion battery business by utilizing the capabilities of Cheil industries Inc. in materials parts, and system sectors and expanding its business to various industries such as chemicals and electronic materials.
Shares of merger	Offering 0.4425482 shares of surviving company for each share of extinct company
Date of merger	July 1, 2014

In the six month period after the merger, former Cheil Industries Inc. (referred to as material division) contributed revenue of ₩2,146,763 million and loss of ₩86,773 million. If the merger with materials division had occurred at January 1, 2014, management estimates that total revenue before eliminating discontinued operation revenue would have been ₩8,430,738 million and loss would have been ₩56,774 million. These estimated amounts are computed based on the assumption that fair value adjustments as of January 1, 2014 are the same as at the date of acquisition.

(2) Consideration transferred

The Parent Company granted 23,206,189 shares to former Cheil Industries Inc.'s shareholders by issuing new shares. The stock price, 162,000 won per share as of the date of merger, was used to calculate the consideration transferred and there was no other consideration or contingent consideration transferred other than the common stocks.

(3) Identifiable assets acquired and liabilities assumed

1) Amount of assets acquired and liabilities assumed as of July 1, 2014 as follows:

(In thousands of won)

	Amount
Property, plant and equipment	₩ 1,646,902,943
Intangible assets	439,716,500
Inventories	346,214,158
Cash and cash equivalents	71,446,653
Subsidiaries and related company	12,274,690
Other investments	1,776,424,905
Trade receivables and other assets	518,235,417
Borrowings	(963,161,215)
Deferred tax liabilities	(332,413,715)
Trade payables and other liabilities	(430,288,735)
Identifiable net assets	3,085,351,601

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32. Business Combination, Continued

(3) Identifiable assets acquired and liabilities assumed, continued

2) Fair value measurements

Valuation methods, used to measure the fair value of acquired significant assets, are as follows:

<u>Acquired assets</u>	<u>Valuation method</u>
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(4) Goodwill

Goodwill was recognized as a result of the merger as follows:

(In thousands of won)

	Amount
Total consideration transferred	₩ 3,759,384,798
Fair value of identifiable net assets	3,085,351,601
Non-controlling interests	(60,089,423)
Goodwill	₩ <u>734,122,620</u>

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33. Discontinued Operation

The Group discontinued manufacturing and sales of PDP division due to decreased demand of PDP (Plasma Display Panel). The comparative consolidated statement of comprehensive income is re-presented in order to show the discontinued operation separately from continuing operations.

(1) Profit or loss from discontinued operations for the years ended December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		<u>2014</u>	<u>2013</u>
Profit (loss) from discontinued operations:	₩		
Revenue		859,945,276	1,636,274,005
Expense		(1,165,633,841)	(1,965,431,087)
Loss from discontinued operations before			
Income tax		(305,688,565)	(329,157,082)
Income tax expense (benefit)		(73,255,508)	(69,370,483)
Loss from discontinued operations	₩	<u>(232,433,057)</u>	<u>(259,786,599)</u>
Basic earnings per share (won)		(4,127)	(5,990)
Diluted earnings per share (won)		(4,127)	(5,990)

(2) Cash flow from (used in) discontinued operations for the years ended December 31, 2014 and 2013 are summarized as follows:

(In thousands of won)

		<u>2014</u>	<u>2013</u>
Cash flow from (used in) operating activities	₩	10,158,610	100,768,928
Cash flow from (used in) investing activities		1,407,502	12,744,347
Cash flow from (used in) financing activities		-	-
Cash flow from (used in) discontinued operations	₩	<u>11,566,112</u>	<u>113,513,275</u>

34. Subsequent events

In December of 2005, the creditors of Samsung Motors Inc. ("Creditors") filed a civil lawsuit against Mr. Kun Hee Lee, chairman of Samsung Electronics Co., Ltd., and 28 Samsung Group affiliates including SDI ("Defendants"), seeking 2,450 billion KRW as a penalty for the breach of an agreement signed September of 1999. In January of 2011, the Seoul High court ordered Mr. Kun Hee Lee and the Defendants to pay Creditors 600 billion KRW as a penalty and an additional 5% annual interest for accumulated interest, and 620.4 billion KRW was paid to the Creditors based on the court ruling. The case was closed after the Supreme Court ruling in January 2015 which resulted in the increase of 1% in interest rate for accumulated interest, an additional payment of 4 billion KRW.