

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012 and 2011

(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.:

We have audited the accompanying consolidated statements of financial position of Samsung SDI Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and 2011 and the financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

As discussed in note 2 to the consolidated financial statements, the Group adopted the amendment to K-IFRS No. 1001, 'Presentation of Financial Statements' for the year ended December 31, 2012. The amendment requires operating profit, which is calculated by revenue less: 1) cost of sales, and 2) selling, general and administrative expenses, to be separately presented on the statements of comprehensive income. The Group applied this change in accounting policies retrospectively, and accordingly restated the comparative information of the statement of comprehensive income for the year ended December 31, 2011.

Seoul, Korea
March 2, 2013

This report is effective as of March 2, 2013, 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, 2012 and 2011

(In thousands of won)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Assets			
Cash and cash equivalents	4,6 ₩	946,516,332	757,661,035
Trade and other receivables, net	4,7,30	776,407,709	921,072,251
Inventories, net	8	558,451,773	583,586,734
Other investments	4,9	65,011,477	43,914,921
Other assets	4,10	68,469,040	57,874,076
Total current assets		<u>2,414,856,331</u>	<u>2,364,109,017</u>
Long-term trade and other receivables, net	4,7,30	5,570,544	4,596,161
Investments in Associates and joint ventures	11,32	4,004,966,280	1,899,028,212
Property, plant and equipment, net	5,12	1,971,102,028	1,827,201,635
Intangible assets, net	5,13	171,007,082	140,296,912
Investment property	5,14	34,078,481	54,753,819
Deferred tax assets	28	164,181,243	55,168,556
Non-current other investments	4,9	2,047,301,194	2,097,181,680
Non-current other assets	10,13	82,024,109	85,074,763
Total non-current assets		<u>8,480,230,961</u>	<u>6,163,301,738</u>
Total assets	₩	<u>10,895,087,292</u>	<u>8,527,410,755</u>
Liabilities			
Trade and other payables	4,15,17,30	1,317,601,806	961,510,703
Income tax payable	28	17,689,999	16,498,584
Advance received		9,320,359	8,203,104
Unearned revenue		667,546	2,404,551
Short-term borrowings	4,16	658,761,555	761,365,924
Total current liabilities		<u>2,004,041,265</u>	<u>1,749,982,866</u>
Long-term trade and other payables	4,15,17,30	16,118,217	29,192,687
Long-term borrowings	4,16	474,292,540	-
Employee benefits	18	42,592,368	31,782,891
Deferred tax liabilities	28	793,561,300	401,925,090
Total non-current liabilities		<u>1,326,564,425</u>	<u>462,900,668</u>
Total liabilities		<u>3,330,605,690</u>	<u>2,212,883,534</u>
Equity			
Capital stock	1,20	240,681,185	240,681,185
Capital surplus	20	1,258,440,118	1,258,119,974
Other capital	21	(163,787,925)	(165,394,676)
Accumulated other comprehensive income	22	1,051,350,256	1,173,911,801
Retained earnings	23	4,986,541,200	3,610,804,370
Equity attributable to owners of the Company		<u>7,373,224,834</u>	<u>6,118,122,654</u>
Non-controlling interests		<u>191,256,768</u>	<u>196,404,567</u>
Total equity		<u>7,564,481,602</u>	<u>6,314,527,221</u>
Total liabilities and equity	₩	<u>10,895,087,292</u>	<u>8,527,410,755</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, 2012 and 2011

(In thousands of won, except earnings per share)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Revenue	5,30	₩ 5,771,184,920	5,443,881,395
Cost of sales	8,18,25,30	(4,863,335,814)	(4,760,612,460)
Gross profit		<u>907,849,106</u>	<u>683,268,935</u>
Selling, general and administrative expenses	18,24,25	(720,974,877)	(573,300,963)
Operating profit		<u>186,874,229</u>	<u>109,967,972</u>
Other income	11,26	1,822,689,046	283,408,819
Other expenses	26	(452,674,982)	(189,663,040)
Finance income	27	179,177,778	292,715,333
Finance costs	27	(210,436,060)	(303,366,629)
Share of profit of equity accounted investees	11	503,791,259	285,037,060
Income before income tax		<u>2,029,421,270</u>	<u>478,099,515</u>
Income tax expense	28	(542,606,922)	(127,044,600)
Net income	₩	<u>1,486,814,348</u>	<u>351,054,915</u>
Other comprehensive income (loss)			
Effective portion of changes in fair value of cash flow hedges		(873)	-
Net change in fair value of available-for-sale financial assets		(55,663,219)	(217,186,627)
Change in unrealized holding gain on equity method investments		(29,065,062)	3,462,824
Gain (loss) on translation of foreign operations		(73,214,647)	14,424,408
Defined benefit plan actuarial loss		(37,418,011)	(8,341,348)
Income tax		33,077,526	13,535,467
Other comprehensive loss, net of income tax		<u>(162,284,286)</u>	<u>(194,105,276)</u>
Total comprehensive income	₩	<u>1,324,530,062</u>	<u>156,949,639</u>
Net income attributable to:			
Owners of the Company	5,31	1,471,502,017	320,109,230
Non-controlling interests	31	15,312,331	30,945,685
Total comprehensive income attributable to:			
Owners of the Company		1,320,643,104	124,616,905
Non-controlling interests		3,886,958	32,332,734
Earnings per share	29		
Basic earnings per share (won)		33,885	7,341
Diluted earnings per share (won)		33,879	7,332

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, 2012 and 2011

<i>(In thousands of won)</i>		Capital stock	Capital surplus	Other capital	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2011	₩	240,681,185	1,255,831,094	(169,964,808)	1,333,566,877	3,391,052,037	179,695,124	6,230,861,509
Comprehensive income								
Net income		-	-	-	-	320,109,230	30,945,685	351,054,915
Change in fair value of available-for-sale financial assets		-	-	-	(202,095,007)	-	-	(202,095,007)
Change in unrealized holding loss on equity method investments		-	-	-	1,687,626	-	(83,246)	1,604,380
Change in loss on translation of foreign operations		-	-	-	11,237,798	-	1,470,295	12,708,093
Defined benefit plan actuarial loss		-	-	-	-	(6,322,742)	-	(6,322,742)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,169,583)</u>	<u>313,786,488</u>	<u>32,332,734</u>	<u>156,949,639</u>
Transactions with owners of the Company, recognized directly in equity								
Dividends		-	-	-	-	(71,662,160)	(5,431,657)	(77,093,817)
Capital contribution from Non-controlling interests		-	-	-	-	-	60,606	60,606
Reduction of capital		-	-	-	-	-	(10,252,240)	(10,252,240)
Exercise of share option		-	1,135,200	4,570,132	-	-	-	5,705,332
Others		<u>-</u>	<u>1,153,680</u>	<u>-</u>	<u>29,514,507</u>	<u>(22,371,995)</u>	<u>-</u>	<u>8,296,192</u>
Balance at December 31, 2011	₩	<u>240,681,185</u>	<u>1,258,119,974</u>	<u>(165,394,676)</u>	<u>1,173,911,801</u>	<u>3,610,804,370</u>	<u>196,404,567</u>	<u>6,314,527,221</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2012 and 2011

<i>(In thousands of won)</i>		<u>Capital stock</u>	<u>Capital surplus</u>	<u>Other capital</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2012	₩	240,681,185	1,258,119,974	(165,394,676)	1,173,911,801	3,610,804,370	196,404,567	6,314,527,221
Total comprehensive income								
Net income		-	-	-	-	1,471,502,017	15,312,331	1,486,814,348
Effective portion of changes in fair value of cash flow hedges		-	-	-	(873)	-	-	(873)
Change in fair value of available-for-sale financial assets		-	-	-	(44,244,387)	-	-	(44,244,387)
Change in unrealized holding loss on equity method investments		-	-	-	(20,921,688)	-	-	(20,921,688)
Change in loss on translation of foreign operations		-	-	-	(57,394,597)	-	(11,425,373)	(68,819,970)
Defined benefit plan actuarial loss		-	-	-	-	(28,297,368)	-	(28,297,368)
Total comprehensive income		-	-	-	(122,561,545)	1,443,204,649	3,886,958	1,324,530,062
Transactions with owners of the Company, recognized directly in equity								
Dividends		-	-	-	-	(67,333,747)	(9,036,575)	(76,370,322)
Capital contribution from Non-controlling interests		-	-	-	-	-	1,818	1,818
Exercise of share option		-	320,144	1,606,751	-	-	-	1,926,895
Changes in associates' retained earnings		-	-	-	-	(134,072)	-	(134,072)
Balance at December 31, 2012	₩	<u>240,681,185</u>	<u>1,258,440,118</u>	<u>(163,787,925)</u>	<u>1,051,350,256</u>	<u>4,986,541,200</u>	<u>191,256,768</u>	<u>7,564,481,602</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2012 and 2011

(In thousands of won)

	2012	2011
Cash flows from operating activities		
Net income	₩ 1,486,814,348	351,054,915
Adjustments for:		
Retirement benefits	36,220,620	33,611,743
Loss on valuation of inventories	10,605,799	2,444,053
Depreciation	423,733,996	416,823,587
Amortization	30,811,417	21,806,241
Bad debt expense(reversal)	(61,769)	493,051
Other bad debt expense	105,437	56,708
Commission fee	3,317,202	3,977,598
Share of profit of equity accounted investees	(503,791,260)	(285,037,060)
Loss on disposal of associates and joint ventures	7,411,653	838,244
Gain on disposal of associates and joint ventures	(1,742,204,293)	(126,741,972)
Gain on disposal of available-for-sale financial assets	-	(37,114,599)
Foreign currency translation loss	12,234,338	14,663,264
Foreign currency translation gain	(3,553,128)	(22,122,884)
Ineffective portion of changes in fair value of cash flow hedges	16,921	-
Loss on sale of property, plant and equipment	47,973,278	1,574,316
Gain on sale of property, plant and equipment	(721,130)	(24,674,593)
Loss on impairment of property, plant and equipment	32,341,051	23,094,126
Reversal of loss on impairment of property, plant and equipment	(2,389,168)	(8,142,547)
Loss on sale of intangible assets	5,074,461	2,457,990
Loss on impairment of intangible assets	2,439,937	11,342,210
Loss on sale of investments	-	425,775
Gain on sale of investments	(610,718)	(3,579,818)
Litigation expense	311,836,718	121,220,624
Miscellaneous income	(30,741,171)	(33,162,573)
Income tax expense	542,606,922	127,044,600
Interest expense	24,452,614	20,025,420
Interest income	(20,611,015)	(22,125,452)
Dividends income	(19,145,705)	(18,730,867)
Changes in assets and liabilities:		
Trade receivables	111,551,566	(70,626,371)
Other receivables	(128,359)	28,238,613
Other current assets	(7,667,959)	20,221,732
Inventories	2,375,878	(56,520,423)
Non-current trade receivables	150,195	150,195
Non-current other receivables	(1,453,149)	(334,974)
Non-current other assets	(5,849,313)	-
Trade payables	35,591,654	(50,746,731)
Other payables	(64,653,586)	(89,297,223)
Advance received	1,526,898	(29,244,013)
Unearned revenue	(2,619,032)	(4,568,117)
Non-current other payables	(3,393,415)	13,236,721
Payment of retirement and employee benefits	(14,688,559)	(10,384,885)
Transfer in from related parties for employee benefits	1,335,650	8,484,152
Plan assets	(59,995,298)	(33,395,802)
Interest received	18,965,093	25,741,505
Interest paid	(25,200,932)	(18,107,543)
Dividends received	19,145,705	13,166,012
Income taxes paid	(81,358,063)	(17,797,626)
Net cash provided by operating activities	₩ 577,802,329	299,737,322

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

For the years ended December 31, 2012 and 2011

Cash flows from investing activities

Proceeds from sale of other investments	₩	24,410,914	107,247,926
Proceeds from sale of property, plant and equipment		41,836,221	28,895,448
Proceeds from sale of intangible assets		34,730	-
Proceeds from sale of investment property		905,740	4,893,251
Proceeds from disposal of associates and joint ventures		6,651,981	33,745,170
Proceeds from disposal of a subsidiary		-	3,392,226
Acquisition of other non-current assets		(28,934,580)	(20,545,680)
Acquisition of other investments		(50,192,377)	(38,712,501)
Acquisition of property, plant and equipment		(459,720,982)	(435,502,267)
Acquisition of intangible assets		-	(23,027,156)
Acquisition of associates and joint ventures		-	(380,000,026)
Acquisition of business, net of cash acquired		(46,264,265)	(159,485,030)
Net cash used in investing activities		<u>(511,272,618)</u>	<u>(879,098,639)</u>

Cash flows from financing activities

Proceeds from exercise of share options		2,029,104	6,067,757
Proceeds from short-term borrowings		484,625,937	458,793,712
Issuance of debenture		199,242,600	-
Proceeds from long-term borrowings		275,049,940	-
Capital contribution from non-controlling interests		1,818	60,606
Dividends paid		(76,370,322)	(77,093,817)
Repayment of short-term borrowings		(532,946,499)	(103,628,438)
Repayment of current portion of long-term borrowings		(228,832,500)	-
Repayment of long-term borrowings		(10,000,000)	-
Capital reduction by cash distribution of subsidiaries		-	(15,615,623)
Net cash provided by financing activities		<u>112,800,078</u>	<u>268,584,197</u>

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at January 1		757,661,035	1,066,315,966
Effect of exchange rate fluctuations on cash held		9,525,508	2,122,189
Cash and cash equivalents at December 31	₩	<u>946,516,332</u>	<u>757,661,035</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, 2012 and 2011

1. Reporting entity

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

The Parent Company's head office is located in Kiheung, Gyeong-gi Do, and its factories are located in Ulsan and Cheon-An, Chungcheongnam-Do. In addition to these local business sites, the Parent Company also has 17 subsidiaries operating in the United States, Malaysia, Vietnam, Germany, Mexico, Hong Kong, China, Japan, Brazil, Hungary, and Korea.

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

Under its Articles of Incorporation, the Parent Company is authorized to issue 30,000 thousand non-voting preferred shares. Holders of preferred shares issued before February 28, 1997 are entitled to receiving additional dividends of 1% of its par value per annum. As of December 31, 2012, 1,617,896 shares of non-cumulative and non-voting preferred stocks are eligible for these additional dividends.

2. Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations. The consolidated financial statements were authorized for issue by the Board of Directors on January 23, 2013.

(2) 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:

- 1) Financial instruments at fair value through profit and loss and available-for-sale financial assets are measured at fair value
- 2) 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 and unrecognized past service costs

(3) 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.

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

For the years ended December 31, 2012 and 2011

2. Basis of preparation, Continued

(4) Use of estimates and judgments

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

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

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 17 – Provisions
- Note 18 – Employee Benefits
- Note 19 – Commitments and Contingencies

(5) Changes in accounting policies

1) Changes in accounting policies

(i) Financial instruments: Disclosures

The Group has applied the amendments to K-IFRS No.1107, 'Financial Instruments: Disclosures' since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

(ii) Presentation of financial statements

The Group adopted the amendments to K-IFRS No. 1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Group's operating profit (loss) is calculated as revenue less: (1) cost of sales, and (2) selling, general and administrative expenses, and is presented separately in the statement of comprehensive income.

2) Impact of change in accounting policy

The Group retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

<i>(In thousands of won)</i>	<u>2012</u>	<u>2011</u>
Operating profit before adoption of the amendment	₩ 1,556,888,293	203,713,751
Changes:		
Other income (note 26)	(1,822,689,046)	(283,408,819)
Other expenses (note 26)	452,674,982	189,663,040
Operating profit after adoption of the amendment	<u>₩ 186,874,229</u>	<u>109,967,972</u>

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

For the years ended December 31, 2012 and 2011

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(5).

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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, 2012 and 2011

3. Significant Accounting Policies, Continued

(1) Basis of consolidation, continued

1) Subsidiaries, continued

(i) The list of subsidiaries as of December 31, 2012 is as follows. All subsidiaries' fiscal year end is December 31.

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

Subsidiaries	Location	Primary business	Capital stock as of December 31, 2012	Percentage of ownership (***)	
				December 31, 2012	December 31, 2011
Samsung SDI America, Inc. ("SDIA")	U.S.A.	Manufacturing and sale of PDP, sale of rechargeable battery	28,626,950	91.70%	91.70%
Samsung SDI Germany GmbH ("SDIG") (*)	Germany	Supporting sales in Europe region	22,400,891	100.00%	100.00%
Samsung SDI Hungary Rt. ("SDIHU")	Hungary	Manufacturing and sale of PDP	4,860,887	100.00%	100.00%
Samsung SDI Europe GmbH ("SDIEU") (*)	Germany	Sale of rechargeable battery, etc.	1,558,180	100.00%	100.00%
Samsung SDI (Malaysia) Sdn, Bhd. ("SDI(M)")	Malaysia	Manufacturing and sale of CPT	43,581,363	68.60%	68.60%
Samsung SDI Vietnam Ltd. ("SDIV") (*)	Vietnam	Manufacturing and sale of rechargeable battery	17,326,000	100.00%	100.00%
Samsung SDI Energy Malaysia Sdn, Bhd. ("SDIEM")	Malaysia	Manufacturing and sale of rechargeable battery	11,781,000	100.00%	100.00%
Samsung SDI (Hong Kong) Ltd. ("SDIHK")	Hong Kong	Sale of rechargeable battery, PDP, etc.	261,864,048	95.90%	95.90%
Samsung SDI Japan Ltd. ("SDIJ") (*) (**)	Japan	Purchase and sale of PDP, raw materials of rechargeable battery	4,210,454	100.00%	-
Samsung SDI China Ltd. ("SDIC") (*) (**)	China	Supporting sales in China	2,267,400	100.00%	-
Samsung SDI Brazil Ltda. ("SDIB")	Brazil	Supporting sales in South America region	117,239,846	95.90%	95.90%
SVIC 15 Fund ("SVIC 15")	Korea	Investments in new technology venture business	30,000,000	99.00%	99.00%
SB Limotive Ltd. (**)	Korea	Manufacturing and sale of rechargeable car battery	380,679,990	100.00%	50.00%
Subsidiary of SDIA					
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	Mexico	Manufacturing of PDP	2,854,723	91.70%	91.70%
Subsidiaries of SDIHK					
Shenzhen Samsung SDI Co., Ltd. ("SSDI") (*)	China	Manufacturing and sale of CRT, PDP	148,353,146	76.70%	76.70%
Tianjin Samsung SDI Co., Ltd. ("TSDI") (*)	China	Manufacturing and sale of rechargeable battery	113,123,338	76.70%	76.70%
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED") (*)	China	Manufacturing and sale of rechargeable battery, sale of VFD	47,671,714	57.90%	57.90%

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

(**) For the year ended December 31, 2012, "SDIJ" and "SDIC" which have been established in Japan and China during 2012 have been included in consolidation. As discussed in note 32 to the consolidated financial statements, the Group has additionally acquired 50% shares of SB Limotive Ltd. As a result of the acquisition, SB Limotive Ltd. which had been an associate of the Group until October 26, 2012 has been included in consolidation.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(1) Basis of consolidation, continued

1) Subsidiaries, continued

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

(ii) Condensed statement of financial position as of December 31, 2012 and condensed statement of comprehensive income for the year then ended of subsidiaries are as follows:

(In thousands of won)

Subsidiaries	Assets	Liabilities	Equity	Revenue	Net income (loss)	Total comprehensive income (loss)
Samsung SDI America, Inc. ("SDIA")	₩ 172,023,897	72,149,575	99,874,322	787,782,546	51,712,850	51,694,390
Samsung SDI Germany GmbH ("SDIG")	43,698,363	5,627,308	38,071,055	-	(3,924,428)	(3,924,428)
Samsung SDI Hungary Rt. ("SDIHU")	113,234,189	34,736,566	78,497,623	380,751,615	15,047,226	15,047,226
Samsung SDI Europe GmbH ("SDIEU")	3,678,108	1,451,574	2,226,534	17,499,838	626,855	626,855
Samsung SDI (Malaysia) Sdn, Bhd. ("SDI(M)")	154,584,368	48,190,664	106,393,704	164,365,443	(32,446,278)	(32,447,089)
Samsung SDI Vietnam Ltd. ("SDIV")	140,876,857	114,961,324	25,915,533	421,426,477	7,899,239	7,899,239
Samsung SDI Energy Malaysia Sdn, Bhd. ("SDIEM")	218,031,073	211,820,367	6,210,706	47,136,567	(4,038,616)	(4,038,618)
Samsung SDI (Hong Kong) Ltd. ("SDIHK")	456,772,871	104,304,801	352,468,070	1,014,501,430	38,221,082	38,157,187
Samsung SDI Japan Ltd. ("SDIJ")	12,378,789	8,362,618	4,016,171	16,386,352	45,875	45,875
Samsung SDI China Ltd. ("SDIC")	2,794,858	521,275	2,273,583	1,612,931	91,113	91,113
Samsung SDI Brazil Ltda. ("SDIB")	45,309,832	9,850,655	35,459,177	-	143,745	143,745
SVIC 15 Fund ("SVIC 15")	26,736,254	194,773	26,541,481	-	(249,901)	(8,727,866)
SB Limotive Ltd. (*)	393,327,622	292,527,976	100,799,646	9,795,801	(40,765,344)	(40,494,747)
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	14,644,157	3,203,522	11,440,635	24,395,497	5,522,941	5,522,941
Shenzhen Samsung SDI Co., Ltd. ("SSDI")	414,787,362	171,722,850	243,064,512	814,234,823	26,010,508	26,010,508
Tianjin Samsung SDI Co., Ltd. ("TSDI")	667,424,362	378,192,734	289,231,628	1,454,368,996	51,449,121	51,449,121
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED")	164,641,316	112,762,195	51,879,121	552,645,871	13,065,574	13,065,574

(*)The financial performance subsequent to the acquisition (note 32) was consolidated.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(1) Basis of consolidation, continued

2) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

3) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

4) Changes in the Parent Company's ownership interest

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Parent Company.

5) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Company for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(2) Business combination

1) Business combination

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

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No. 1012, 'Income Taxes'
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019, 'Employee Benefits'

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032, 'Financial Instruments: Presentation' and K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement'.

2) Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

Additional acquisitions of non-controlling interests are accounted for as transactions between shareholders, and the accounts such as goodwill are not recognized by the transactions, consequently.

As part of its transition to K-IFRS, the Group elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with K-IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, K-GAAP.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(3) 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. Although equity instrument is not classified as cash and cash equivalents, substantive cash and cash equivalents such as preference share capital that redemption date has been determined and the period from the acquisition date to the redemption date is short term are included in cash and cash equivalents.

(4) 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 plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

1) Financial assets at fair value through profit or loss

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

2) Held-to-maturity financial assets

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

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.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(4) Non-derivative financial assets, continued

4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or 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, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

5) De-recognition of a financial asset

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

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.

(5) 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.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(5) Non-derivative financial liabilities, continued

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

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

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

(6) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options 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. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(7) Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent costs

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

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(7) Property, plant and equipment, continued

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. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

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

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

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

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

(8) 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. The Group immediately recognizes other borrowing costs as an expense. 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.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(9) 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:

	Useful lives (years)
Exclusive facility usage rights	5~10
Others	4~20

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

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

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

(10) 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. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

(11) 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.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(12) Impairment

1) Impairment of financial assets

A financial asset not carried 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 should 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. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. 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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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. 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.

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(12) Impairment, continued

2) Impairment of non-financial assets

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

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

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

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

(13) 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.

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For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(13) 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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on 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. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

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 total of cumulative unrecognized past service cost and 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.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognizes the past service cost immediately.

5) Share-based payment transactions

For equity-settled share-based payment transactions, 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.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(14) Provisions

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

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

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

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

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

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

(15) Revenue

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

1) Goods sold

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

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

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(15) Revenue, continued

2) Construction contracts

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. 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 contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. 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. 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.

(16) 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, 2012, the Group has 25 ongoing national projects on which government grants are provided including 'Commercialization of 10KWh storage device for home use'.

(17) Finance income and costs

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

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

(18) 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.

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3. Significant Accounting Policies, Continued

(19) Income tax

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

1) Current tax

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

2) Deferred tax

The measurement of deferred tax 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 is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

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 difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference 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.

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3. Significant Accounting Policies, Continued

(20) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has two reportable operating segments: the display business segment (Color Cathode Ray Tube and Plasma Display Panel), and the energy and other business segment (Rechargeable Battery and Other).

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.

(21) 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, 2012, 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.

1) K-IFRS No.1110, 'Consolidated Financial Statements'

The standard introduces a single control model to determine whether an investee should be consolidated. The standards are mandatorily effective for annual periods beginning on or after January 1, 2013. Even after the adoption of the standard, it is determined that there will be no change in consolidation scope as of December 31, 2012.

2) K-IFRS No.1111, 'Joint Arrangements'

The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standards are mandatorily effective for annual periods beginning on or after January 1, 2013.

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For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(21) New standards and interpretations not yet adopted, continued

3) K-IFRS No.1112, 'Disclosure of Interests in Other Entities'

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests. The standards are mandatorily effective for annual periods beginning on or after January 1, 2013.

4) Amendments to K-IFRS No. 1019, 'Employee Benefits'

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate which is the yield at the reporting date on high-quality corporate bonds used to discount the defined benefit obligation. The standard will be applied mandatorily and retrospectively for the Group's annual periods beginning on or after January 1, 2013.

5) K-IFRS No. 1113, 'Fair Value Measurement'

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied mandatorily and prospectively for the Group's annual periods beginning on or after January 1, 2013.

6) Amendments to K-IFRS No. 1001, 'Presentation of Financial Statements'

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

(22) Foreign currencies

1) 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.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

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

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(22) Foreign currencies, continued

2) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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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 was as follows:

<i>(In thousands of won)</i>	December 31, 2012	December 31, 2011
Cash and cash equivalents	₩ 946,516,332	757,661,035
Trade and other receivables	788,387,043	932,040,336
Held-to-maturity financial assets	57,330	241,985
Financial assets	1,979,576,859	2,028,949,462
Financial instruments	40,804,700	45,929,838
Guarantee deposits	91,873,782	65,975,316
	₩ 3,847,216,046	3,830,797,972

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

<i>(In thousands of won)</i>	December 31, 2012	December 31, 2011
Domestic	₩ 114,335,571	113,915,500
North America	27,654,635	39,564,292
Euro zone	10,069,650	49,552,494
China	564,195,835	441,159,429
Other	72,131,352	287,848,621
	₩ 788,387,043	932,040,336

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

4. Financial Risk Management, Continued

(1) Credit risk, continued

2) Impairment loss

The aging of trade receivables as of December 31, 2012 and 2011 are as follows:

		2012		2011	
		Gross	Impairment	Gross	Impairment
<i>(In thousands of won)</i>					
Not past due	₩	676,200,580	-	800,448,642	-
Past due 0-30 days		2,358,925	-	230,302	-
Past due 31-60 days		44,536	-	22,391	-
Past due 61-365 days		161,736	-	3,154	-
	₩	<u>678,765,777</u>	<u>-</u>	<u>800,704,489</u>	<u>-</u>

3) Financial assets that are past due but not impaired

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

		Carrying amount	6 months or less	More than 6 months
		<i>(In thousands of won)</i>		
Trade receivables	₩	2,565,197	2,565,197	-

Financial assets that are past due but not impaired as of December 31, 2011 are summarized as follows:

		Carrying amount	6 months or less	More than 6 months
		<i>(In thousands of won)</i>		
Trade receivables	₩	255,847	255,847	-

(2) Liquidity risk

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

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

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

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

4. Financial Risk Management, Continued

(2) Liquidity risk, continued

Maturity analysis of financial liabilities as of December 31, 2012 is as follows:

<i>(In thousands of won)</i>		Carrying amount	Contractual Cash flow	1 year or less	More than 1 year and less than 5 years
Short-term borrowings	₩	658,761,555	661,691,398	661,691,398	-
Long-term borrowings		474,292,540	519,019,651	15,894,085	503,125,566
	₩	1,133,054,095	1,180,711,049	677,585,483	503,125,566

(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, 2012 and 2011 are as follows:

<i>(In thousands of won)</i>		December 31, 2012			December 31, 2011		
		USD	EUR	JPY, etc	USD	EUR	JPY, etc
Monetary assets:							
Cash and cash equivalents	₩	130,435,714	-	288,399	72,894,527	-	203,586
Trade and other receivables		1,151,756,936	21,877,308	8,336,270	1,215,490,761	69,239,066	4,013,102
Other investments		230,579	4,549	264,876	237,493	4,706	-
Total		1,282,423,229	21,881,857	8,889,545	1,288,622,781	69,243,772	4,216,688
Monetary liabilities:							
Trade and other payables		853,045,041	32,410,376	19,752,491	799,523,973	156,307	18,732,687
Borrowings		599,202,003	-	55,968,000	833,185,939	-	-
Total	₩	1,452,247,044	32,410,376	75,720,491	1,632,709,912	156,307	18,732,687

The following significant exchange rates were applied during the years ended December 31, 2012 and 2011:

Currency	Average rate		Reporting date spot rate	
	2012	2011	December 31, 2012	December 31, 2011
USD	1,126.81	1,108.23	1,071.10	1,153.30
EUR	1,448.81	1,541.39	1,416.26	1,494.10
JPY	14.13	13.91	12.48	14.85

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For the years ended December 31, 2012 and 2011

4. Financial Risk Management, Continued

(3) Market risk, continued

1) Exchange rate risk, continued

Effects on income (loss) as a result of change in interest rate as of December 31, 2012 and 2011 are as follows:

(In thousands of won)

Currency		December 31, 2012		December 31, 2011	
		If increased by 5%	If decreased by 5%	If increased by 5%	If decreased by 5%
USD	₩	(6,436,323)	6,436,323	(13,040,902)	13,040,902
EUR		(399,031)	399,031	2,618,415	(2,618,415)
JPY, etc		(2,532,893)	2,532,893	(550,156)	550,156

2) Interest rate risk

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

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

(In thousands of won)

		December 31, 2012	December 31, 2011
Fixed interest rate:			
Short-term borrowings	₩	148,437,301	199,797,951
Long-term borrowings		399,328,651	-
		<u>547,765,952</u>	<u>199,797,951</u>
Floating interest rate:			
Short-term borrowings		510,324,254	561,567,973
Long-term borrowings		74,963,889	-
	₩	<u>585,288,143</u>	<u>561,567,973</u>

(ii) Fair value sensitivity analysis for fixed rate instruments

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

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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. This analysis assumes that all other variables remain constant.

(In thousands of won)

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

(In thousands of won)

		December 31, 2011			
		Equity		Profit after income taxes	
Item		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(4,256,685)	4,256,685	(4,256,685)	4,256,685

3) Other market price risk

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

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

(In thousands of won)

Item		If increased by 5%	If decreased by 5%
Total comprehensive income, net of tax effect	₩	58,711,352	(58,711,352)

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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, 2012</u>	<u>December 31, 2011</u>
Debt to equity ratio:			
Total liabilities	₩	3,330,605,690	2,212,883,534
Total equity		<u>7,564,481,602</u>	<u>6,314,527,221</u>
Debt to equity ratio		<u>44.0%</u>	<u>35.0%</u>
Net borrowings to equity ratio:			
Borrowings	₩	1,133,054,095	761,365,924
Less : Cash and cash equivalents		(946,516,332)	(757,661,035)
Less : Short-term financial instruments		(25,425,864)	(27,665,420)
Net borrowings		<u>161,111,899</u>	<u>(23,960,531)</u>
Net borrowings ratio		<u>2.1%</u>	<u>(*)</u>

(*) The ratio is not calculated as the net borrowings are negative amount.

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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, are as follows:

(In thousands of won)

Item	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Assets carried at fair value				
Available-for-sale financial assets	₩ 1,979,576,859	1,979,576,859	2,028,949,462	2,028,949,462
Assets carried at amortized cost				
Cash and cash equivalents	946,516,332	946,516,332	757,661,035	757,661,035
Trade and other receivables	781,978,253	781,978,253	925,668,412	925,668,412
Held-to-maturity financial assets	57,330	57,330	241,985	241,985
Financial instruments	40,804,700	40,804,700	45,929,838	45,929,838
Guarantee deposits	91,873,782	91,873,782	65,975,316	65,975,316
Total financial assets	₩ 3,840,807,256	3,840,807,256	3,824,426,048	3,824,426,048
Financial liabilities:				
Liabilities carried at amortized cost				
Borrowings	₩ 1,133,054,095	1,135,375,103	761,365,924	761,031,816
Trade and other payables	1,025,582,558	1,025,582,558	765,859,924	765,859,924
Total financial liabilities	₩ 2,158,636,653	2,160,957,661	1,527,225,848	1,526,891,740

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, 2012	December 31, 2011
Borrowings	3.26%	3.92%

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For the years ended December 31, 2012 and 2011

4. Financial Risk Management, Continued

(5) Fair values, continued

3) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- "Level 1" indicates quoted prices in active markets for identical assets or liabilities. Instruments included in "Level 1" are composed of listed equity securities that are classified as available-for-sale financial assets.
- The Group uses a valuation technique to estimate fair values of financial instruments which are not traded in an active market. If the significant inputs which are required for a fair value measurement are observable directly or indirectly in a market, the fair value input is classed as "Level 2". "Level 2" consists of currency swap agreement which is classified as derivatives.
- On the other hand, if the significant inputs are not based on observable market data, the fair value input for that instrument is classed as "Level 3".

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

The fair values of financial instruments based on the fair value hierarchy as of December 31, 2012 and 2011 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, 2012:					
Financial assets					
Available-for-sale financial assets	₩	1,548,042,899	-	417,698,952	1,965,741,851
December 31, 2011:					
Financial assets					
Available-for-sale financial assets	₩	1,636,731,052	-	382,661,861	2,019,392,913

(6) Transfer of financial assets and etc.

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

<i>(In thousands of won)</i>	<u>Trade receivables</u>
Carrying amounts of assets	337,023,478
Carrying amounts of associated liabilities	337,023,478

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5. Segments Information

(1) Operating segments

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

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

2) Group's operating segments are determined based on strategic decision of management. Management who makes decisions about resources to be allocated to each segment has evaluated financial performance based on the operating profit of each segment. Revenue primarily represents sales of goods. It could be divided into three types in terms of the product, which are display, energy and other. The following table provides information for each reportable segment types for the years ended December 31, 2012 and 2011:

(In thousands of won)

		Display		Energy and other		Total	
		2012	2011	2012	2011	2012	2011
Revenues	₩	2,365,317,981	2,606,251,973	3,405,866,939	2,837,629,422	5,771,184,920	5,443,881,395
Depreciation		157,871,832	205,019,304	265,862,164	211,804,283	423,733,996	416,823,587
Amortization		7,518,457	5,222,544	23,292,960	16,583,697	30,811,417	21,806,241
Operating profit		40,094,519	41,832,789	146,779,710	68,135,183	186,874,229	109,967,972

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

(2) Geographical information

The Group has operated in the global markets such as Korea (the Parent Company's domicile), North America, Europe, South America, Southeast Asia and China. The following table provides information for each geographical region as of and for the years ended December 31, 2012 and 2011.

(In thousands of won)

		December 31, 2012		December 31, 2011	
		Revenue	Non-current assets (*)	Revenue	Non-current assets (*)
Republic of Korea	₩	4,917,574,104	1,504,204,280	4,539,033,205	1,522,830,155
North America		812,178,044	26,483,255	760,960,600	33,275,067
Europe & South America		398,251,454	28,428,395	417,758,292	35,927,960
Southeast Asia		649,314,839	197,771,809	379,232,321	39,214,013
China		3,837,364,051	405,007,648	2,964,536,732	431,814,262
Consolidation adjustments		(4,843,497,572)	14,292,204	(3,617,639,755)	(40,809,091)
	₩	5,771,184,920	2,176,187,591	5,443,881,395	2,022,252,366

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

Please see revenue information for major customers in note 30.

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6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash on hand	₩	700,534	602,943
Demand deposits		853,539,280	507,063,407
Short-term investments		92,276,518	249,994,685
	₩	<u>946,516,332</u>	<u>757,661,035</u>

7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		<u>December 31, 2012</u>		<u>December 31, 2011</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Loans	₩	831,742	3,923,966	1,335,020	2,852,188
Present value discount		-	(538,082)	-	(409,421)
Allowance		(3,350)	-	(4,970)	(3,350)
Other account receivable		32,745,456	100,000	51,568,464	-
Allowance		(377,480)	-	(267,422)	-
Accrued income		4,206,596	-	2,560,674	-
VAT receivables		67,813,507	-	73,019,501	-
Trade account receivable		676,212,458	2,553,319	798,000,976	2,703,513
Allowance		(5,021,220)	(468,659)	(5,139,992)	(546,769)
	₩	<u>776,407,709</u>	<u>5,570,544</u>	<u>921,072,251</u>	<u>4,596,161</u>

(2) Changes in allowance for trade and other receivables for the years ended December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		<u>2012</u>		<u>2011</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Balance at beginning	₩	5,412,384	550,119	4,771,103	632,171
(Reversal of) Bad debt expense		(10,334)	(81,460)	588,387	(82,052)
Transfer due to the business acquisition		-	-	52,894	-
Balance at ending	₩	<u>5,402,050</u>	<u>468,659</u>	<u>5,412,384</u>	<u>550,119</u>

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For the years ended December 31, 2012 and 2011

8. Inventories

(1) Inventories as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012		
		Acquisition cost	Allowance for valuation	Carrying amount
Finished goods	₩	228,107,481	(17,946,905)	210,160,576
Semi-finished goods		128,923,602	(11,159,649)	117,763,953
Raw materials		165,130,512	(4,441,775)	160,688,737
Supplies		6,390,061	-	6,390,061
Materials-in-transit		63,448,446	-	63,448,446
	₩	<u>592,000,102</u>	<u>(33,548,329)</u>	<u>558,451,773</u>

(In thousands of won)

		December 31, 2011		
		Acquisition cost	Allowance for valuation	Carrying amount
Finished goods	₩	196,865,354	(7,526,682)	189,338,672
Semi-finished goods		113,752,851	(5,598,884)	108,153,967
Raw materials		190,246,473	(2,229,373)	188,017,100
Supplies		5,406,518	-	5,406,518
Packaged goods		13,740	-	13,740
Materials-in-transit		92,656,737	-	92,656,737
	₩	<u>598,941,673</u>	<u>(15,354,939)</u>	<u>583,586,734</u>

(2) The amounts of inventories recognized as cost of sales and (reversal of) loss on valuation of inventories reflected to cost of sales for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		2012	2011
Inventories recognized as cost of sales	₩	4,852,730,015	4,758,168,407
Including: Loss on valuation of inventories		10,605,799	2,444,053

9. Other Investments

(1) Other investments as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012		December 31, 2011	
		Current	Non-current	Current	Non-current
Held for maturity	₩	-	57,330	-	241,985
Available-for-sale financial assets		-	1,979,576,859	-	2,028,949,462
Financial instruments		25,425,864	15,378,836	27,665,420	18,264,418
Guarantee deposits		39,585,613	52,288,169	16,249,501	50,550,519
Present value discount		-	-	-	(824,704)
	₩	<u>65,011,477</u>	<u>2,047,301,194</u>	<u>43,914,921</u>	<u>2,097,181,680</u>

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For the years ended December 31, 2012 and 2011

9. Other Investments, Continued

(2) Available-for-sale financial assets as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		<u>Unrealized gain (loss)</u>				
		<u>Acquisition cost</u>	<u>Beginning balance</u>	<u>Changes in unrealized gain or loss</u>	<u>Ending balance</u>	<u>Carrying amount</u>
December 31, 2012						
Listed equity securities	₩	396,103,375	1,242,639,812	(90,700,288)	1,151,939,524	1,548,042,899
Unlisted equity securities		<u>79,719,541</u>	<u>316,777,350</u>	<u>35,037,069</u>	<u>351,814,419</u>	<u>431,533,960</u>
Total	₩	<u>475,822,916</u>	<u>1,559,417,162</u>	<u>(55,663,219)</u>	<u>1,503,753,943</u>	<u>1,979,576,859</u>
Tax effect	₩		(375,761,215)	11,418,832	(364,342,383)	
December 31, 2011						
Listed equity securities	₩	394,091,239	1,445,994,129	(203,354,316)	1,242,639,813	1,636,731,052
Unlisted equity securities		<u>75,441,060</u>	<u>330,609,660</u>	<u>(13,832,310)</u>	<u>316,777,350</u>	<u>392,218,410</u>
Total	₩	<u>469,532,299</u>	<u>1,776,603,789</u>	<u>(217,186,626)</u>	<u>1,559,417,163</u>	<u>2,028,949,462</u>
Tax effect	₩		(390,852,834)	15,091,619	(375,761,215)	

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

- 1) The fair value of Samsung Everland Inc. is estimated using continuous probability distribution of value per share in accordance with estimated price per share calculated by the net value method, applying value of assets and the discounted cash flow method applying weighted average cost of capital based on the estimated cash flow. The acquisition cost and the carrying value of the listed security are ₩10,000 million and ₩208,382 million, respectively, as of December 31, 2012.
- 2) The fair value of Samsung Total Petrochemicals Co., Ltd. is measured based on estimated price per share using the net value method. The acquisition cost and the carrying value of the listed security are ₩50,985 million and ₩203,264 million, respectively, as of December 31, 2012.
- 3) The fair value of Samsung Venture Investment Corporation is estimated using probability distribution of value per share in accordance with estimated price per share calculated by the free cash flows to equity method. The acquisition cost and the carrying value of the listed security are ₩4,900 million and ₩6,053 million, respectively, as of December 31, 2011.

Other unlisted equity securities such as LOGIPA Co., Ltd., The Korea Economic Daily, Korea Housing Guarantee Co., Ltd., Imarket Asia Co., Ltd., Polyplus Battery Company, Intellectual Discovery Co., Ltd., Hunan Reshine New Material Co., Ltd., Panax E-Tec, and EN Technologies Inc. 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 ₩13,835 million.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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10. Other Current Assets and Non-current Assets

Other current assets and non-current assets as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012		December 31, 2011	
		Current	Non-current	Current	Non-current
Advance payments	₩	27,541,741	-	2,203,676	-
Prepaid expenses		37,477,266	61,458,476	53,280,674	61,811,545
Prepaid corporate income tax		3,450,033	20,565,633	2,389,726	23,263,218
	₩	<u>68,469,040</u>	<u>82,024,109</u>	<u>57,874,076</u>	<u>85,074,763</u>

11. Investments in Associates and Joint ventures

(1) Investments in associates and joint ventures as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

	Primary business	December 31, 2012		December 31, 2011	
		Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Jointly controlled entity:					
SB Limotive Ltd. ("SBL") (*)	Manufacturing and sale of rechargeable car battery	-	₩ -	50.00%	₩ 106,267,485
Associates:					
Samsung Display Ltd. ("SDC") (**)	Manufacturing and sale of LCD, AMOLED, etc.	15.20%	3,933,617,302	35.60%	1,708,114,560
SSH Ltd. ("SSH")	Holding company	40.00%	258,320	40.00%	275,286
Samsung B.P. Chemicals Co., Ltd. ("SBPC")	Manufacturing and sale of acetic acid	29.20%	48,011,618	29.20%	51,474,692
E-samsung International Co., Ltd. ("ESI") (***)	Holding company	28.60%	23,079,040	28.60%	24,146,953
Samsung Economic Research Institute Ltd. ("SERI")	Management advisory consulting	-	-	11.30%	5,641,519
SVIC 4 Fund ("SVIC 4") (***)	Investing in new technology	-	-	20.00%	3,107,717
Total			₩ <u>4,004,966,280</u>		₩ <u>1,899,028,212</u>

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

(*) As discussed in note 32 to the consolidated financial statements, the Group has additionally acquired 50% shares of SB Limotive Ltd. As a result of the contract, SB Limotive Ltd. which has been an associate of the Group until October 26, 2012 has been included in consolidation.

(**) During the year ended December 31, 2012, Samsung Mobile Display Co., Ltd. (SMD), the Group's associate, merged into Samsung Display Co., Ltd. (SDC). As the consideration for merger, the Group received 15.2% shares of SDC for 35.6% shares of SMD and recognized gain on disposal of associate and joint ventures which was generated by the merger. Although equity interests is less than 20%, the Group has classified the shares as investments in associates due to the fact that the Group has representations in the Board of Directors of SDC.

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11. Investments in Associates and Joint ventures, Continued

(1) Investments in associates and joint ventures as of December 31, 2012 and 2011 are summarized as follows, continued:

(***) During the year ended December 31, 2012, E-samsung International Co., Ltd. and SVIC 4 Fund, the Group's associates, were liquidated. As a result of the liquidation, the Group recognized gain on disposal of associate and joint ventures of ₩7,949 million and ₩10 million, respectively.

(2) Summarized financial information of investees

1) Summarized financial information of SBL, a jointly controlled entity, as of and for the period ended October 26, 2012 and as of and for the year ended December 31, 2011 are summarized as follows:

(In thousands of won)

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net income (loss)</u>
October 26, 2012 (*)	₩	393,327,622	292,527,976	215,159,757	286,681,932	(71,522,175)
December 31, 2011		390,383,789	176,809,252	109,851,172	233,414,024	(123,562,852)

(*) SBL was included into the consolidation scope of the Group on October 26, 2012

2) Summarized financial information of associates as of and for the years ended December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012				
<u>Company</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net income</u>
SDC	₩	34,954,453,959	8,966,541,800	23,230,478,376	20,901,400,041	2,329,078,335
SSH		654,257	8,457	2,901	10,641	(7,740)
SBPC		308,884,960	144,503,832	389,107,894	377,819,758	11,288,136
SERI		109,040,318	28,344,374	156,737,056	156,485,126	251,930

(In thousands of won)

		December 31, 2011				
<u>Company</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net income</u>
SDC	₩	9,607,342,028	4,800,687,946	7,029,063,991	6,129,933,178	899,130,813
SSH		694,298	6,084	36,191	26,295	9,896
SBPC		339,593,523	163,355,486	385,860,606	351,132,211	34,728,395
SERI		117,384,027	32,954,121	149,636,841	149,411,713	225,128
ESI		53,904,133	3,757,297	4,249,811	1,469,803	2,780,008
SVIC 4		17,386,079	1,847,495	10,245,041	6,551,174	3,693,867

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11. Investments in Associates and Joint ventures, Continued

(2) Summarized financial information of investees, continued

3) Changes in investments in associates and joint venture for the years ended December 31, 2012 and 2011 were as follows:

(i) 2012

(In thousands of won)

Company	January 1, 2012	Disposal	Dividends received	Share of profits and loss	Other capital movements	Other	December 31, 2012
SBL	₩ 106,267,485	(85,550,981)	-	(37,291,043)	1,806,054	14,768,485	-
SDC(*)	1,708,114,560	-	-	536,738,389	(30,712,669)	1,719,477,022	3,933,617,302
SSH	275,286	-	-	(3,096)	(13,870)	-	258,320
SBPC	51,474,692	-	(7,214,253)	4,194,920	(443,741)	-	48,011,618
SERI	24,146,953	-	-	48,453	(982,295)	(134,071)	23,079,040
ESI	5,641,519	(7,466,545)	-	543,566	1,281,460	-	-
SVIC 4	3,107,717	(2,667,787)	-	(439,930)	-	-	-
₩	1,899,028,212	(95,685,313)	(7,214,253)	503,791,259	(29,065,061)	1,734,111,436	4,004,966,280

(*) During the year ended December 31, 2012, Samsung Mobile Display Co., Ltd. (SMD), the Group's associate, has been merged into Samsung Display Co., Ltd (SDC). As the consideration for merger, the Group received 15.2% shares of SDC for 35.6% shares of SMD and recognized gain on disposal of associate and joint ventures which was generated by the merger. The Group has recognized equity profit and loss on investments which has included 6 months business performance of SMD.

(ii) 2011

(In thousands of won)

Company	January 1, 2011	Acquisition	Disposal	Dividends received	Share of profits and loss	Other capital movements	Other	December 31, 2011
SBL	₩ 87,921,105	80,000,000	-	-	(61,720,522)	66,902	-	106,267,485
SMD	944,679,254	300,000,026	-	-	333,352,043	6,532,260	123,550,977	1,708,114,560
SCM	27,697,804	-	(28,047,142)	-	614,343	(265,005)	-	-
SSH	267,450	-	-	-	3,958	3,878	-	275,286
SBPC	48,493,839	-	-	(8,090,478)	11,064,321	7,010	-	51,474,692
ESI	5,186,456	-	-	-	334,707	120,356	-	5,641,519
SERI	26,432,938	-	-	-	60,016	(2,346,001)	-	24,146,953
SVIC 4	8,436,099	-	(6,000,000)	-	1,328,194	(656,576)	-	3,107,717
₩	1,149,114,945	380,000,026	(34,047,142)	(8,090,478)	285,037,060	3,462,824	123,550,977	1,899,028,212

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12. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Acquisition cost									
Jan.1, 2011	₩	121,971,759	1,328,556,470	437,145,914	2,890,157,978	12,839,012	270,583,718	260,207,168	5,321,462,019
Acquisitions		107,856	2,193,555	15,632	115,637,215	488,333	24,294,627	415,754,633	558,491,851
Disposals		(215,348)	(22,557,930)	(1,688,090)	(335,184,323)	(676,082)	(21,097,217)	-	(381,418,990)
Other		-	48,465,431	35,759,105	360,275,783	1,737,760	31,847,185	(513,860,773)	(35,775,509)
Exchange rate fluctuations		(119,195)	3,139,973	6,294,555	16,587,038	160,333	800,544	(8,448,965)	18,414,283
Dec.31, 2011	₩	121,745,072	1,359,797,499	477,527,116	3,047,473,691	14,549,356	306,428,857	153,652,063	5,481,173,654
Acquisitions		-	6,447,540	2,388,005	20,239,376	389,932	22,758,213	483,519,461	535,742,527
Disposals		-	(8,485,100)	(985,622)	(360,899,476)	(1,292,794)	(29,337,025)	(1,240,017)	(402,240,034)
Other		3,603,239	39,063,842	28,206,302	203,344,535	502,097	30,683,734	(347,381,453)	(41,977,704)
Increased by business combination		-	59,749,413	13,040,439	115,347,466	401,667	21,696,521	59,622,719	269,858,225
Exchange rate fluctuations		4,377,174	(5,932,370)	(15,590,077)	(37,057,297)	(311,172)	(3,806,914)	(7,083,291)	(65,403,946)
Dec.31, 2012	₩	129,725,486	1,450,640,824	504,586,163	2,988,448,295	14,239,086	348,423,386	341,089,482	5,777,152,722
Accumulated depreciation									
Jan.1, 2011	₩	-	567,195,576	237,805,649	2,306,801,659	10,079,384	230,301,582	-	3,352,183,850
Disposals		-	(16,814,009)	(1,182,180)	(322,586,669)	(640,941)	(20,367,026)	-	(361,590,825)
Depreciation		-	66,949,222	20,292,930	288,137,734	1,559,644	37,339,200	-	414,278,730
Other		-	368	(23,190)	(8,314,340)	-	(115,953)	-	(8,453,115)
Exchange rate fluctuations		-	2,956,240	2,606,761	11,732,231	111,959	183,250	-	17,590,441
Dec.31, 2011	₩	-	620,287,397	259,499,970	2,275,770,615	11,110,046	247,341,053	-	3,414,009,081
Disposals		-	(7,136,681)	(688,493)	(253,818,560)	(1,089,253)	(26,308,034)	-	(289,041,021)
Depreciation		-	68,871,370	21,044,267	290,710,990	1,239,364	39,417,958	-	421,283,949
Other		-	-	-	(223,823)	(513)	(5,715)	-	(230,051)
Increased by business combination		-	6,608,015	1,444,422	47,264,173	166,811	13,031,249	-	68,514,670
Exchange rate fluctuations		-	(6,386,582)	(7,272,339)	(32,889,418)	(205,650)	(2,376,065)	-	(49,130,054)
Dec.31, 2012	₩	-	682,243,519	274,027,827	2,326,813,977	11,220,805	271,100,446	-	3,565,406,574

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12. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the years ended December 31, 2012 and 2011 were as follows, continued:

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Accumulated impairment									
Jan.1, 2011	₩	-	109,895,903	36,307,110	93,405,327	284,771	2,346,260	-	242,239,371
Disposal		-	(2,421,216)	(213,186)	(11,100,616)	(19,559)	(278,419)	-	(14,032,996)
Impairment (reversal)		-	(8,142,547)	-	19,789,770	-	3,304,356	-	14,951,579
Exchange rate fluctuations		-	(948,032)	(528,417)	(1,667,878)	(7,944)	(42,745)	-	(3,195,016)
Dec.31, 2011	₩	-	98,384,108	35,565,507	100,426,603	257,268	5,329,452	-	239,962,938
Disposal		-	(476,796)	(78,549)	(22,123,367)	-	(1,431,933)	-	(24,110,645)
Impairment (reversal)		647,661	(2,389,168)	-	28,411,947	-	3,281,443	-	29,951,883
Increased by business combination		-	-	-	-	-	1,604,691	-	1,604,691
Exchange rate fluctuations		(5,197)	(2,833,244)	(1,673,977)	(2,722,722)	(24,198)	(100,048)	-	(7,359,386)
Dec.31, 2012	₩	642,464	92,684,900	33,812,981	103,992,461	233,070	8,683,605	-	240,049,481
Government grant									
Jan.1, 2011	₩	-	-	-	-	-	-	-	-
Acquisitions		-	-	-	-	-	-	-	-
Depreciation offset		-	-	-	-	-	-	-	-
Dec.31, 2011	₩	-	-	-	-	-	-	-	-
Acquisitions		-	-	-	633,790	-	55,657	-	689,447
Depreciation offset		-	-	-	(86,614)	-	(8,194)	-	(94,808)
Dec.31, 2012	₩	-	-	-	547,176	-	47,463	-	594,639
Carrying amount									
Jan.1, 2011	₩	121,971,759	651,464,991	163,033,155	489,950,992	2,474,857	37,935,876	260,207,168	1,727,038,798
Dec.31, 2011		121,745,072	641,125,994	182,461,639	671,276,473	3,182,042	53,758,352	153,652,063	1,827,201,635
Dec.31, 2012		129,083,022	675,712,405	196,745,355	557,094,681	2,785,211	68,591,872	341,089,482	1,971,102,028

Other increase or decrease includes reclassification of construction-in-progress to property, plant, and equipment and property, plant, and equipment to investment property and the amount immediately expensed from construction-in-progress. For the year ended December 31, 2012, the Group has recognized impairment loss due to the judgment that carrying amount of property, plant, and equipment of some divisions is lower than recoverable value.

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13. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		Exclusive facility usage rights	Others	Goodwill	Total
Acquisition cost					
Jan.1, 2011	₩	94,562,365	101,430,269	-	195,992,634
Acquisitions		42	14,228,310	11,342,211	25,570,563
Disposals		(3,225,121)	(8)	-	(3,225,129)
Other		13,717,507	57,731,909	-	71,449,416
Exchange rate fluctuations		(10,519,172)	(119,631)	-	(10,638,803)
Dec.31, 2011	₩	<u>94,535,621</u>	<u>173,270,849</u>	<u>11,342,211</u>	<u>279,148,681</u>
Acquisitions		-	-	-	-
Disposals		(25,937,403)	(248,892)	-	(26,186,295)
Other		13,994,621	13,003,462	-	26,998,083
Increased by business combination		148,102	19,371,547	29,322,981	48,842,630
Exchange rate fluctuations		(1,303,667)	6,705,274	-	5,401,607
Dec.31, 2012	₩	<u>81,437,274</u>	<u>212,102,240</u>	<u>40,665,192</u>	<u>334,204,706</u>
Accumulated depreciation					
Jan.1, 2011	₩	55,813,987	61,288,884	-	117,102,871
Amortization		5,396,607	16,409,634	-	21,806,241
Disposals		(767,139)	-	-	(767,139)
Exchange rate fluctuations		(10,538,877)	(93,537)	-	(10,632,414)
Dec.31, 2011	₩	<u>49,904,578</u>	<u>77,604,981</u>	-	<u>127,509,559</u>
Amortization		6,402,036	24,409,381	-	30,811,417
Disposals		(20,828,212)	(248,892)	-	(21,077,104)
Other		-	(30,606)	-	(30,606)
Increased by business combination		68,363	3,828,965	-	3,897,328
Exchange rate fluctuations		(1,014,091)	6,673,839	-	5,659,748
Dec.31, 2012	₩	<u>34,532,674</u>	<u>112,237,668</u>	-	<u>146,770,342</u>
Accumulated impairment					
Jan.1, 2011	₩	-	-	-	-
Impairment		-	-	11,342,210	11,342,210
Dec.31, 2011		-	-	11,342,210	11,342,210
Impairment		378,125	2,061,812	-	2,439,937
Increased by business combination		-	2,645,135	-	2,645,135
Dec.31, 2012	₩	<u>378,125</u>	<u>4,706,947</u>	<u>11,342,210</u>	<u>16,427,282</u>
Carrying amount					
Jan.1, 2011	₩	38,748,378	40,141,385	-	78,889,763
Dec.31, 2011		44,631,043	95,665,868	1	140,296,912
Dec.31, 2012		46,526,475	95,157,625	29,322,982	171,007,082

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, 2012, the Group has recognized impairment loss due to the judgment that carrying amount of intangible assets of some divisions is lower than recoverable value.

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13. Intangible Assets, Continued

(2) Amortization expenses

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

(3) Research and development expenses

Research and development expenses recognized as selling, general and administrative expenses during 2012 and 2011 were ₩56,497 million and ₩42,859 million, respectively.

14. Investment Property

Changes in investment property for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		2012			2011		
		Land	Buildings	Total	Land	Buildings	Total
Balance at January 1	₩	41,449,579	13,304,240	54,753,819	42,778,494	15,849,097	58,627,591
Reclassification		(3,603,240)	-	(3,603,240)	-	-	-
Disposal		(295,022)	-	(295,022)	(1,328,915)	-	(1,328,915)
Depreciation		-	(2,544,855)	(2,544,855)	-	(2,544,857)	(2,544,857)
Other		(5,399,080)	(8,833,141)	(14,232,221)	-	-	-
Balance at December 31	₩	<u>32,152,237</u>	<u>1,926,244</u>	<u>34,078,481</u>	<u>41,449,579</u>	<u>13,304,240</u>	<u>54,753,819</u>

Investment property consists of land and buildings in Cheonan and land in Ulsan which were rented to SDC, the Group's associate, and STM. Other changes during 2012 mainly related to reclassification to own use as a result of acquisition of lessee.

15. Trade Payables and Other Liabilities

Trade payables and other liabilities as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012		December 31, 2011	
		Current	Non-current	Current	Non-current
Trade payables	₩	361,549,375	-	379,651,306	-
Accounts payable		177,292,979	-	144,092,831	-
Accrued expenses		449,846,973	-	190,257,577	-
Other liabilities (note 17, 19)		<u>328,912,479</u>	<u>16,118,217</u>	<u>247,508,989</u>	<u>29,192,687</u>
	₩	<u>1,317,601,806</u>	<u>16,118,217</u>	<u>961,510,703</u>	<u>29,192,687</u>

Other liabilities include provisions, withholdings, guarantee deposits received, etc.

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16. Borrowings

(1) Borrowings as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Short-term borrowings			
Current portion of debentures	₩	-	199,797,951
Current portion of long-term borrowings in Korean won		65,000,000	-
Current portion of long-term borrowings in foreign currency		-	28,832,500
Disposals of trade receivable		337,023,478	447,348,469
Short-term borrowings in foreign currency		256,738,077	85,387,004
	₩	<u>658,761,555</u>	<u>761,365,924</u>
Long-term borrowings			
Debentures	₩	199,328,651	-
Long-term borrowings in Korean won		200,000,000	-
Long-term borrowings in foreign currency		74,963,889	-
	₩	<u>474,292,540</u>	<u>-</u>

(2) Debentures as of December 31, 2012 and 2011 are as summarized follows:

(In thousands of won)

<u>Borrower</u>	<u>Type</u>	<u>Classification</u>	<u>Date of maturity</u>	<u>Annual Interest rate (%)</u>		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Parent Company	Corporate bonds	Unsecured	2012.9.16	5.47	₩	-	200,000,000
			2015.9.14	3.19		200,000,000	-
						(671,349)	(202,049)
						-	(199,797,951)
					₩	<u>199,328,651</u>	<u>-</u>

(3) Long-term borrowings as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

<u>Borrower</u>	<u>Description</u>	<u>Financial institution</u>	<u>Date of maturity</u>	<u>Annual Interest rate (%)</u>		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Parent Company	Foreign currency loans (USD)	Korea Development bank	2012.05.07	Libor 3M + 0.45	₩	-	28,832,500
	Korean won loans	Shinhan bank	2015.07.10	4.16		100,000,000	-
			2015.10.25	4.00		100,000,000	-
SDIEM	Foreign currency loans	Standard Chartered bank	2015.09.12	Libor 3M + 1.50		74,963,889	-
SBL	Korean won loans	Kookmin bank	2013.09.07	5.11		65,000,000	-
	Current portion of long-term borrowings					(65,000,000)	(28,832,500)
					₩	<u>274,963,889</u>	<u>-</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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17. Provisions

Changes in provisions for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		Current			Non-current	Total
		Royalty expenses	Quality assurance	Incentives	Incentives	
Balance at Jan. 1, 2012	₩	91,549,764	33,343,189	6,646,960	20,056,660	151,596,573
Provisions made		17,533,614	13,727,057	6,676,960	20,042,328	57,979,959
Provisions used		(27,681,122)	(11,311,262)	(6,676,960)	(30,466,360)	(76,135,704)
Other (*)		-	-	-	1,605,745	1,605,745
Balance at Dec. 31, 2012	₩	<u>81,402,256</u>	<u>35,758,984</u>	<u>6,646,960</u>	<u>11,238,373</u>	<u>135,046,573</u>
Balance at Jan. 1, 2011	₩	86,703,623	56,612,482	17,714,403	17,714,403	178,744,911
Provisions made		58,091,357	20,781,848	6,646,960	13,409,700	98,929,865
Provisions used		(53,245,216)	(44,051,141)	(17,714,403)	(11,067,443)	(126,078,203)
Balance at Dec. 31, 2011	₩	<u>91,549,764</u>	<u>33,343,189</u>	<u>6,646,960</u>	<u>20,056,660</u>	<u>151,596,573</u>

(*) Other increases were resulted from business combination with SBL.

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

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

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

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

18. Employee Benefits

(1) Employee benefit liabilities as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012	December 31, 2011
Present value of defined obligations	₩	218,593,855	143,461,978
Fair value of plan assets		(176,001,487)	(111,679,087)
	₩	<u>42,592,368</u>	<u>31,782,891</u>

(2) Other liabilities for employee benefits as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012	December 31, 2011
Liabilities for paid absence	₩	31,475,535	29,931,945
Long-term incentive provisions		17,885,333	26,703,620
	₩	<u>49,360,868</u>	<u>56,635,565</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

18. Employee Benefits, Continued

(3) Fair value of plan assets as of December 31, 2012 and 2011 are summarized as follows:

<i>(In thousands of won)</i>		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Severance insurance bonds (*)	₩	175,664,091	111,344,511
National pension fund		337,396	334,576
	₩	<u>176,001,487</u>	<u>111,679,087</u>

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

(4) Changes in the present value of defined obligations for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	143,461,978	100,556,125
Gross benefit payments		(14,147,314)	(10,384,885)
Payments with a subscription to the defined contribution plan		(541,245)	-
Current service costs and interest		42,395,275	34,640,037
Transfer in from related parties		1,606,246	8,486,647
Actuarial loss in other comprehensive income		36,319,871	7,512,123
Increase in past service cost		-	1,655,795
Effects from restructuring due to business acquisition		(695,038)	996,136
Obligations assumed in business combination		10,242,577	-
Exchange rate fluctuations		(48,495)	-
Ending balance	₩	<u>218,593,855</u>	<u>143,461,978</u>

(5) Changes in the fair value of plan assets for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	111,679,087	75,429,790
Contributions paid into the plan		62,062,152	31,000,000
Benefits paid by the plan		(6,513,357)	(3,023,281)
Payments with a subscription to the defined contribution plan		(479,053)	-
Expected return on plan assets		5,479,617	3,680,225
Actuarial loss in other comprehensive income		(1,098,140)	(829,225)
Effects from the business acquisition and transfer in from (to) related parties		(114,310)	5,421,578
Increased by business combination		5,039,866	-
Exchange rate fluctuations		(54,375)	-
Ending balance	₩	<u>176,001,487</u>	<u>111,679,087</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2012 and 2011

18. Employee Benefits, Continued

(6) Expenses for employee benefits for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		<u>2012</u>	<u>2011</u>
Current service cost	₩	34,951,743	29,012,859
Expected return on plan assets		(5,479,617)	(3,680,225)
Interest cost		7,443,532	5,627,178
Past service cost		-	1,655,795
Cost effects from the business acquisition, etc		(695,038)	996,136
Payments for the defined contribution plan		8,806	-
	₩	<u>36,229,426</u>	<u>33,611,743</u>

(7) The details of employee benefit expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		<u>2012</u>	<u>2011</u>
Cost of sales	₩	21,837,090	18,691,469
Selling, general and administrative expenses		14,392,336	14,920,274
	₩	<u>36,229,426</u>	<u>33,611,743</u>

(8) 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, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Expected rate of salary increase	6.00%	7.35%
Discount rate for defined benefit obligations	4.25%	5.75%
Long-term rate of return on assets	5.00%	5.00%

(9) The trend information about the employee benefits for the last 4 years was as follows:

<i>(In thousands of won)</i>		<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Defined obligations	₩	218,593,855	143,461,978	100,556,125	111,091,033
Plan assets		(176,001,487)	(111,679,087)	(75,429,790)	(79,420,910)
Internal reserve amounts		42,592,368	31,782,891	25,126,335	31,670,123
Actuarial loss of defined obligations		36,319,871	7,512,123	24,342,230	4,184,233
Actuarial gain (loss) of plan assets		1,098,140	829,225	1,106,472	(118,428)

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19. Commitments and Contingencies

- (1) As of December 31, 2012, the Group has been provided a guarantee of ₩3,058 million by Seoul Guarantee Insurance Co., Ltd. in relation to a court deposit and licensing procedures.
- (2) In December 2005, Samsung Motor Inc's Creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of Samsung Electronics Co., Ltd. and 28 Samsung Group affiliates including the Group, which seeks ₩2,450,000 million and damages for breach of contract and etc. based on the agreement entered in September 1999. During the year ended December 31, 2010, shares of Samsung Life Insurance Co., Ltd. ("SLI") owned by the creditors were disposed of and ₩877,600 million was deposited into an escrow account and majority of the claims for this case were settled. The deposited amount of ₩877,600 million was the summation of surplus over ₩70,000 per disposed share. On January 11, 2011, the Seoul High Court sentenced Samsung Group affiliates to pay ₩600,000 million and late payment penalty. In accordance with the Seoul High Court order, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow. Samsung Group affiliates including the Company and the Creditors all have appealed to the Korean Supreme Court. The Group is unable to reasonably predict the financial effects on the consolidated financial statements as the ultimate outcome of this case and the amount burden to the Group are uncertain.
- (3) In December 2012, the European Commission imposed the fine of EUR 150,840 thousand to the Group for Cathod Ray Tubes (CRT) price fixing, and the Group is under review of appealing the decision to a court. Also, the Group is under investigations on CRT price fixing from the appropriate authorities of Japan and other countries, and buyers from the United States and three other countries claimed for civil damages. Estimated losses concerning the investigations have been recognized by the Group, However, actual losses may be different from the amount estimated by the Group and the difference can be significant. In addition, concerning the lawsuits, the proceedings are in progress, and neither result of the lawsuits nor the impact on the financial statements can be reasonably determined. Based on legal advice, the management does not expect the outcome of the action to have a material effect on the Group's financial position. The Group does not disclose the details as it could affect the result of the investigations and the pending litigations.
- (4) In addition to the litigation described in (2), (3) above, as of December 31, 2012, the Group is a defendant in five cases in domestic and foreign jurisdictions arising from the ordinary course of business. However, certain information as required by the related K-IFRSs has not been disclosed as such disclosures may be prejudicial to the outcome of these cases. While the amount and the timing of outflow of resources from the litigations are uncertain, the impact on the consolidated financial statements cannot be reasonably estimated.
- (5) As of December 31, 2012, the Group has entered into agreements with Shinhan Bank and nine other banks in relation to bank overdrafts for up to ₩31,100 million, USD 160,000 thousand, EUR 50,000 thousand and CNY 1,000,000 thousand and agreements with Kookmin Bank and three other banks in relation to general purpose loans for up to ₩334,450 million.
- (6) As of December 31, 2012, the Group has entered into agreements with Korea Exchange Bank and another bank in relation to trade finance for up to ₩80,000 million and agreements with Woori Bank and three other banks in relation to import credits for up to USD 90,700 thousand.
- (7) As of December 31, 2012, the Group has entered into agreements with Agricultural Bank of China and another bank to discount trade notes receivable for up to CNY 500,000 thousand, and agreements with Woori Bank and eight other banks to discount export trade accounts receivable for up to USD 759,800 thousand and MYR 168,000 thousand.
- (8) As of December 31, 2012, the Group has entered into agreements with Woori Bank and three other banks in relation to trade account receivable collateral loans for up to ₩106,000 million.
- (9) In accordance with technical license agreements, the Group recorded royalty expenses of ₩41,238 million and ₩48,522 million for the years ended December 31, 2012 and 2011, respectively.

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19. Commitments and Contingencies, Continued

(10) In accordance with technology usage agreements, the Group recorded royalty income of ₩2,694 million and ₩2,889 million for the years ended December 31, 2012 and 2011, respectively.

(11) As of December 31, 2012, the Group provides a guarantee up to ₩24,371 million relating to the borrowings for rented housing to its employees.

20. Capital Stock and Capital Surplus

(1) Capital stock

Common shares and preferred shares issued and outstanding as of December 31, 2012 and 2011 are summarized as follows:

<i>(In shares)</i>		2012		
Classification	Issued shares	Treasury shares	Outstanding shares	
Common shares				
January, 1	45,558,341	2,228,989	43,329,352	
Exercise of share option	-	(33,140)	33,140	
December, 31	<u>45,558,341</u>	<u>2,195,849</u>	<u>43,362,492</u>	
Preferred shares	<u>1,617,896</u>	<u>108,400</u>	<u>1,509,496</u>	
<i>(In shares)</i>		2011		
Classification	Issued shares	Treasury shares	Outstanding shares	
Common shares				
January, 1	45,558,341	2,326,159	43,232,182	
Exercise of share option	-	(97,170)	97,170	
December, 31	<u>45,558,341</u>	<u>2,228,989</u>	<u>43,329,352</u>	
Preferred shares	<u>1,617,896</u>	<u>108,400</u>	<u>1,509,496</u>	

(2) Capital surplus as of December 31, 2012 and 2011 are summarized as follows:

<i>(In thousands of won)</i>		December 31, 2012	December 31, 2011
Capital in excess of par value	₩	1,195,810,753	1,195,810,753
Other capital surplus		62,629,365	62,309,221
	₩	<u>1,258,440,118</u>	<u>1,258,119,974</u>

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

<i>(In thousands of won)</i>		2012	2011
Common share			
(2012: ₩1,500 per share, 2011: ₩1,500 per share)	₩	65,043,738	64,994,028
Preferred share			
(2012: ₩1,550 per share, 2011: ₩1,550 per share)		2,339,719	2,339,719
	₩	<u>67,383,457</u>	<u>67,333,747</u>

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21. Other Capital

(1) Other capital as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

		December 31, 2012	December 31, 2011
Treasury shares	₩	(168,229,205)	(170,696,676)
Share options		4,441,280	5,302,000
	₩	<u>(163,787,925)</u>	<u>(165,394,676)</u>

(2) As of December 31, 2012, the Group has common stock of 2,195,849 shares and preferred stock of 108,400 shares acquired at market value as treasury (other capital) and the Group is planning to dispose of these shares according to market conditions.

(3) Share based payments

1) The terms and conditions of grants as of December 31, 2012 are summarized as follows:

(In won, except number of options)

	Fourth	Sixth
Date of grant	2003. 3.12	2004. 4. 23
Number of shares granted	94,000	90,000
Remaining shares	7,590	80,359
Exercise Price	67,700	166,900
Payment method		Stock
Exercisable period		Ten years
Vesting conditions		Two years of service

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

	Fourth	Sixth
Risk free rate	5.20%	4.55%
Expected exercise period	3 years	3 years
Expected volatility	56.02%	48.15%
Expected dividend yield	3.58%	1.84%
Expected forfeiture rate	0%	0%

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21. Other Capital, Continued

(3) Share based payments, continued

3) The number and weighted average exercise price of share options as of December 31, 2012 and 2011 are as follows:

(In won, except number of options)

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning	121,089	₩131,761	218,259	₩100,901
Exercised	33,140	61,228	97,170	62,445
Exercisable at end	87,949	₩158,339	121,089	₩131,761

The remaining weighted average exercisable period is 1.21 years.

Expenses arising from the above share-based payments were fully recognized during the resting period and there were no expenses recognized for the year ended December 31, 2012.

22. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

	2012	2011
Effective portion of changes in fair value of cash flow hedges	₩ (873)	-
Gain in fair value of available-for-sale financial assets	1,139,411,562	1,183,655,949
Unrealized holding gain on equity method investments	37,566,606	28,280,747
Unrealized holding loss on equity method investments	(53,250,273)	(23,042,726)
Loss on translation of foreign operations	(72,376,766)	(14,982,169)
	₩ 1,051,350,256	1,173,911,801

23. Retained Earnings

Retained earnings as of December 31, 2012 and 2011 are summarized as follows:

(In thousands of won)

	2012	2011
Legal reserve	₩ 115,265,000	108,465,000
Discretionary reserve	2,818,228,000	2,965,628,000
Unappropriated retained earnings	2,053,048,200	536,711,370
	₩ 4,986,541,200	3,610,804,370

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24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		2012	2011
Salaries and wages	₩	231,054,231	190,034,060
Accrual for retirement and severance benefits		14,392,336	15,041,122
Employee fringe benefits		59,989,312	49,425,729
Depreciation		75,140,364	40,935,820
Research and development expenses		56,497,468	42,859,356
Supplies and repair cost		16,985,092	11,315,087
Power and water cost		10,307,101	7,154,492
Transportation cost		23,710,718	13,829,800
Insurance expenses		14,941,541	15,231,880
Selling and distribution cost		57,356,580	54,478,180
Fees and commissions		80,709,462	65,563,841
Rental expenses		8,679,871	5,415,528
Bad debt expenses		661,866	493,051
Others		70,548,935	61,523,017
	₩	<u>720,974,877</u>	<u>573,300,963</u>

25. The Nature of Expenses

The nature of expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		2012	2011
Salaries and wages	₩	565,081,941	493,372,951
Accrual for retirement and severance benefits		36,229,426	33,611,743
Employee fringe benefits		165,789,053	145,322,374
Depreciation		423,733,996	416,823,587
Amortization		30,811,417	21,806,241

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26. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

	2012	2011
Dividends income	₩ 19,145,705	18,730,200
Gain on sale of available-for-sale assets	-	37,114,599
Gain on disposal of associates and joint ventures	1,742,204,293	126,741,972
Gain on sale of property, plant and equipment	721,130	24,674,593
Gain on sale of investment assets	610,718	3,579,818
Reversal of loss on impairment of property, plant and equipment	2,389,168	8,142,547
Reversal of allowance for doubtful accounts	723,635	-
Rental income	485,187	383,845
Miscellaneous income	56,409,210	64,041,245
	₩ 1,822,689,046	283,408,819

(2) Other expenses for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

	2012	2011
Bad debt expenses-other	₩ 105,437	56,708
Donation	5,284,610	964,278
Loss on disposal of associates and joint ventures	7,411,653	838,244
Loss on disposal of property, plant and equipment	47,973,278	1,574,316
Loss on impairment for property, plant and equipment	32,341,051	23,094,126
Loss on disposal of intangible assets	5,074,461	2,457,990
Loss on impairment for intangible assets	2,439,937	11,342,210
Loss on sale of investment assets	-	425,775
Litigation expense	352,044,555	148,909,393
	₩ 452,674,982	189,663,040

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27. Finance Income and Finance Costs

Finance income and costs for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		2012				
		Interest income/expens e	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Gain / loss on transaction of derivatives	Other comprehensiv e income
Cash and cash equivalents	₩	18,593,308	(5,578,173)	(620)	-	-
Loans and receivables		219,725	(55,693,399)	(15,141,646)	-	-
Available-for-sale assets		-	-	-	-	(44,244,387)
Financial instruments		1,797,982	(7,486)	(17,498)	-	(873)
Other financial liabilities		(24,452,614)	42,560,506	6,478,554	-	-
Derivative liabilities		-	-	-	(16,921)	-
	₩	<u>(3,841,599)</u>	<u>(18,718,552)</u>	<u>(8,681,210)</u>	<u>(16,921)</u>	<u>(44,245,260)</u>

(In thousands of won)

		2011				
		Interest income/expense	Foreign currency transaction gain / loss	Foreign currency translations gain / loss	Other comprehensive income	
Cash and cash equivalents	₩	19,837,013	(1,293,204)	(1,645)	-	-
Loans and receivables		648,308	9,606,620	9,099,405	-	-
Available-for-sale assets		-	-	-	-	(202,095,007)
Financial instruments		1,640,131	1,615	11,619	-	-
Other financial liabilities		(20,025,420)	(28,525,979)	(1,649,759)	-	-
	₩	<u>2,100,032</u>	<u>(20,210,948)</u>	<u>7,459,620</u>	<u>(202,095,007)</u>	<u>(202,095,007)</u>

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
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28. Income Tax Expense

(1) Income tax expenses for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		<u>2012</u>	<u>2011</u>
Current income taxes	₩	81,358,063	28,559,745
Deferred income taxes from changes in temporary differences		489,969,026	111,384,202
Deferred income taxes from changes in tax credit carryforwards		(30,026,931)	(7,149,351)
Deferred income taxes from changes in loss carryforwards		1,600,738	(5,050,785)
Deferred income taxes recorded in stockholders' equity		(102,209)	(362,425)
Others		(191,765)	(336,786)
Income tax expense	₩	<u>542,606,922</u>	<u>127,044,600</u>

(2) Deferred tax assets and liabilities recognized as stockholders' equity for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

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

(In thousands of won)

		<u>2011</u>		
		<u>Before tax</u>	<u>Deferred tax assets (liabilities)</u>	<u>After tax</u>
Retained earnings	₩	(141,404,251)	(8,772,473)	(132,631,778)
Capital surplus of equity method investee		(14,419,065)	12,690,485	(27,109,550)
Capital movements of equity of equity method investee		(11,709,204)	(4,472,658)	(7,236,546)
Gain on valuation of available-for-sale securities		(1,552,732,286)	(375,761,213)	(1,176,971,073)
	₩	<u>(1,720,264,806)</u>	<u>(376,315,859)</u>	<u>(1,343,948,947)</u>

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

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28. Income Tax Expense, Continued

(3) Reconciliation of effective tax rate for the years ended December 31, 2012 and 2011 were as follows:

<i>(In thousands of won)</i>		2012	2011
Profit before income tax	₩	2,029,421,270	478,099,515
Statutory tax rate		24.20%	24.20%
Income tax using the Company's statutory tax rate		491,119,947	115,700,082
Adjustments			
Foreign withholding tax		13,927,479	17,320,938
Permanent differences		3,079,086	10,890,620
Loss carryforwards		106,938	(5,050,785)
Unrecognized temporary differences		45,432,562	(16,238,181)
Tax credits		(40,116,150)	(17,364,443)
Difference in tax rate		(2,296,647)	(3,605,971)
Adjustments for consolidation		(5,143,210)	33,574,160
Others		36,496,917	(8,181,820)
Income tax expenses	₩	542,606,922	127,044,600
Average effective tax rate		26.74%	26.57%

(4) As of December 31, 2012, 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.

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28. Income Tax Expense, Continued

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2012 and 2011 are summarized as follows:

1) As of December 31, 2012

(In thousands of won)

	Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
	Beginning balance	Changes	Ending balance	Beginning balance	Changes	Ending balance
Accrued interest income	₩ (410,690)	(409,214)	(819,904)	(99,387)	(99,030)	(198,417)
Provision on advanced depreciation	(21,425,139)	-	(21,425,139)	(5,184,884)	-	(5,184,884)
Equity method investments	(812,753,004)	(2,265,816,955)	(3,078,569,959)	(195,527,738)	(560,752,140)	(756,279,878)
Government grants	23,260,546	(9,668,311)	13,592,235	5,629,052	(2,339,731)	3,289,321
Depreciation	98,609,996	11,167,639	109,777,635	23,863,619	2,702,569	26,566,188
Non-current prepaid expenses	8,316,595	(1,744,337)	6,572,258	2,012,616	(422,130)	1,590,486
Loss on valuation of inventories	13,053,469	11,231,170	24,284,639	3,158,940	2,717,943	5,876,883
Loss on impairment of property, plant and equipment	77,056,789	24,839,767	101,896,556	18,647,743	6,011,224	24,658,967
Accrued expenses	250,157,835	305,545,196	555,703,031	60,538,196	73,941,937	134,480,133
Loss on impairment of available-for-sale assets	3,268,505	-	3,268,505	790,978	-	790,978
Loss on impairment of patents	10,856,929	3,619,918	14,476,847	2,627,377	876,020	3,503,397
Foreign currency translation gain (loss)	14,981,135	(15,052,500)	(71,365)	3,625,435	(3,642,705)	(17,270)
Deemed dividend	47,459,200	20,566,052	68,025,252	11,485,127	4,976,984	16,462,111
Others	42,356,330	45,871,960	88,228,290	10,250,231	7,001,071	17,251,302
Sub total	₩ (245,211,504)	(1,869,849,615)	(2,115,061,119)	(58,182,695)	(469,027,988)	(527,210,683)
Deferred income taxes added to capital	(1,720,264,806)	200,041,039	(1,520,223,767)	(376,315,859)	33,076,079	(343,239,780)
Loss carryforwards	-	15,464,230	15,464,230	-	3,742,344	3,742,344
Tax credit carryforwards	69,461,094	35,919,894	105,380,988	66,438,532	38,924,651	105,363,183
Temporary difference of subsidiaries	193,667,430	487,928,470	681,595,900	54,585,189	110,194,545	164,779,734
Deferred tax assets not recognized due to not probable realizability						(32,814,855)
Total	₩					<u>(629,380,057)</u>

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28. Income Tax Expense, Continued

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2012 and 2011 are summarized as follows, continued:

2) As of December 31, 2011

(In thousands of won)

		Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
		Beginning balance	Changes	Ending balance	Beginning balance	Changes	Ending balance
Accrued interest income	₩	(12,224,671)	11,813,981	(410,690)	(501,298)	401,911	(99,387)
Provision on advanced depreciation		(21,425,139)	-	(21,425,139)	(4,713,531)	(471,353)	(5,184,884)
Gain (loss) from equity method		(319,969,377)	(492,783,627)	(812,753,004)	(70,295,953)	(125,231,785)	(195,527,738)
Government grants		13,658,623	9,601,923	23,260,546	3,004,897	2,624,155	5,629,052
Depreciation		79,512,406	19,097,590	98,609,996	17,492,729	6,370,890	23,863,619
Non-current prepaid expenses		9,952,218	(1,635,623)	8,316,595	2,189,488	(176,872)	2,012,616
Loss on valuation of inventories		8,850,681	4,202,788	13,053,469	2,141,865	1,017,075	3,158,940
Loss on impairment of property, plant and equipment		64,577,499	12,479,290	77,056,789	14,207,050	4,440,693	18,647,743
Accrued expenses		204,126,202	46,031,633	250,157,835	47,316,588	13,221,608	60,538,196
Loss on impairment of available-for-sale assets		3,268,505	-	3,268,505	719,071	71,907	790,978
Loss on impairment of patents		9,901,397	955,532	10,856,929	2,207,649	419,728	2,627,377
Foreign currency translation gain (loss)		15,765,843	(784,708)	14,981,135	3,815,334	(189,899)	3,625,435
Deemed dividend		1,459,613	45,999,587	47,459,200	321,115	11,164,012	11,485,127
Others		38,554,331	3,801,999	42,356,330	16,186,072	(5,935,841)	10,250,231
Sub total	₩	96,008,131	(341,219,635)	(245,211,504)	34,091,076	(92,273,771)	(58,182,695)
Deferred income taxes added to Capital		(1,933,638,646)	213,373,840	(1,720,264,806)	(399,500,111)	23,184,252	(376,315,859)
Tax credit carryforwards		99,657,014	(30,195,920)	69,461,094	90,231,377	(23,792,845)	66,438,532
Temporary difference of subsidiaries		176,687,865	16,979,565	193,667,430	42,664,937	11,920,252	54,585,189
Deferred tax assets not recognized due to not probable realizability							(33,281,701)
Total	₩						<u>(346,756,534)</u>

(6) Temporary differences that are not recognized as deferred tax liabilities

The Group did not recognize deferred tax liabilities in the amount of ₩648 million for temporary differences of ₩2,679 million relating to investments to its subsidiaries, as the Group is able to control the reversal of the temporary differences and it is highly probable that the temporary differences will not reversal in the foreseeable future.

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29. Earnings Per Share

(1) Basic earnings per share

1) Basic earnings per share for the years ended 2012 and 2011 were as follows:

(In thousands of won, except earnings per share)

		<u>2012</u>	<u>2011</u>
Net income attributable to common shares	₩	1,469,162,298	317,769,511
Weighted average number of common shares outstanding (basic)		<u>43,357,737</u>	<u>43,289,341</u>
Earnings per share (won)	₩	<u>33,885</u>	<u>7,341</u>

2) Net income attributable to common share holders for the years ended 2012 and 2011 were as follows:

(In thousands of won)

		<u>2012</u>	<u>2011</u>
Net income attribute to owners of the Company	₩	1,471,502,017	320,109,230
Dividends on preferred shares		<u>2,339,719</u>	<u>2,339,719</u>
Net income attributable to common shares	₩	<u>1,469,162,298</u>	<u>317,769,511</u>

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

(In shares)

		<u>2012</u>	<u>2011</u>
Issued ordinary shares at January 1		45,558,341	45,558,341
Treasury stock		<u>(2,200,604)</u>	<u>(2,269,000)</u>
Weighted average number of common shares outstanding (basic)		<u>43,357,737</u>	<u>43,289,341</u>

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29. Earnings Per Share, Continued

(2) Diluted earnings per share

1) Diluted earnings per share for the years ended 2012 and 2011 were as follows:

(In thousands of won, except earnings per share)

		<u>2012</u>	<u>2011</u>
Net income attributable to common shares	₩	1,469,162,298	317,769,511
Weighted average number of common shares outstanding (diluted)		<u>43,364,540</u>	<u>43,338,415</u>
Diluted earnings per share (won)	₩	<u>33,879</u>	<u>7,332</u>

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

(In shares)

		<u>2012</u>	<u>2011</u>
Weighted average number of common shares outstanding (basic)		43,357,737	43,289,341
Effect of share options on issue (unexercised)		4,075	24,627
Effect of share options on issue (exercised)		<u>2,728</u>	<u>24,447</u>
Weighted average number of common shares outstanding (diluted)		<u>43,364,540</u>	<u>43,338,415</u>

(3) Anti-dilutive potential common shares

There are potentially dilutive share options which were not included in the calculation of the diluted earnings per share due to their anti-dilutive effect for the year ended December 31, 2012. Details of these share options were as follows:

<u>Item</u>	<u>Exercise period</u>	<u>Number of shares to be issued</u>	<u>Exercise price</u>
Share options (6 th)	Apr. 24, 2006 to Apr. 23, 2014	80,359	₩166,900 per share

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30. Related Parties

(1) Significant transactions with related parties for the years ended December 31, 2012 and 2011 were as follows:

(In thousands of won)

		2012		2011	
		Revenues	Expenses	Revenues	Expenses
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	240,076,371	83,685,832	299,063,032	253,459,789
Subsidiary					
SBL		32,092,452	7,608,830	28,824,965	2,485,580
Associates					
SDC		34,080,985	1,376,382	60,816,967	5,842
SERI		-	2,553,346	-	2,280,451
Samsung Japan Co., Ltd.		39,375,028	57,396,120	99,872,421	219,295,295
Samsung International Inc.		765,817,036	6,219,152	749,113,556	1,706,130
Samsung Electronics Display (M) SDN. OMD. (HSD)		179,722,534	-	164,616,229	-
Samsung Electronics Vietnam Co., Ltd.		326,286,481	6,834	133,605,798	-
Tianjin Samsung Electronics Co., Ltd.		117,957,046	-	85,138,450	-
Samsung Electronics Suzhou Computer Co., Ltd.		177,937,397	-	189,374,941	-
Samsung Electronics Hungarian Rt.		320,929,767	-	369,119,513	-
Thai-Samsung Electronics Co., Ltd.		152,575,719	-	90,361,743	-
Other affiliated corporations		634,421,667	176,919,706	568,524,702	173,857,836
	₩	<u>3,021,272,483</u>	<u>335,766,202</u>	<u>2,838,432,317</u>	<u>653,090,923</u>

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30. Related Parties, Continued

(2) Details of significant account balances with related parties as of December 31, 2012 and 2011 are as follows:

(In thousands of won)

		2012		2011	
		Revenues	Expenses	Revenues	Expenses
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	24,691,937	3,774,692	31,658,084	8,227,956
Subsidiary					
SBL		-	-	5,902,170	220,555
Associates					
SDC		3,168	15,558	4,190,057	3,779
SERI		-	1,091,651	-	83,547
Samsung Japan Co., Ltd.		-	54,340	6,702,181	19,926,433
Samsung International Inc.		17,728,219	5,784	14,370,524	372,428
Samsung Electronics Display (M) SDN. OMD. (HSD)		5,808,987	-	7,259,661	-
Samsung Electronics Vietnam Co., Ltd.		33,804,377	-	35,908,977	-
Tianjin Samsung Electronics Co., Ltd.		11,154,941	-	24,706,020	3,924
Samsung Electronics Suzhou Computer Co., Ltd.		18,050,407	-	23,994,874	-
Samsung Electronics Hungarian Rt.		5,515	-	14,822,465	-
Thai-Samsung Electronics Co., Ltd.		1,010,433	-	4,556,979	-
Other affiliated corporations		56,993,574	21,798,898	59,625,839	22,418,319
	₩	<u>169,251,558</u>	<u>26,740,923</u>	<u>233,697,831</u>	<u>51,256,941</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 ₩2,113 million and ₩7,290 million, for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, liabilities related to long-term employee benefits are ₩3,349 million and ₩2,112 million, respectively. In addition, liabilities related to retirement benefits as of December 31, 2012 and 2011 are ₩4,386 million and ₩2,700 million, respectively.

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31. Calculation of Net Income Attributable to Owners of the Company and Non-controlling Interests

Net income of attributable to owners of the Company and the non-controlling interests for the year ended December 31, 2012 were as follows:

(In thousands of won, except percentage of ownership)

	Percentage of non-controlling interest	Amount
Net income		₩ 1,486,814,348
Net income attributable to owners of the Company		<u>1,471,502,017</u>
Net income(loss) attributable to non-controlling interests		<u>15,312,331</u>
SDIA	8.30%	1,383,559
SDIM	8.30%	460,245
SDI(M)	31.40%	(10,190,608)
SSDI	23.30%	6,058,193
TSDI	23.30%	12,173,783
SDIHK	4.10%	85,821
SSED	42.10%	5,337,876
SDIB	4.10%	5,961
SVIC 15	1.00%	(2,499)

32. Acquisitions of Subsidiary

(1) Business combination

1) General information

On October 26, 2012 the Group obtained control of SB Limotive Co., Ltd. (SBL), a manufacturer of battery management system for automotive power train and others by acquiring an additional 50 % of the shares and voting interests in the company. As a result, the Group's equity interests in SB Limotive increased from 50 % to 100 %.

Taking control of SBL will enable the Group to create synergy through organic integration of the Group's rechargeable battery division and the SBL's capability to manufacture mid-to-large-sized rechargeable battery such as SBL's rechargeable battery for vehicles.

For the year ended December 31, 2012, SBL recognized revenue of ₩48,916 million and loss of ₩112,288 million. If the acquisition had occurred at January 1, 2012, management estimates that consolidated revenue would have been ₩5,810,305 million and consolidated profit for the period would have been ₩1,451,053 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred at January 1, 2012.

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32. Acquisitions of Subsidiary, Continued

(1) Business combination, continued

2) Goodwill

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

(In thousands of won)

Total consideration transferred (*)	₩	104,952,705
Fair value of equity interests transferred (**)		85,550,980
Fair value of net assets (***)		<u>(161,180,704)</u>
Goodwill (****)	₩	<u>29,322,981</u>

(*) Cash payments for the minority, none was paid for transaction separated from the acquisition or settlement of contingent consideration and existing relationships.

(**) The remeasurement to fair value of the Group's existing 50% interests in the acquiree resulted in a gain of ₩14,768 million, which has been recognized in other income.

(***) Fair value of the identifiable assets and liabilities were as follows:

(In thousands of won)

Current assets	₩	86,272,821
Property, plant and equipment		210,654,579
Intangible assets		12,977,186
Other non-current assets		109,932,215
Trade and other payables		(46,047,426)
Borrowings		(187,280,517)
Other liabilities		<u>(25,328,154)</u>
Net assets	₩	<u>161,180,704</u>

(****) The goodwill is attributable mainly to the skills and technical talent of SBL's work force and the synergies expected to be achieved from integrating the company into the Group's existing rechargeable battery business. None of the goodwill recognized is expected to be deductible for income tax purposes.

3) Costs related to the business combination

The Group incurred acquisition-related costs of ₩416,842 thousand relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

33. Subsequent Events

On January 1, 2013, Parent Company merged SBL pursuant resolution of the Board of Directors which was held on October 26, 2012. Parent company has retained 100% shares of SBL before the merger.