
we are in

Samsung SDI Materials Division 2013 Corporate Report

CEO MESSAGE

Letter to stakeholders from our CEO, Cho Nam Seong, highlighting our vision of becoming a 'leading global advanced materials company'

CHANGE IN PROGRESS

Samsung SDI Materials Division is undertaking a journey of fundamental and positive change, one which will create greater value for our stakeholders

INNOVATIVE MATERIALS

World-first, most innovative, and eco-friendly materials developed by Samsung SDI Materials Division

FINANCIAL HIGHLIGHTS

Summarized statements of financial position, summarized statements of income, summarized statements of cash flows, and key financial indicators

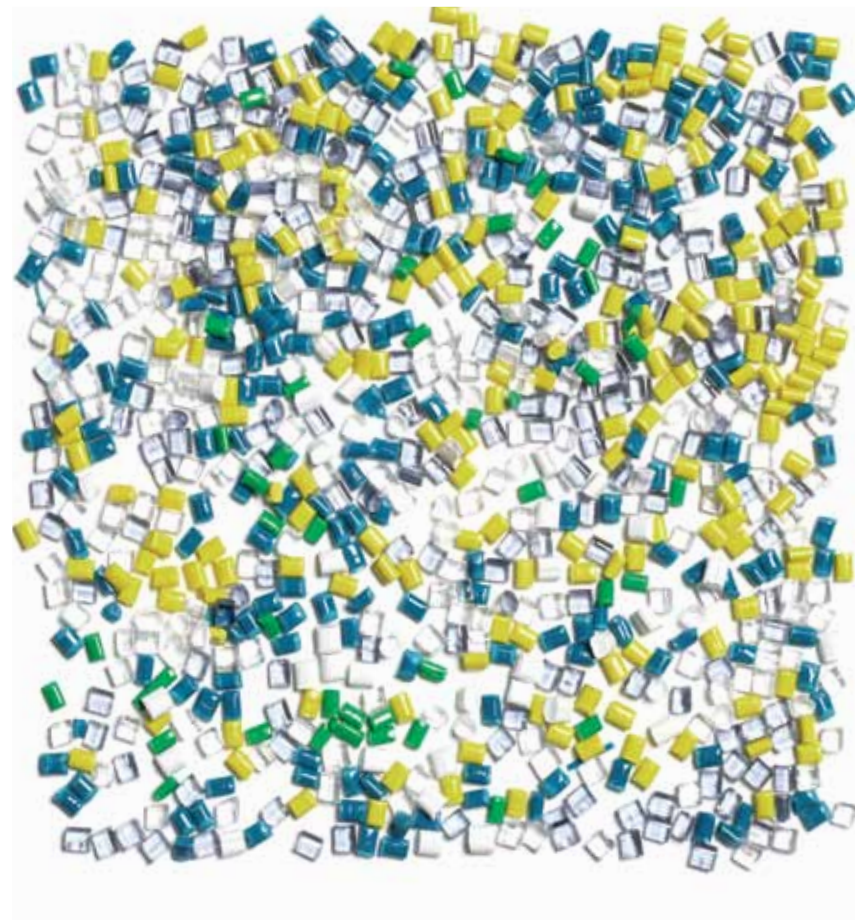
PROGRESS IN INNOVATION

Key news from 2013 highlights our progress in pursuit of innovation

SAMSUNG SDI

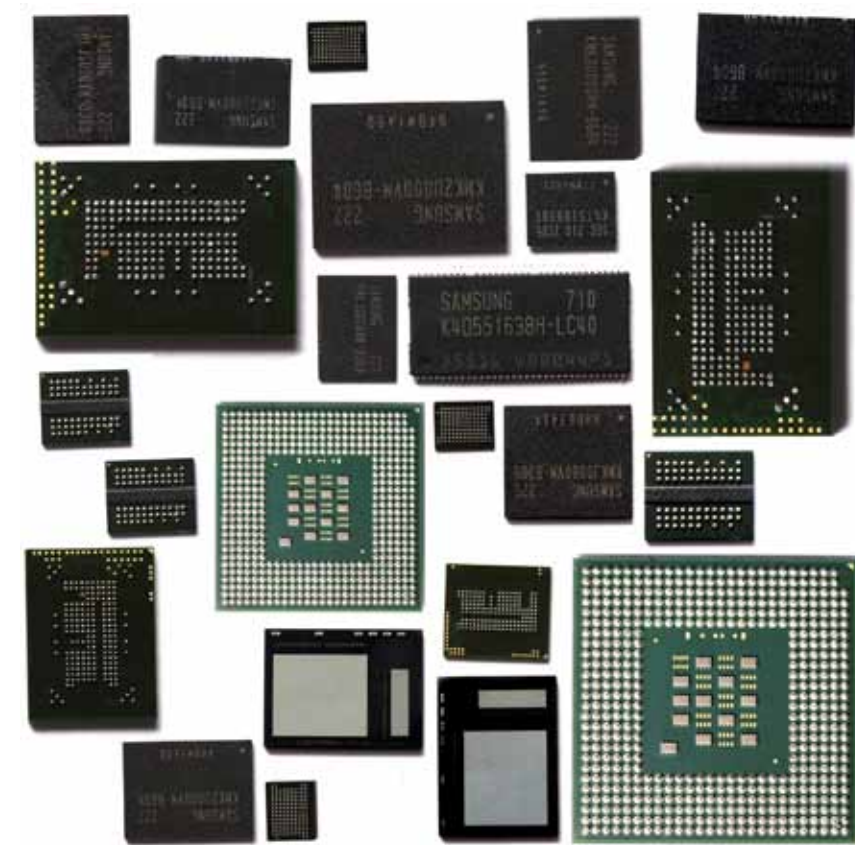
SAMSUNG

THE WORLD is CHANGING



In a fast-moving world, the ability to instantly see and then adapt to change, rather than simply reacting, is an essential part of a successful future.

WE ARE in THE NEXT STEP



That is why we change. Change has spurred the successes that Samsung SDI Materials Division has enjoyed so far, and now we are preparing for another change to become a 'global leading advanced materials company'.

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As a parent company of the Samsung Group, we thrive on the DNA of innovation, and, backed by this spirit of innovation, we will grow into a leading global company.

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CEO MESSAGE

We aim to lead the global cutting-edge materials market by always being ahead of the curve and accepting the challenge of innovation.

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INNOVATION INSPIRED BY YOU

Samsung SDI Materials Division has developed world-first, most innovative, and eco-friendly materials.



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We are undertaking a journey of fundamental and positive change, to create more values.

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CEO MESSAGE

We aim to lead the global cutting-edge materials market by always being ahead of the curve and accepting the challenge of innovation.



We always innovate and strive for change.

Since being established as Cheil Industries, the original parent company of the Samsung Group, Samsung SDI Materials Division has continued to grow and be at the center of change for the last 60 years. We have been transforming into a company that is strong even in crisis, rather than being a company that is large in size only. Samsung SDI Materials Division observes all laws and principles, and we also do our best to generate social and environmental value in addition to economic value, thus sharing our successes with our local communities and the natural environment.

We developed new growth drivers by boosting our competitiveness.

Samsung SDI Materials Division continued to change and innovate, despite the uncertainties in the business environment in 2013 triggered by the global economic slump and sluggishness in the IT industry. We sought to respond to these challenges effectively, and to prepare for the future. We transferred our fashion business to Samsung Everland and acquired Novaled, a German OLED company, in order to concentrate on what we do best.

In 2013, by concentrating on specific areas and improving our business structure, Samsung SDI Materials Division achieved sales of KRW 4,411.1 billion and an operating income of KRW 195.4 billion. Our chemicals business grew steadily mainly based on high value-added products. In our electronic materials business, we moved closer to become a specialist in cutting-edge materials thanks to accomplishments in our OLED business, which will be a major driver of next-generation growth.

We will enjoy a new beginning as Samsung SDI and achieve growth of a different class.

While celebrating our 60th anniversary in 2014, we are at the center of change, once again. Cheil Industries and Samsung SDI have completed a merger that will enable the new combined company to grow into a world leader, with a stable business structure that will ensure both short-term growth and long-term stability and success. The expertise and competitive edges of the two companies have been combined, resulting in a company with sales of around KRW 10 trillion. We will focus on the following in 2014, so that our first steps with our new name will be successful ones.

First, we will improve our business by selecting and concentrating. We will draw up a business roadmap based on distinctive growth strategies and competitiveness, so that we can be a truly global leader. The electronic materials business will rapidly acquire strong base technologies and improve the efficiency of product structure, thereby building a virtuous cycle.

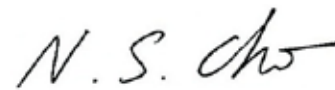
The chemicals business will increase profitability by improving its business structure, and will strive for leadership in the global market by expanding its range of high value-added products.

Second, we will improve company fundamentals through sound risk management. We are strong enough to navigate through today's challenges and seize tomorrow's opportunities. We will look realistically at current circumstances, and improve our management and work efficiency. Mid- to long-term investment plans will be examined thoroughly, in order to make our business fundamentals stronger and more sustainable.

Third, we will develop a performance-oriented organizational culture. Our unique DNA is challenge and innovation, and the ability to overcome limitations. Backed up by this culture, we will establish a great work environment where all staff can concentrate on work and research. This will lead to an organization where best results are achieved by maximizing creativity and efficiency.

We were able to uphold Samsung's proud traditions thanks to the support of all of the stakeholders who have partnered our 60 years of challenge and innovation. With your continuing trust, Samsung SDI is set to open a new chapter in its history, to become the future of Samsung. Everyone at the company is fully committed to making a new Samsung SDI into a 'global eco-friendly materials and energy solutions provider'. This is our way of showing how much we appreciate the unwavering support of all of our stakeholders.

Thank you.



CEO and President of Samsung SDI Materials Division
(Former Cheil Industries)

Cho Nam Seong

FINANCIAL HIGHLIGHTS

Summarized Statement of Financial Position

(Unit: KRW billion)

	2013	2012
Total assets	4,987.8	5,418.5
Current assets	1,882.9	1,836.9
Non-current assets	3,104.9	3,581.6
Total liabilities	1,897.0	2,161.1
Current liabilities	1,002.1	1,003.7
Non-current liabilities	894.9	1,157.4
Total shareholders' equity	3,090.8	3,257.4

Summarized Statement of Income

(Unit: KRW billion)

Sales	4,411.1	4,236.5
Gross profit	817.6	764.2
Selling and other expenses	622.2	524.2
Operating income	195.4	240.0
Non-operating income	133.7	103.5
Non-operating expenses	131.7	126.4
Income before income tax	197.4	217.1
Income from continuing operations	150.6	159.6
Income from discontinued operations	104.4	49.1
Net income	255.0	208.7
EPS (KRW)	507.0	411.3

Summarized Statement of Cash Flow

(Unit: KRW billion)

Cash flows from operating activities	472.1	112.2
Cash flows from investing activities	(387.9)	(478.8)
Cash flows from financing activities	(121.3)	385.0
Net increase (decrease) in cash and cash equivalents	(37.1)	18.4
Cash and cash equivalents, beginning of year	113.5	96.4
Effect of exchange rate changes on cash and cash equivalents	0.3	(1.4)
Cash and cash equivalents, end of year	76.7	113.4

Financial Soundness Indicators

(Unit: %)

Current ratio	187.9	183.0
Debt-to-equity ratio	61.4	66.3
Equity-to-asset ratio	62.0	60.1

Profitability Indicators

(Unit: %)

Operating profit margin	4.4	5.7
ROA	5.1	3.9
ROE	8.3	6.4

Growth Indicators

(Unit: %)

Growth rate of total assets	(7.9)	9.9
Growth rate of total shareholders' equity	(5.1)	1.3

OUR STORY BOILS
DOWN TO
ONE WORD :

change

deep,

fundamental,

rapid,

and

positive change

change in progress

We are undertaking a journey of fundamental and positive change, to create more values.

This report is about that change, and our history of innovation.

MILESTONES

BUSINESS

RESEARCH & DEVELOPMENT

SUSTAINABILITY

OUR STORY
BOILS DOWN TO
ONE WORD :

change

deep, fundamental, rapid, and positive change

Milestones

Ever since our founding in 1954 as Cheil Industries, the original parent company of the Samsung Group, Samsung SDI Materials Division has grown by leading and adapting to changes in the business environment. We will continue to take on every challenge we face to drive our company forward.

1954 - 1970s

The Journey Begins

- 1954 Cheil Woolen Fabrics Industries founded
- 1976 Name changed to Cheil Industries
- 1978 Completed construction of the Gumi Plant

1980 - 1990s

Reaching New Heights

- 1982 Moved the Anyang Plant and completed its expansion
- 1988 Completed construction of the Chemical R&D Center
- 1989 Completed construction of the Yeosu Plant
- 1994 Completed construction of the EMC Plant

2000s

Setting New Standards

- 2002 Completed construction of the Gumi IT materials production complex
- 2002 Flame-retardant ABS and transparent ABS selected as 'World's Best' products by the Ministry of Trade, Industry & Energy
- 2002 Awarded the IR52 Chang Young-sil Award for developing ultra-thin films and shock-absorbing resin for mobile phones
- 2003 Awarded the IR52 Chang Young-sil Award for developing ABS for extruding low-temperature, high-impact thin films
- 2005 Housing compound for mobile phones selected as 'World's Best' product
- 2005 The Yeosu Plant was inducted into the Hall of Fame of the National Productivity Awards
- 2006 The world's first high-transparency artificial marble, 'Tempest', was developed
- 2007 Awarded the IR52 Chang Young-sil Award for developing anti-scratch ABS
- 2008 Completed the polycarbonate (PC) plant
- 2009 Completed new plant for Engineered Stone
- 2009 Awarded the Presidential Award in the RFID Industrialization Awards

2010 -

New Directions, New Growth

- 2010 Began the eco-friendly water-treatment membrane business
- 2010 Completed the construction of a synthetic resin compounding plant in Tianjin, China
- 2010 Selected as a leading company of the Top 10 World Premier Materials (WPM) Development Project, designated by the Ministry of Knowledge Economy (plastic materials for flexible displays)
- 2010 Awarded the IR52 Chang Young-sil Award for developing optical PC for LED illuminant devices
- 2011 Awarded the IR52 Chang Young-sil Award for developing a photosensitive paste for PDP electrodes
- 2011 Awarded the IR52 Chang Young-sil Award for developing an eco-friendly flame-retardant new platform material
- 2011 Merged with Ace Digttech
- 2012 Completed the second PC plant
- 2013 The Electronic Materials Division launched an OLED material and applied it to the Samsung Galaxy S4
- 2013 Acquired Novaled, a German company that produces OLED materials
- 2013 Transferred the fashion business unit to Samsung Everland
- 2014 Completed a merger with Samsung SDI

MILESTONES

BUSINESS

SUSTAINABILITY

SYNERGY

OUR STORY
BOILS DOWN TO
ONE WORD :

change

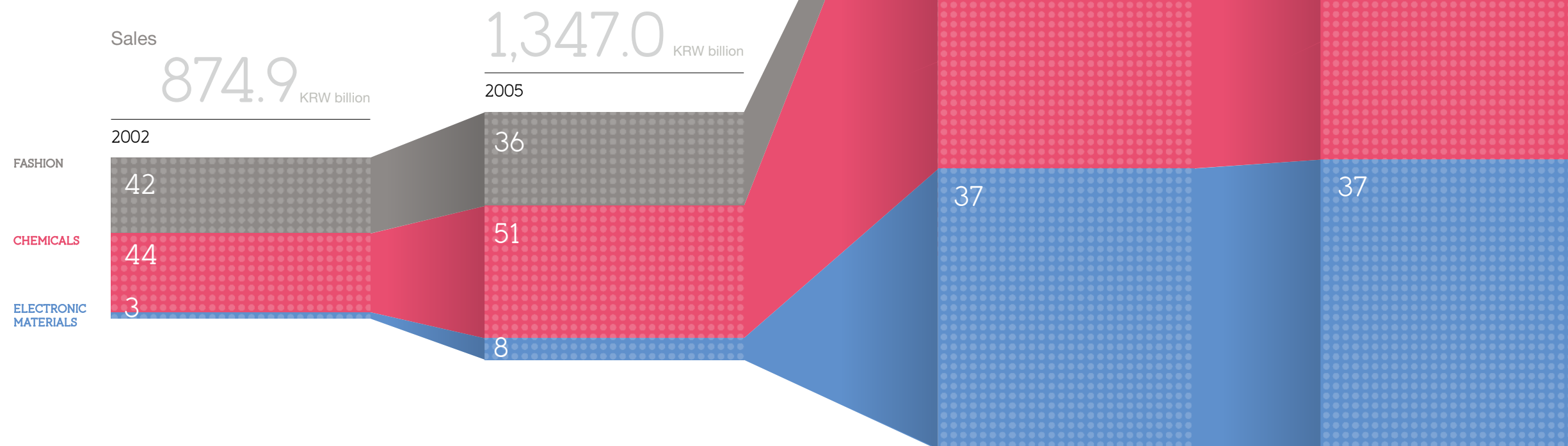
deep, fundamental, rapid, and positive change

Business

A strong and balanced business portfolio is our key strength. By selling our fashion business, we have made our business structure more suitable for a company that specializes in materials, and we will become an even stronger company.

Sales by Business Division

(Unit: %)



BUSINESS

SUSTAINABILITY

SYNERGY

OUR STORY
BOILS DOWN TO
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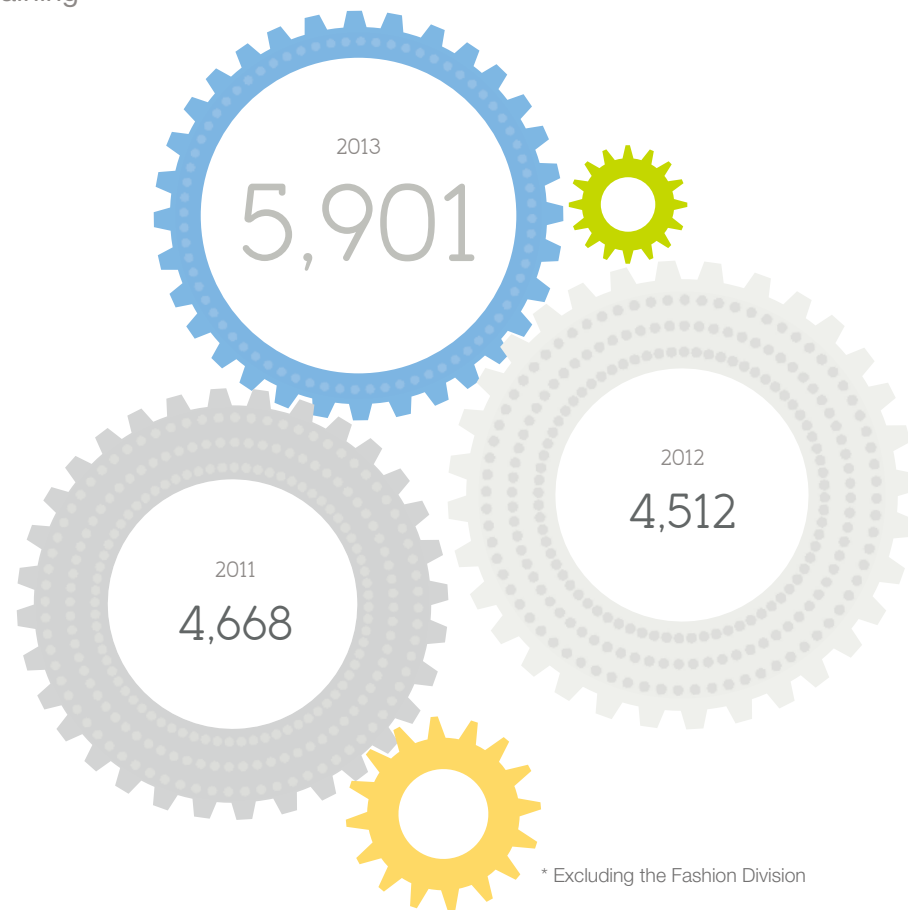
and

positive change

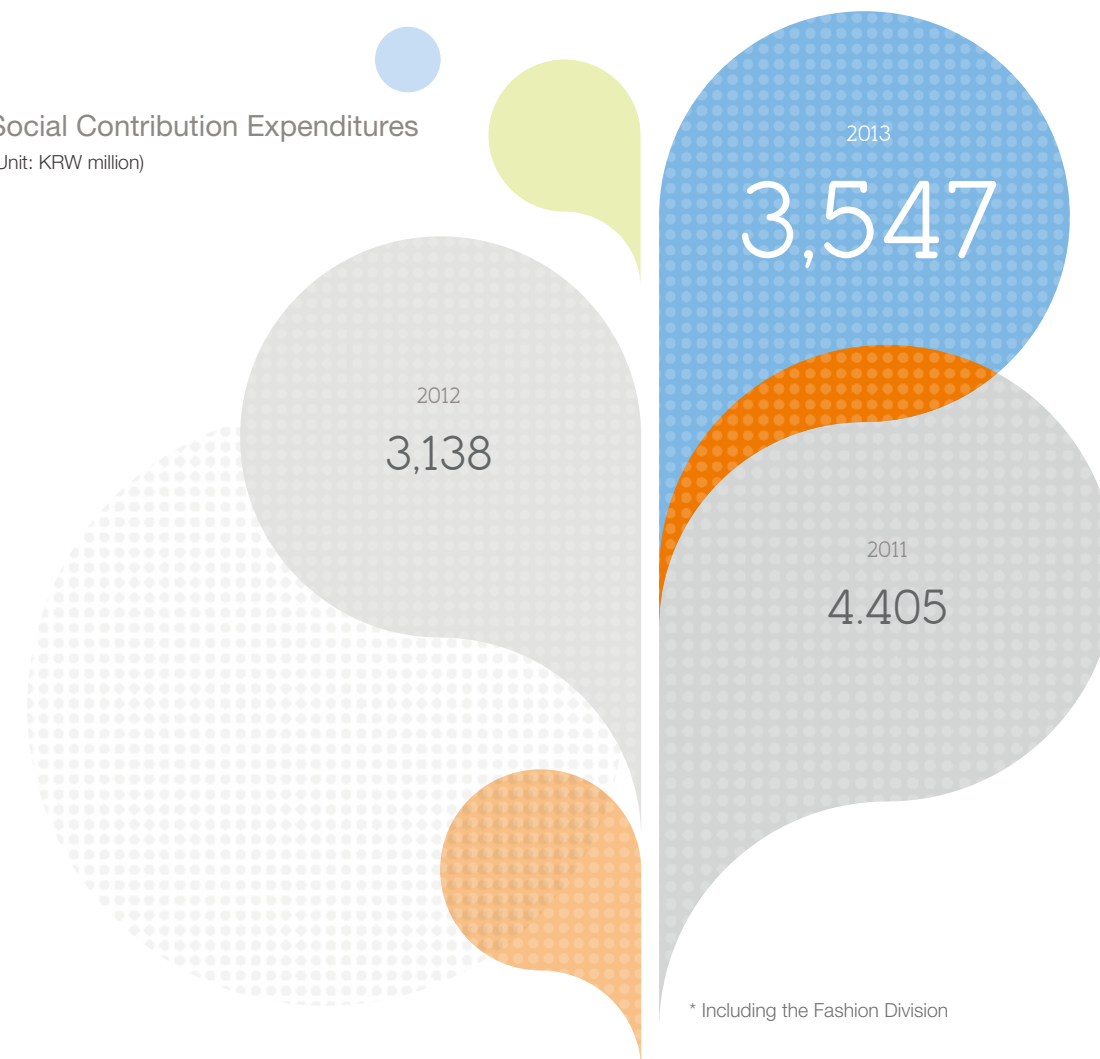
Sustainability

Rather than walking fast and alone, we will walk together with others for the long term. We are a companion for our local communities, and always seek to take the path of sharing, so that we can always be on a journey that leads to a brighter future.

Investments in Training
(Unit: KRW million)



Social Contribution Expenditures
(Unit: KRW million)



OUR STORY
BOILS DOWN TO
ONE WORD :

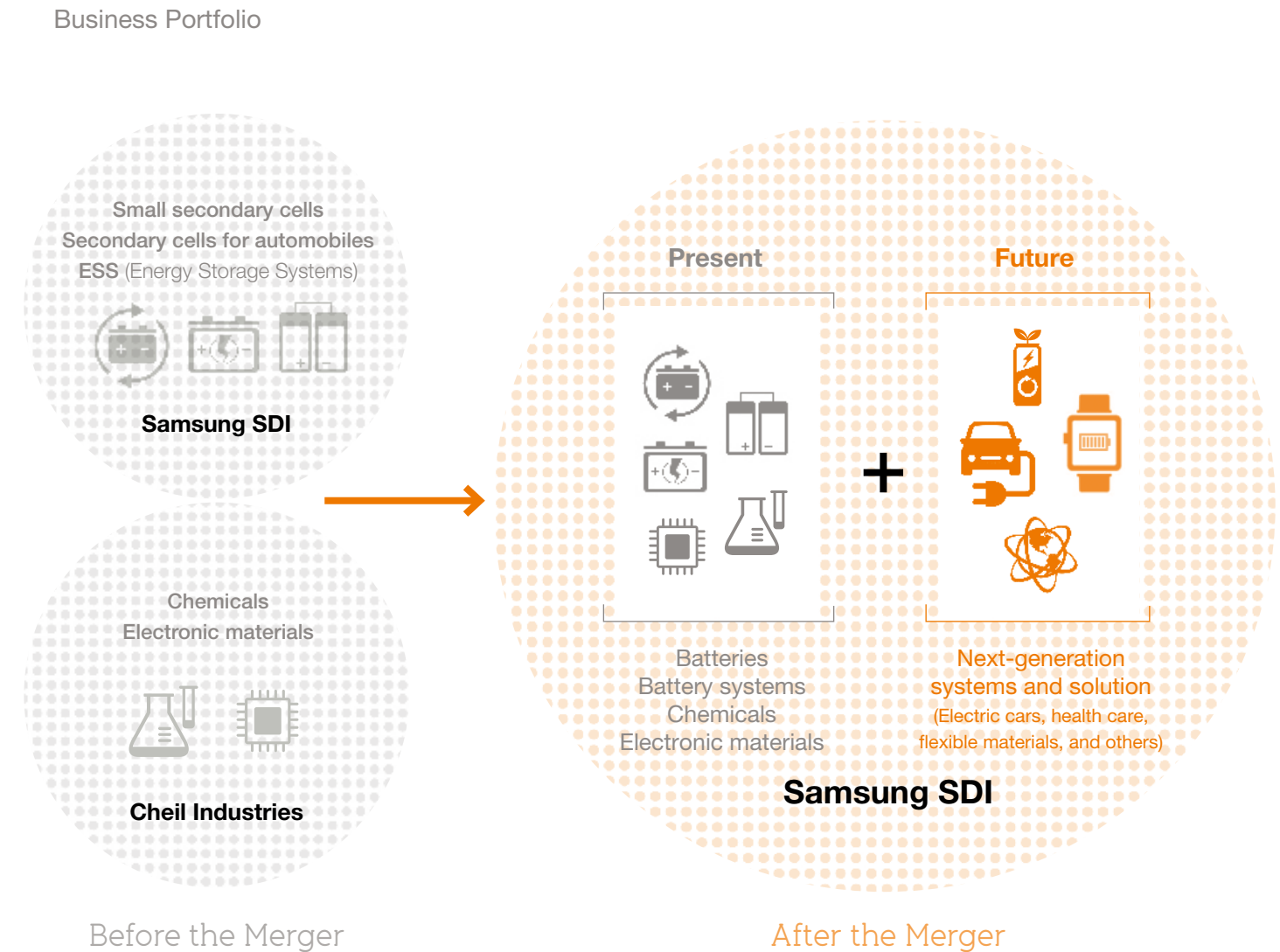
change

deep, fundamental, rapid, and positive change

Synergy

The competitive advantages of Samsung SDI and Cheil Industries have come together to become a global eco-friendly materials and energy solutions provider. The launch of the new Samsung SDI took place on July 1st, 2014.

The merger has combined Samsung SDI's focus on businesses of the future and Cheil Industries' strength in outstanding materials technologies. This, in turn, will lead to a stable business structure and the ability to serve a greater number of customers in a wider number of markets. The synergy effects from combining the two companies' business skills and technologies will ensure strong and stable growth.



AS A PARENT
COMPANY OF THE
SAMSUNG GROUP,
WE THRIVE ON THE
DNA OF INNOVATION,
AND, BACKED BY
THIS SPIRIT OF
INNOVATION, WE
WILL GROW INTO
A LEADING GLOBAL
COMPANY.

OUR COMPANY
PROGRESS



progress in innovation

LET OLED SHINE

Acquired Novaled, an OLED materials company

ELECTRONIC MATERIALS Samsung SDI Materials Division acquired Novaled, a German company which owns world-leading key OLED technologies, and thus took another step towards becoming an advanced materials specialist. Novaled's technology for next-generation display materials will combine with our manufacturing and synthesis capabilities to build a strong position in the rapidly-growing OLED market. Samsung SDI Materials Division will preoccupy the rapidly-growing OLED market and expedite the development of products that set global trends. The acquisition cost Samsung SDI Materials Division KRW 345.5 billion, one of the most ever spent on M&A in electronic materials in Korea. OCTOBER 21, 2013



LEAVE NO SMARTPHONES



Completed the launch of a key AMOLED material and applied it to Galaxy S4

ELECTRONIC MATERIALS Samsung SDI Materials Division successfully developed ETL (Electron Transport Layer), a key OLED material, and began supplying it to Samsung Electronics for its Galaxy S4 smartphone. After beginning the development of OLED materials in 2009, we invested KRW 20 billion in March 2011 and completed the construction of a factory at our electronic materials business site in Gumi. Four years of further R&D and work throughout the company have enabled us to unveil our first OLED material based on independent technology. By doing so, we have accelerated our advancement into the high value-added new materials market and have prepared ourselves for the rapidly growing OLED market. APRIL 20, 2013



UNTURNED



Applied *INFINO*® EP to the exterior material of Galaxy S4

CHEMICALS *INFINO*® is a leading EP (Engineering Plastic) of Samsung SDI Materials Division. It is highly resistant to impact and heat, and enables slimmer designs and elegant colors, which is why it has been used in the Galaxy series of smartphones, including the S4, which was released in April 2013. Samsung SDI Materials Division leads the Korean EP market based on its outstanding products. We completed the construction of our second PC plant in July 2012, expanding our production capacity to 200,000 tons. This has enhanced our cost competitiveness and established a more advanced production system, thus increasing our dominance of the high value-added synthetic resin market. APRIL 20, 2013



CRACK THE CHINA CODE

Participated in ChinaPlas 2013

CHEMICALS Samsung SDI Materials Division participated in ChinaPlas 2013 to showcase our high value-added EP materials, including polycarbonate (PC). Held in Guangzhou, China, ChinaPlas is an international plastic and rubber industry exhibition regarded as one of the world's three leading plastic exhibitions. We showcased materials used for mobile devices, TVs, and automobiles, aiming to use the exhibition as an opportunity to raise brand awareness and increase the market share of our high added-value plastic products in the Chinese market. We focused our marketing on *INFINDO*®, a brand used exclusively in high added-value products, as part of our efforts to expand in the Chinese market. MAY 20, 2013

innovation
inspired
by **you**

**WORLD-FIRST
MATERIALS
FOR THE PATH
FINDER**

TFE (Thin Film Encapsulation)
VE Grade PDP Paste
PET-type Polarizer for LCD TVs
starex® Scratch Resistant ABS
starex® Non-halogen Flame Retardant ABS
starex® PCM ABS/PET
INFINO® High Stiffness PC Alloy for TVs

_ path finder

We have grown for the last 60 years, and will continue to do so. The world-first materials developed by Samsung SDI Materials Division are the outcome of our innovation and the drivers of our growth in the future.

**MOST
INNOVATIVE
MATERIALS
FOR THE GAME
CHANGER**

TFE (Thin Film Encapsulation)

VE Grade PDP Paste

PET-type Polarizer for LCD TVs

starex® Non-halogen Flame Retardant ABS

starex® Scratch Resistant ABS

starex® PCM ABS/PET

INFINO® Non-halogen Flame Retardant PC/ABS

INFINO® High Stiffness PC Alloy for TVs

_game changer

Our new materials change market dynamics.
Our unrivaled technologies have enabled us to develop the new materials demanded by the market. We will continue to leverage our technologies to lead the market for the most advanced materials.

**WORLD'S BEST
MATERIALS
FOR
THE GLOBAL
PLAYER**

- PDP Paste
- ETL (Electron Transport Layer)
- TFE (Thin Film Encapsulation)
- SOH (Spin-on Hardmask)
- starex® Extrusion ABS for Refrigerators
- starex® Metal Plating ABS for Automobiles
- INFINO® PC Alloy for Mobile Phones
- Metallic-look Non-painting Resin

global player

We play on a global scale. Our chemical products have substantial global market share, and our electronic materials business now has truly global competitiveness. By exceeding customer expectation, we can continue to expand our worldwide reach.



**ECO-FRIENDLY
MATERIALS
FOR THE
GREENER
TOMORROW**

starex® Non-halogen Flame Retardant ABS
 starex® PCM ABS/PET
 INFINO® PCM PC
 Metallic-look Non-painting Resin



_nature

We bring together outstanding products and eco-friendly technologies to make the world better and cleaner. We put environmental management into practice by using advanced eco-friendly technologies, and share our environmental values with our stakeholders.

CORPORATE GOVERNANCE

Our advanced corporate governance guarantees expertise and independence, and is our foundation for sustainable growth.

Samsung SDI aims at ensuring transparency and responsible management in decision-making, business management, and supervision. Our BOD-centered corporate governance is based on efficiency and responsibility, and protects the rights of stakeholders, promotes the development of capital markets, and ultimately enhances our corporate value.

Composition of the BOD

Pursuant to Article 382 of the Commercial Act and Article 22 of our Articles of Association, BOD members are recommended by the BOD and the Outside Director Candidate Recommendation Committee, and are appointed at a general shareholders' meeting. As of July 2nd, 2014, the BOD consists of nine members, including four standing directors and five outside directors. All outside directors are experts in their respective fields of management, finance, and consumer business. There were 13 BOD meetings of the former Cheil Industries in 2013, during which 31 agenda items were proposed and discussed. There were ten Management Committee meetings.

Board Committees under the BOD

Management Committee The Management Committee consists of four standing directors. It deliberates and makes resolutions on management and financial agenda items assigned to it by the BOD, in particular to ensure efficient and quick action is taken on urgent management issues.

Outside Director Candidate Recommendation Committee This Committee is in charge of recommending candidates to become outside directors, and consists of four standing and five outside directors.

Audit Committee This Committee has the authority to audit the company's accounting records and examine its management. It can request directors to report on business, and investigate the financial status of the company. Membership consists of five outside directors.

2013 BOD Activities

NO.	DATE	AGENDA	RESULT	OUTSIDE DIRECTORS IN ATTENDANCE
1	Jan. 30, 2013	1. Approval of 2012 financial statements and business report 2. Approval of large-scale internal trading 3. Approval of operational regulations on long-term performance incentives for executives	Approved	4/4
2	Feb. 14, 2013	1. Call for the 59th shareholders' meeting 2. Approval of ceiling on transaction amounts with major shareholders, etc.	Approved	3/4
3	Mar. 15, 2013	1. Appointment of CEO 2. Decision on directorships, work roles, and BOD chairperson proxy sequence 3. Entrusting the provision of director remuneration 4. Appointment of Management Committee members 5. Appointment of Outside Director Candidate Recommendation Committee members 6. Review of whether to sell shares in Samsung Everland	Approved	4/4
4	Apr. 30, 2013	1. Approval of 1Q 2013 financial statements 2. Change to approval of product and service transactions with same-person subsidiaries	Approved	4/4
5	Jun. 25, 2013	1. Small-scale merger with Gemi Plus Co., Ltd.	Approved	2/4
6	Jul. 26, 2013	1. Approval of 1H 2013 financial statements 2. Approval of small-scale merger with Gemi Plus Co., Ltd.	Approved	4/4
7	Aug. 9, 2013	1. Acquisition of overseas subsidiary equity	Approved	4/4
8	Sep. 2, 2013	1. Report on completion of merger with Gemi Plus Co., Ltd. 2. Additional leasing of Susong Building for Fashion Division 3. Increasing investments in the electronic materials research complex	Approved	4/4
9	Sep. 23, 2013	1. Transfer of fashion business 2. Call for extraordinary shareholders' meeting 3. Setting the closure period of the stockholders' list and the base date	Approved	4/4
10	Nov. 1, 2013	1. Approval of 3Q 2013 financial statements	Approved	4/4
11	Nov. 27, 2013	1. Exercising the right to vote at an extraordinary shareholders' meeting of Samsung Everland	Approved	3/4
12	Nov. 29, 2013	1. Lease contract for Gimpo Logistics Center	Approved	3/4
13	Dec. 13, 2013	1. Resolution on calling of an extraordinary shareholders' meeting 2. Setting the base date for closure of the stockholders' list	Approved	4/4

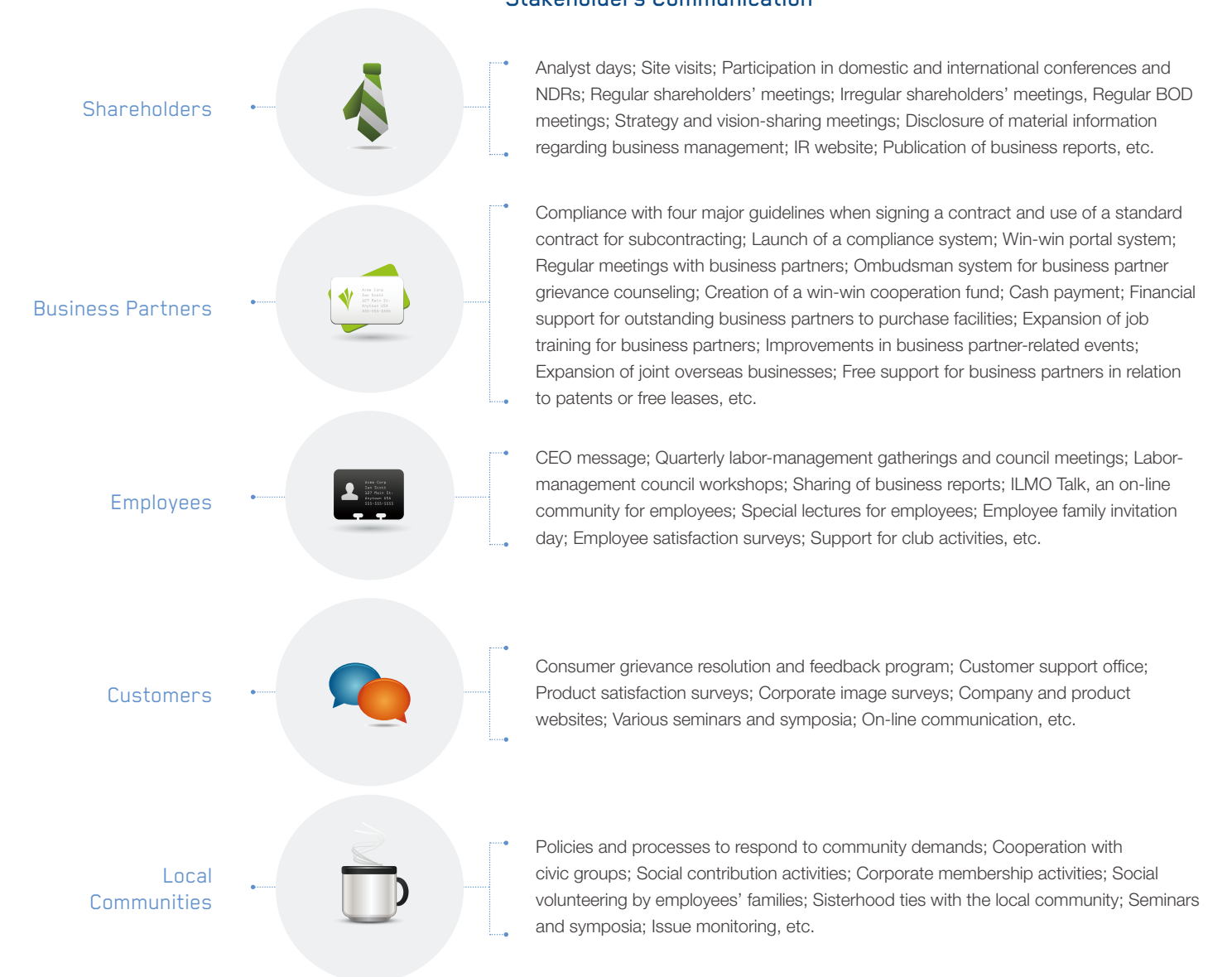
* BOD activities of the former Cheil Industries

STAKEHOLDER VALUE

By actively engaging in open and comprehensive stakeholder communication, we are becoming a respected and trusted company.

Samsung SDI strives to grow in partnership with all of our stakeholders, including shareholders, investors, management, staff, business partners, customers, and our local communities. We do this by sharing our vision for the future and by generating value from the mutual benefits of our business. To this end, we seek to engage in open and efficient two-way communications with all of our stakeholders through various easily accessible channels of communication.

Stakeholders Communication



SHAREHOLDER RELATIONS

We will achieve growth by generating economic value through top-quality business management, and by building shareholder relations that are based on trust.



Samsung SDI always strives to fulfill its responsibilities towards investors, and to maximize shareholder value through transparent and accountable management. We therefore listen to shareholder and investor opinions through various communication channels, and continually provide objective and impartial information through various IR activities.

Major IR Activities

IR Conferences and Roadshows

We participate in IR conferences and NDRs (Non-Deal Roadshows) so that we can actively engage in exchanges and communications with our investors. IR conferences take place in Korea and overseas, including the Americas, Europe, and Asia. We also conduct NDRs in different regions so that we can visit domestic and overseas investors, and provide them with updated business information.

Briefings on Quarterly Earnings

Samsung SDI holds quarterly briefings on its performance to provide transparent and impartial information on important issues and management performance. The heads of IR and each business division take part in the briefings, to ensure investors have access to business decision-makers.

IR Communications

Samsung SDI has established various online and offline investor contact points. In 2013, the Materials Division held more than 300 meetings as part of company visits, providing domestic and overseas investors and analysts with timely and accurate information on the company's major business issues, developments, and prospects. We also published a Corporate Report every year both in Korean and in English, and distributed the report in both printed form and online. As part of our internal communications, we regularly report to the company management on the responses of investors to the information they receive, and any issues they raise. We distribute the IR Monthly Report and IR Weekly Report to the management and all relevant divisions so that we can share market information, such as stock prices and industry and competitor trends.

Corporate Governance Evaluation

Samsung SDI increases our corporate value by continually seeking to improve our corporate governance. As a result of these efforts, the governance rating of the Samsung SDI Materials Division, the former Cheil Industries, was upgraded from Moderate to Good in 2007, and remained at that level through to 2010. This rating was provided pursuant to the KOGI (Korea Corporate Governance Stock Price Index), which presents corporate governance data in stock investment indices, and is calculated jointly by the Korea Corporate Governance Service and the Korea Stock Exchange. In 2011, a new evaluation method called ESG (Environment, Social, Governance) was adopted, to comprehensively assess corporate governance and social and environmental achievements. The former Cheil Industries has been awarded an A grade from 2011 through 2013.

Dividends

There is increasing uncertainty in our business environment, mainly attributable to lower growth in China and a limited recovery in demand in the IT industry. We are also planning major investments in our materials business. As a result, the former Cheil Industries paid a dividend of KRW 750 per share, the same as last year.

	2013	2012	2011
Standard Stock Price (KRW)	87,100	94,375	101,300
Net Income (KRW billion)	269.1	240.9	241.1
Dividend (KRW)	750	750	750
Par Dividend Rate (%)	14.0	15.8	15.7

Maximizing Shareholder Value

Samsung SDI delivers shareholder value by sharing the fruits of the financial performance achieved through transparent and best business practices. Over the last 60 years, we have achieved steady growth by expanding from its beginnings in textiles into the fashion, chemicals, and electronic materials businesses. In 2013, we transferred our fashion business to Samsung Everland, to pursue new growth opportunities. We also acquired Novaled, a German company, and reformed our organization to support a high value-added business that is focused on cutting-edge materials. Samsung SDI and Cheil Industries completed the merger in 2014, further enhancing our corporate value. With this additional momentum for growth, we aim to become a global eco-friendly materials and energy solutions provider, with a focus on maximizing shareholder value.

**2013 WAS A YEAR
OF CHALLENGE AND
CHANGE TO MAKE
MAJOR STRIDES
FORWARD. BY
FOCUSING ON OUR
CORE BUSINESSES,
WE ARE PURSUING
STRONGER AND
MORE SUSTAINABLE
GROWTH.**

OUR BUSINESS
IN
FOCUS

BUSINESS OVERVIEW

We have laid strong foundations for growth as a materials specialist by establishing a stable and competitive business structure.



Samsung SDI Materials Division was found in 1954 as Cheil Industries, the original parent company of the Samsung Group. Since then, we have taken the lead in changing business environment and continued to innovate. We began our business in fabric production, and then expanded into the fashion business in the 1970s to become Korea's leading fashion company. In the 1980s, we undertook structural reform for the long term and launched our chemicals business, aiming to overcome the limitations of older industries like clothing and textiles. In the 1990s, the electronic materials business became our new growth driver, and we began to produce materials used in IT devices, such as semiconductors and displays.

Samsung SDI Materials Division continued its tradition of change and innovation in 2013. Our fashion business was transferred to Samsung Everland, which enabled us to build a business system focused on chemicals and electronic materials, thus establishing our identity as a materials specialist. In addition, we acquired Novald, a German OLED company, reinforcing our position in the rapidly-growing OLED materials business.

We reorganized our business structure to be focused on high value-added materials business. As a result of these efforts, sales in 2013 grew by 4.1% year-on-year to reach KRW 4.4 trillion. The chemicals and electronic materials businesses accounted for 63% and 37% of sales, respectively. Profitability was differently skewed, with the chemicals business generating 21% of total operating income, while the electronic materials business accounted for 79%. We therefore plan to grow through a stable structure whereby chemicals lead quantitative growth and electronic materials continue to generate strong profits. We will also concentrate on creating more mid- to long-term growth drivers, to achieve our new goal of becoming a 'global eco-friendly materials and energy solutions provider'.

Strategic Direction

Chemicals Division

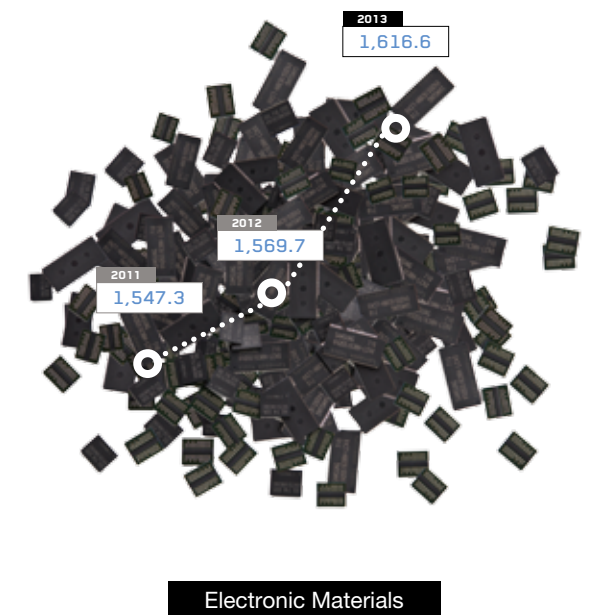
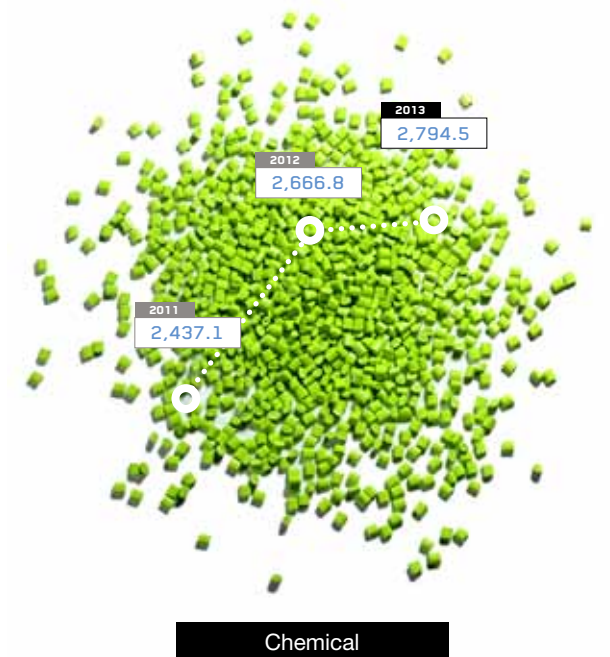
The Chemicals Division is the Samsung SDI Materials Division's biggest division. We are enhancing our competitiveness to become a world-leading materials company by establishing a business structure centered on high value-added products, expanding our global reach, and improving overseas production capacity. We are also curtailing costs by increasing manufacturing competitiveness. Our plan for 2014 is to further focus on new high value-added businesses, such as Super EP (Engineering Plastics), to strengthen the foundation for continued growth.

Electronic Materials Division

The Electronic Materials Division runs advanced materials business, including OLED materials and polarizers, which are Samsung SDI Materials Division's new growth drivers. The electronic materials business accounted for just 8.3% of sales in 2005, but sales exceeded KRW 1 trillion in 2009 and have continued to increase, reaching KRW 1.6 trillion in 2013. To maintain strong growth, we will expand in new markets, such as OLED materials and PV (Photovoltaic) cells, and will seek new business opportunities by collaborating closely with our customers.

Sales by Business Division

(Unit: KRW billion)



CHEMICALS

We create for life

We will further enrich lives today and tomorrow by offering new chemical materials which are not only more advanced but also have less impact on the environment.



4.8%

YEAR-ON-YEAR INCREASE IN SALES IN 2013



75.6%

PORTION OF EXPORTS TO TOTAL SALES

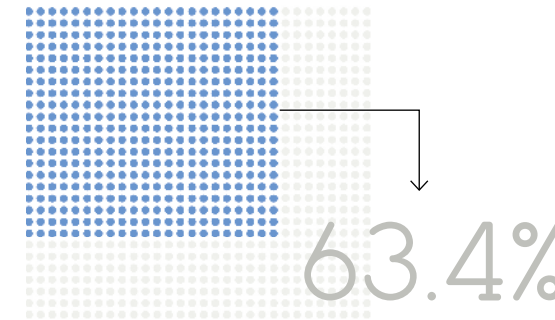


5

NO. OF PRODUCTS THAT WERE CHOSEN AS WORLD-LEADING PRODUCTS

We value what our customers imagine for a better life, and generate new value through better products.

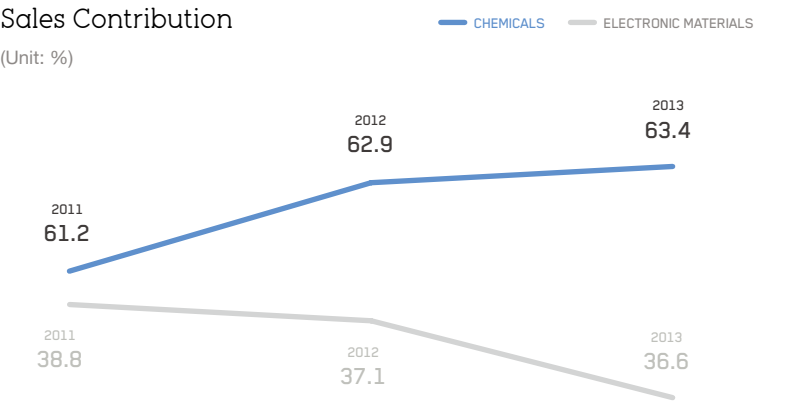
Samsung SDI Materials Division began its chemicals business by developing plastic synthetic resins, including ABS and PS, in 1988. We diversified our portfolio to include artificial marble and EP (Engineering Plastics), high value-added synthetic resins. In 2008, we completed the construction of our first polycarbonate (PC) plant at our Yeosu site. This was followed by a second PC plant in 2012, resulting in greater competitiveness for the high value-added EP business. Based on this infrastructure, we are becoming a company that specializes in cutting-edge plastic materials.



The percentage of Samsung SDI Materials Division's total sales accounted for by the Chemicals Division in 2013 – a year-on-year rise of 0.5%p

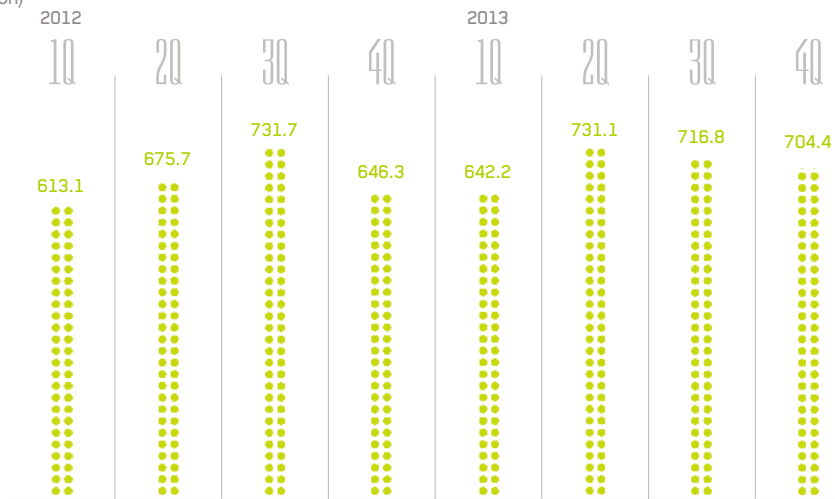
Sales Contribution

(Unit: %)



Quarterly Sales

(Unit: KRW billion)



2013 PERFORMANCE

With the full launch of operations at the second PC plant in 2013, we improved our market position, enabling us to record sales of KRW 2.8 trillion, a year-on-year increase of 4.8%. However, operating income saw negative growth due to a rise in some raw material prices and sluggishness in major downstream customer industries, including IT. In particular, there were no strong catalysts to stimulate demand for products, such as TVs and PCs. Smartphones have driven growth since the second half of 2011, but this sector has lost momentum due to concerns over market saturation, resulting in increased difficulties.

FUTURE PLAN

Steady economic improvements are expected in developed markets in 2014, but GDP growth in China, the largest market for our chemicals business, may slow, making a substantial recovery in demand less likely. However, we will aim to overcome obstacles and improve profitability by increasing the percentage of high value-added products, and by improving manufacturing competitiveness. We will also look to new business areas, such as materials for automobiles; this will diversify our business structure to be away from the concentration on external materials for IT products, enabling us to develop future growth drivers.

Key products

Resins for TVs

We enable high-class TVs to be produced with an elegant exterior through our flame-retardant ABS and PC resins, as well as with our top quality high gloss, scratch-resistant resins. We have the highest market share in the world for TV resins.

Resins for Monitors

We became the first company in the world to develop a non-halogen flame-retardant ABS resin. Samsung SDI Materials Division is the undisputed leader in resins for monitor exteriors, including flame-retardant PC/ABS and scratch-resistant resins.

Resins for OA

We have exclusive flame-retardant technologies. Our flame-retardant ABS, HIPS, and PC/ABS are the very best for the exteriors of OA devices. We have further strengthened the physical properties of our resins by reinforcing glass fibers, making them ever more suitable for OA devices used in both the home and the office.

Resins for Automobiles

We offer a diverse range of resins for the interiors and exteriors of automobiles, including ABS with added thermal resistance, weatherproof ASA, an ABS for plating that maximizes the metallic effects of the exterior, and a PC/PET with excellent thermal and impact resistance. Thanks to this wide array of high quality products, we are a major player in this business.

Resins for Refrigerators

Sheet ABS resin is a core component in the interiors of refrigerators. It has outstanding mechanical properties, sheet stability and vacuum sealing capabilities, enabling sophisticated sheet metal forming operations using just a thin sheet. The high chemical resistance of this ABS has expanded its range of applications, making Samsung SDI Materials Division the market share leader in sheet ABS for refrigerators worldwide.

Resins for Mobile Phones

Our mobile phone resins are suitable for small electronic devices because they offer excellent shock absorption and high workability. We have the highest market share in Korea in this market, and second globally. We are taking the lead in next-generation mobile phone resins by developing eco-friendly resins that use natural materials, such as corn starch.

Resins for Laptops

Our non-halogen flame-retardant PC/ABS and scratch-resistant resins were developed using our exclusive flame-retardant technology. These resins deliver high processability, superb mechanical properties, excellent post-processing, and a fine external appearance. This makes them perfect for mobile electronic devices, such as laptops.

Staron[®], the Artificial Marble Brand

Staron[®] is a cutting-edge construction material, developed in-house using our own technology, and is widely used for both home and office interiors. Staron has received ISO 9002, an international quality specification; ISO 14000, an international environmental management specification; and certification for NSF51 Food Zone use compliance. These certificates prove our product excellence, as well as professional capabilities and technological strengths in health and environmental science.

RESINS FOR AUTOMOBILES

in green light

Samsung SDI Materials Division is using its leading technology to develop high-performance and high value-added chemical materials for automobiles. We have a full line-up of resins for automobiles, ranging from materials used in the interiors and exteriors of automobiles to the materials for lighting and structures. We enhance our market competitiveness through customized product solutions.

PRODUCT LINE-UP

INTERIOR

Super Low Gloss ABS, Low Gloss PC/ABS, High Flow PC/ABS, High Stiffness PC/ABS/GF

EXTERIOR

Metal Plating Material, Weather-Resistant ASA, High Modulus PC/PET, High Flow and High Impact PC/PBT

LIGHTING

High Heat Resistant PBT Alloy, High Heat Resistant ABS, High Gloss-Low Gas PC/ABS

STRUCTURE

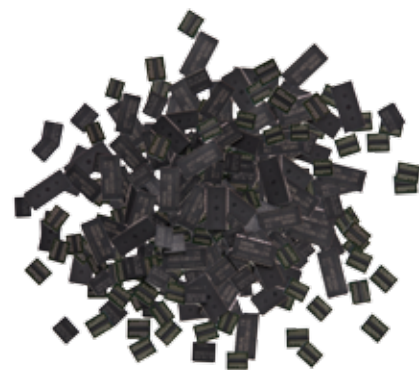
Conductive and High Heat Resistant PA/PPE/CNT, Dimensional Stability PBT/ASA/GF, Low Temperature Impact PC/PBT



ELECTRONIC MATERIALS

We innovate for life

We will continue to change and innovate in order to drive the company's growth and to lead the market, so that today's possibilities become tomorrow's reality.



3.0%

YEAR-ON-YEAR INCREASE IN SALES IN 2013



49.5%

PORTION OF EXPORTS TO TOTAL SALES

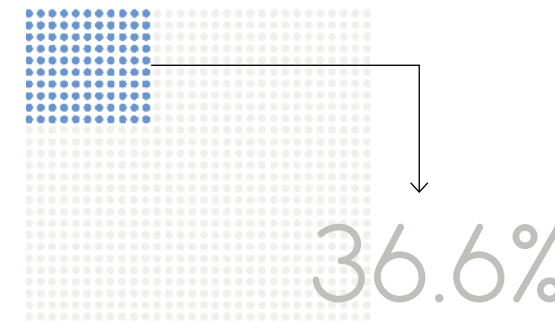


NO. 1

LEADING THE SOH MARKET, WITH A GLOBAL MARKET SHARE OF 53%

Backed by our state-of-the-art technology and expertise, we will shape the future of cutting-edge materials.

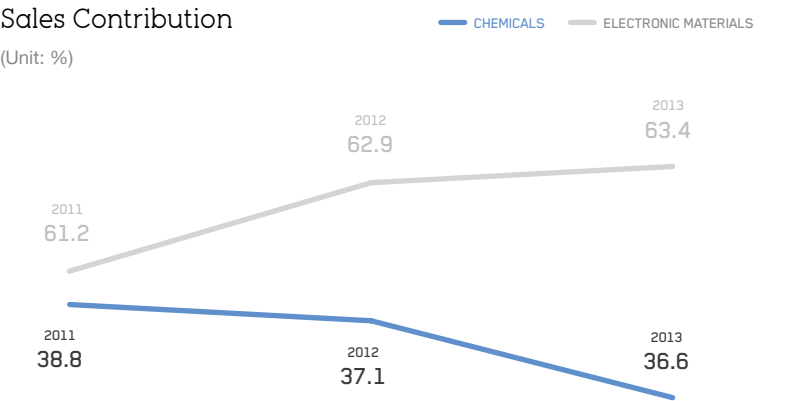
Samsung SDI Materials Division entered the electronic materials business in 1994 with the development of EMC. We began mass production of EMC (Epoxy Molding Compound) and CR (Color Resist) for LCDs in 2002, which was followed by the beginning of the development of OLED materials in 2009. Continued R&D investments into OLED materials led to the successful mass production of ETL (Electron Transport Layer) in 2013. We are solidifying our market dominance in existing markets, such as semiconductors and TFT-LCDs, and expanding into next-generation markets, such as OLED materials and secondary cells, based on innovative technologies and a commitment to quality.



The percentage of Samsung SDI Materials Division's total sales accounted for by the Electronic Materials Division in 2013 – a year-on-year decrease of 0.5%p

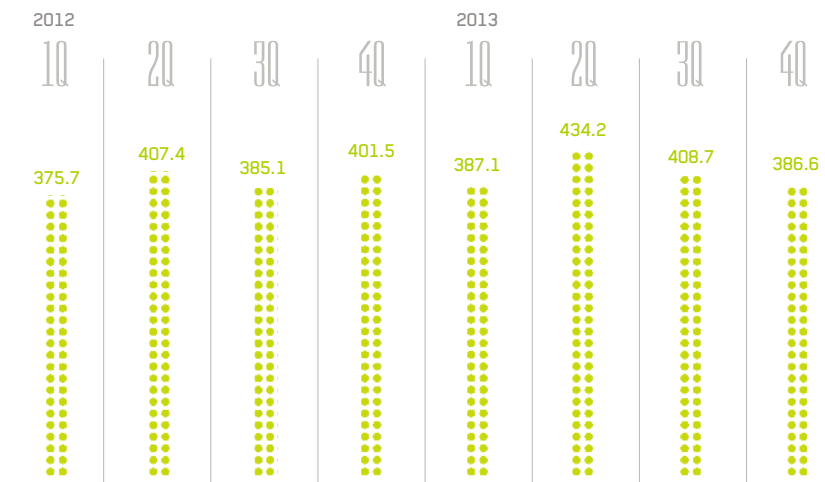
Sales Contribution

(Unit: %)



Quarterly Sales

(Unit: KRW billion)



2013 PERFORMANCE

To improve our business portfolio, we withdrew some non-competitive products and focused more on future success than short-term growth in 2013. As a result, we enjoyed some notable achievements in our new businesses, including increasing our share of the PV (Photovoltaic) paste market and building sales of key OLED materials. Thanks to these achievements, sales saw year-on-year growth of 3% to reach KRW 1.6 trillion. As part of our efforts to boost our competitiveness, we acquired Novaled, a German OLED company, and completed the full launch of our OLED materials business, which is expected to be an engine of future growth.

FUTURE PLAN

Samsung SDI Materials Division is establishing the foundations to grow into a world-leading specialist in electronic materials. To this end, we will follow up on opportunities in markets such as mobile IT devices and PV cells. We also plan to considerably expand our key OLED materials business, which saw the start of mass production of ETLs in 2013, to include photic layers and encapsulants. In addition, we will build a system for the timely development and supply of next-generation new materials.

Key products

PV (Photovoltaic) Paste

This device transforms photovoltaic energy into electric energy. It absorbs photovoltaic energy and creates an electric charge which then generates electric current. The electric energy created by this process is used in many ways, including power generation and in the home.

CR (Color Resist)

Color resist is used to manufacture color filters, which are core components in LCDs. CR consists of red, green, blue, black, and transparent materials. It creates various colors on display screens, including on TVs and computers, by making use of the principle that colors can be created by illuminating light on a formed color filter.

SOH (Spin-on Hardmask)

SOH is a membrane applied to the bottom of photoresists, and acts as a barrier in the follow-up etching process. SOH helps the circuit to transfer to the desired membrane, thus increasing the accuracy of detailed patterns.

SOD (Spin-on Dielectrics)

SOD is a material used for insulation within the transistors inside a memory chip, insulating between the different areas or layers of those transistors.

OLED Materials

These materials are used in OLED displays. They include organic materials such as ETL (Electron Transfer Layer) and GPLH (Green Phosphorous Host Layer), and TFE (Thin Film Encapsulation), which is an encapsulation that protects OLED devices from factors in the external environment such as moisture or air.

EMC (Epoxy Molding Compound)

EMC effectively protects semiconductor circuits from factors in the external environment such as moisture, heat, and shock. Its main components are epoxy resin, hardener, silica, and additive. It has diverse uses, including in memory, system LSI, and discrete devices.

Polarizers

Polarizers adjust the direction of light by controlling the blocking out and penetration of light according to electronic signals in LCD panels. They consist of an optical film with three types of raw material films attached.

OLED MATERIALS

grow in dark

Our cutting-edge materials are now used in displays that customers could only ever dream of. These range from amazingly slim LCDs that can deliver higher resolution to flexible displays that can be bent or even folded, and OLEDs that emit light independently. We will continue to achieve strong growth by focusing on developing the key materials for future displays.

ADVANTAGES OF OLED

- Emits light without a backlight in the panel
- Innovatively slimmer display
- More natural colors
- An eco-friendly display with outstanding power-saving
- Display does not change whatever the viewing angle
- Quick response
- Highest-quality resolution, unaffected by ambient temperature



RESEARCH & DEVELOPMENT



8.1%

YEAR-ON-YEAR
INCREASE IN R&D
EXPENDITURE



672 PERSONS

R&D WORKFORCE
AS OF DECEMBER
31, 2013



Research & development nurture new growth. We took our first steps as a materials specialist in 2013 after selling our fashion business, and we aim to lead the next-generation materials market by focusing on R&D.

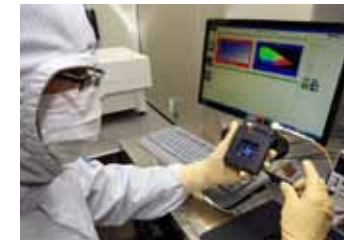
We develop world's first and best products and technologies through continued investment in R&D and the recruitment of excellent research personnel. The number of R&D experts at Samsung SDI Materials Division has continued to increase, and reached 672 at the end of December 2013, accounting for approximately 18% of the Division's total personnel. Investments in R&D are also increasing, with R&D investments of KRW 174 billion in 2013, a year-on-year increase of 8%. The financial resources raised by transferring the fashion business will mostly be used for R&D and facility investments, making our company a 'First Mover' rather than a 'Fast Follower'.

Our R&D competitiveness was further strengthened by the acquisition of Novaled, a world-leading OLED materials company in which R&D experts comprise more than 60% of total personnel. We expect to generate synergy between Novaled's source technologies that maximize the efficiency of the common layer materials of OLEDs and our outstanding capabilities in manufacturing and synthesis.

R&D Organization

Chemicals

Samsung SDI Materials Division established the Chemical R&D Center in 1988, when we first launched our chemicals business. The Center has a particular focus on developing high value-added, high function and distinctive new products. This focus has led to a total of 1,500 patent applications over the last 22 years. We have successfully developed new products in various fields, including the world's first eco-friendly, halogen-free, flame-resistant ABS resin; ABS resin for ultra-thin refrigerator sheets; flame-resistant HIPS and high-impact HIPS; and PC for the exterior materials of mobile phones. We now concentrate on developing next-generation products to overcome current technological limitations, including heat-conductive resins and highly heat-resistant nylon resins. We also carry out research on key basic technologies, such as polymerization and compounding. As of now, the Development Team under the Chemicals Division is engaging in more segmented and professional research.



Electronic Materials

Each Material Development Team under the Electronic Materials Division serves as a 'think tank' for the electronic materials business, strengthening R&D fundamentals and technological innovation as well as developing new products. Our R&D covers many key materials, including semiconductor patterning materials, packaging materials, display materials, and PV (Photovoltaic) cell materials. We are also actively developing next-generation products, including flexible display materials, AMOLED materials, and separators for secondary cells. The Electronic Materials Division will continue to recruit the best R&D experts, and will operate a co-operative council to bring together development, production, quality, marketing, and sales personnel, to streamline and focus our R&D efforts and to create new markets.

Major R&D Achievements in 2013

CHEMICALS

High performance materials for mobile phones

We reinforced our dominance of the mobile phone and tablet PC markets by developing new materials for smartphones and by expanding our line-up of high strength materials.

Flame-resistant material for OAs We developed a next-generation flame-resistant material, expanding market dominance.

Material for LED reflectors The development of an LED reflector material enabled us to enter the overseas TV market and the LED lighting market.

Highly weatherproof automotive and industrial material We developed a material with improved weather resistance, thus reinforcing our position in the automotive and construction market.

High surface quality home appliance and automotive material We expanded our product range by developing a high performance material to be used on the exteriors of home appliances and automobiles.

High surface quality & high modulus material for TVs We successfully developed a material that can replace metal, boosting our competitiveness in the TV market.

Membrane for water purification The development of membrane materials for public water purification and industrial water treatment has enabled the expansion of our water purification business.

ELECTRONIC MATERIALS

Electrode material for PV cells We developed a high-resistance front electrode material, which has expedited the development of highly efficient PV cells.

Polarizer for TVs We expanded the polarizer product group, contributing to increased sales.

Fast curable DAF We improved our competitiveness in existing markets, and made inroads into the DAF market for thin wafer.

LED encapsulant We have developed a highly reliable LED encapsulant, securing a sales foundation.

ACF (Anisotropic Conductive Film) We successfully developed an ACF that no longer requires certain environmentally harmful substances.

PATENTS

(Unit: No. of Patents)

	2013	2012	2011
Applications			
Domestic	463	384	340
Overseas	301	187	166
Registrations			
Domestic	315	139	82
Overseas	125	103	91

**WE DO NOT ONLY
TALK: WE WALK THE
TALK, WORKING ON
NEW, SUSTAINABLE
SOLUTIONS. WE
ARE COMMITTED TO
MAKING A BRIGHTER
FUTURE, NOT JUST
IN WORDS BUT IN
DEEDS.**

OUR RESPONSIBILITY
ACTION

SUSTAINABILITY MANAGEMENT



VISION	TOP TWO VALUES	THREE AREAS
<ul style="list-style-type: none"> 'Global Top' in Green Management 	<ul style="list-style-type: none"> Pursuing sustainable growth Practicing social responsibility 	<ul style="list-style-type: none"> Conserve resources and reduce energy use and greenhouse gas emissions Set the standard for and take the lead in global green management Prevent environmental safety accidents and secure business continuity

SHARE
our success



READY for
business ethics

SET higher standards

Samsung SDI undertakes an extensive range of socially responsible activities, covering economic, social, and environmental value, in order to achieve sustainable growth in partnership with all our stakeholders. In terms of economic value, we are becoming one of the global leading advanced materials specialists by developing state-of-the-art materials and offering distinctive services. To generate social value, we engage in a wide range of social contribution activities with our local communities and pursue joint growth with our partner companies, to promote the wider public interest. Furthermore, we actively respond to the environmental issues that are vital for the prosperity of the whole planet.

As a sustainable company generating distinctive economic, social, and environmental value, we will expand the scope of our socially responsible activities, based on our belief that sustainability management must form the basis of the continued, long-term growth of the company. This will open the door to a sustainable future for all of our stakeholders.

ETHICAL MANAGEMENT

We will ensure sustainable growth by earning the trust of our stakeholders through ethical and responsible management.

Legal regulation of companies is strengthening, and there is increased social demand for transparent corporate management. This means that a company's ethical responsibilities are emphasized as much as their legal responsibilities. Management by principle is our core value, with strict observance of both laws and ethics. Based on the management philosophy of 'contributing to humankind by creating top quality and services through talent and technology', we place great emphasis on fair and transparent corporate management. And all staff at Samsung SDI are required to strictly observe all laws and regulations in carrying out their work. By doing so, we are reinforcing a relationship of trust with stakeholders, and also enhancing our corporate value.



ETHICAL MANAGEMENT SYSTEM

Audit Team | Dedicated to Ethical Management

The Audit Team is responsible for our ethical management. To ensure its impartiality, it reports directly to the CEO and is strictly independent. It investigates any allegations of corruption, and provides ethical management training to staff. The Team also operates a 'Cyber Audit Team' linked to the company intranet; this sets out clear criteria and guidelines in relation to corruption.

Legal Affairs Group | Compliance Program

Samsung SDI Materials Division adopted its Compliance Program in 2006 to prevent any collusion or unfair trading, establishing a criteria for compliance. We are making compliance an intrinsic value shared throughout the company through four steps: establishing compliance criteria and procedures; training; inspection and monitoring; and reporting and

evaluation.

To formulate compliance criteria and procedures, we have created a manual that specifies compliance procedures and codes of conduct. We have documented major regulations, and created a work inspection checklist. The CEO sends a message to staff every month to encourage them to receive compliance training, and training is offered both online and offline to all employees to teach them about the Fair Trade Act. Internal checklists have been integrated to allow compliance inspection and monitoring, which in turn allows each department to examine its compliance status autonomously. Any corrective measures required are put into place after a report is submitted, and after getting feedback. At the report and evaluation stage, a report is made on each process and its outcome, thus resulting in the continual strengthening of our compliance systems.

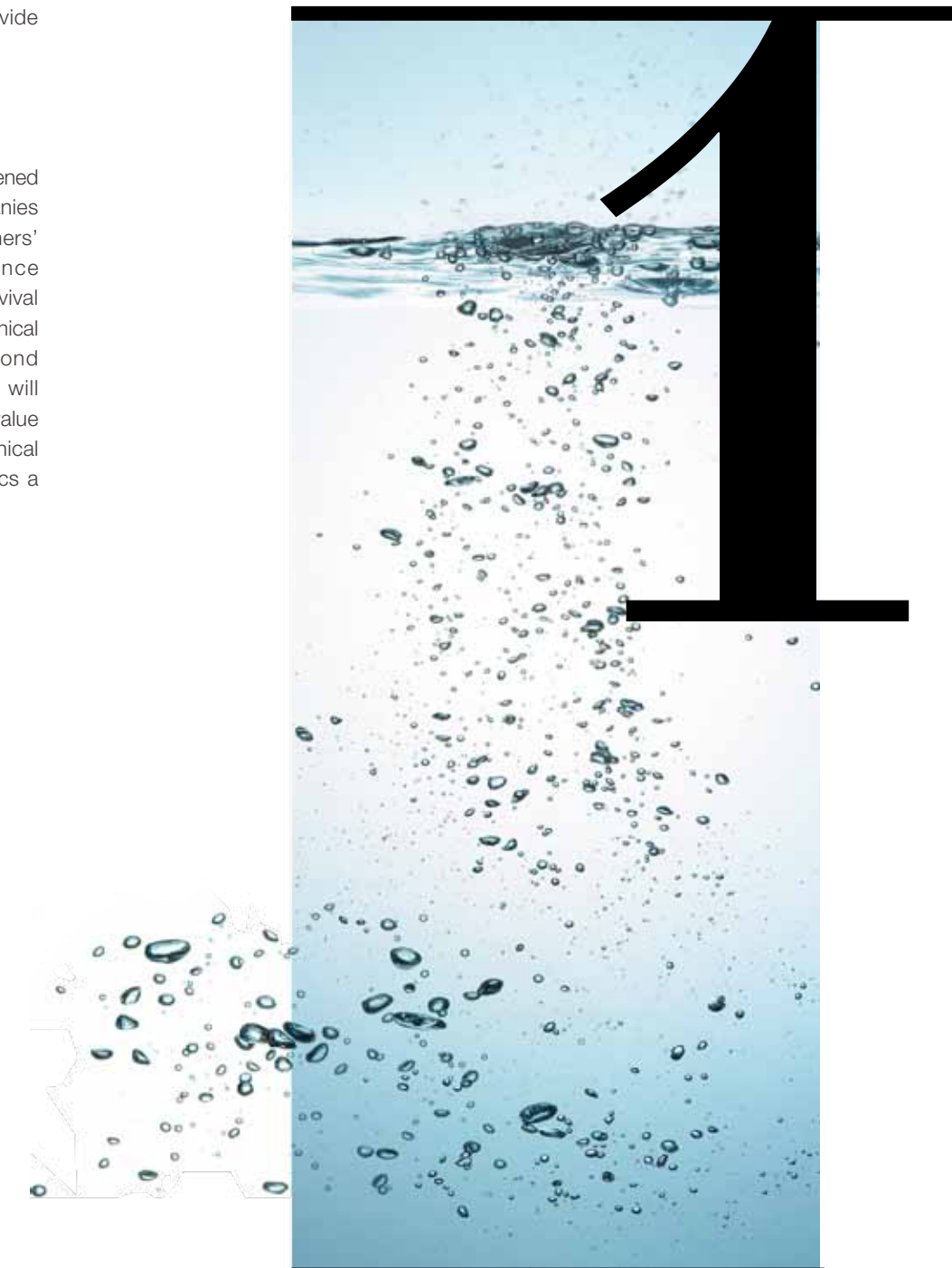
Cooperation-Coexistence Secretariat | Win-Win with Partner Companies

In addition to expanding the scope of our ethical management to include partner companies, Samsung SDI Materials Division is looking into ways to achieve joint growth with them. The Cooperation-Coexistence Secretariat helps partner companies by providing funding, technology, personnel, and training support. The win-win cooperation fund provides financial support to outstanding partner companies to help them purchase facilities, and we have improved our payment conditions to support our small- to mid-sized suppliers. We are expanding job training for partner companies, increasing joint overseas business, and providing free support in relation to patents. To ensure transparent trading with partner companies, we comply with four major guidelines, use standard contracts for subcontracting, and have strengthened our compliance monitoring system. To promote communications, we operate a portal site, hold regular

meetings with our partner companies, and provide them with a means to voice their complaints.

ETHICAL MANAGEMENT CULTURE

Legal regulations on companies are being strengthened across the globe, and, more importantly, companies that do not abide by the law are losing customers' trust. This means that ethical and compliance management are now essential in corporate survival and development. We will therefore expand our ethical and compliance management. By going beyond mere observance of laws and regulations, we will gain the trust of stakeholders and enhance the value of our company. Increasing the scope of our ethical management will make the highest levels of ethics a part of the culture at Samsung SDI.



HUMAN RESOURCES MANAGEMENT

Our talented staff can shine inside an open corporate culture which places the highest value on our human resources.

Samsung SDI wants the very best in talent – the kind of people who strive to become the world's best through real passion and a spirit of challenge; people with the right ethical mindset and behavior; people who take the lead in change and innovation; and people committed to the joint prosperity of local communities, countries, and the whole humankind. Talent like this can determine a company's future, and can even be a driving force to change the world. We recruit talent impartially, and provide a working environment in which employees can enjoy their work and discover opportunities for personal and professional growth. This ensures that our company can seize new opportunities in sharply changing global markets.



CORPORATE CULTURE

Communication through Open Channels

An open corporate culture is a prerequisite for a creative workplace. Samsung SDI Materials Division opened the ILMO Talk site in 2010 to promote internal communications, and revamped it in December 2013. The mobile version was launched in 2014, so that staff can exchange creative ideas from anywhere, and at any time. In addition, we have established the OASIS counseling office, where professional counselors provide individual and group counseling for staff.

An Open Workplace to Enhance Creativity

In 2010, the Chemical Research Center became the first part of our business to adopt flexible working hours. This has subsequently been expanded to all business sites, and now all our employees can use their time flexibly and efficiently. This has resulted in substantial improvements in productivity levels, as well as helping to create an open and creative corporate culture.

A Great Workplace based on Trust and Pride

We established the GWP (Great Work Place) system to promote trust among all staff, to build self-esteem, and to create an enjoyable work environment. The system is used for the company-wide integration and management of corporate culture activities. GWP promotes institutional improvements in areas such as human resources, management, and support, and offers opportunities for voluntary staff participation in creating a better corporate culture.

A Happy Workplace that Cares for the Family

We are committed to family-friendly management. We have therefore established family-centered programs, to help our staff maintain the right balance between work and family life. As part of these efforts, we hold a Movie Day each month, inviting employees' families to enjoy free food and watch a movie. On the annual Children's Day, there is a major family festival, and we also have an expectant mother registration system which protects the rights of our female staff in relation to pregnancy, childbirth, infant care and their return to work. Our expectant mother registration system looks after our female workers throughout pregnancy, child birth, and child rearing and provides birth and baby supplies as gifts. In 2013, we opened the 'Ilmorang Airang', a day-care center for the children of staff, near our Uiwang business site, in order to help our staff to achieve a good balance between work and child care. In addition, a responsible drinking campaign throughout the Samsung Group and at the corporate level encourages staff to spend time with their families after work. These efforts led to the former Cheil Industries being chosen by the Ministry of Gender Equality & Family as a family-friendly company in December 2013.

RECRUITMENT AND COMPENSATION SYSTEMS

We undertake a regular new employee recruitment process twice every year, in the first and second half of the year. We also hire experienced employees

according to need. New employees join an environment which offers many chances to demonstrate their capabilities, and one in which they will enjoy opportunities for further career development and growth. We pay salaries according to criteria that ensure all staff are impartially evaluated based on their performance. Bonuses are also paid, with performance-based compensation being the basic principle.

HUMAN RESOURCES DEVELOPMENT PROGRAMS

We strive to develop the best personnel – those who are able to work globally, be outstanding leaders, and with a strategic way of thinking. We therefore offer a wide range of training programs that are designed for each individual's requirements. Our system for HRD (Human Resources Development) consists of SVP (Samsung Shared Value Program), SLP (Samsung Business Leadership Program), SGP (Samsung Global Talent Program), and SEP (Samsung Business Expert Program). SVP aims at sharing the management philosophies and values of Samsung and Samsung SDI, and helps staff develop the knowledge and skills needed at different levels of seniority. SLP builds next-generation leaders and includes management training, support for MBAs, and courses on creative expertise. To develop global talent, SGP concentrates on regional expertise and foreign language skills. SEP focuses on systematic training based on an individual's role and seniority.



SOCIAL CONTRIBUTIONS

We believe that sharing, and giving back to communities and wider society, is an integral part of being a truly successful company.

Our vision for corporate social responsibilities is to 'create a harmonious society and strive to be a company that is trusted and liked'. We therefore undertake volunteer activities, from new recruits to the CEO, as well as strategic social contribution activities that are carried out at the company level. This creates positive energy, builds staff morale, helps the company's sustainable growth, and promotes a win-win relationship with local communities. The company's core philosophy of pursuing win-win partnerships combines successfully with our social contribution activities to spread the value of sharing. We are thus planting the seeds for a better tomorrow around the world.



SOCIAL CONTRIBUTION ORGANIZATION

Samsung SDI Materials Division conducts social contribution activities based on its professional and systematic organizations and talent. We have designated a social volunteer team at each business site, including our sites in Uiwang, Suwon, Gumi, Yeosu, and Ochang, and we have volunteer leaders to organize local social contributions. We will continue our social contribution activities and expand our culture of sharing.

SOCIAL CONTRIBUTION HIGHLIGHTS

Growing Together

Helping children, the future of our world, is a commitment we are proud to make for a sustainable future. We provide various education opportunities to children and teenagers who need a helping hand. Our 'Raising' activities include 'Teenagers' Dream Raising Company', an education program for future career; 'Community Child Center Hope Raising Company', which provides after-school programs for children from under-privileged backgrounds; and our 'Talent Raising Company', which develops the artistic talents

of disabled children. The 'Talent Raising Company', in particular, goes beyond the conventional scope of support, to offer support to disabled children who are talented at music and sports, but previously had to give up on their dreams because of financial difficulties.

Green Together

There is a growing interest in environmental campaigns to keep our planet healthy and beautiful. Samsung SDI Materials Division cares for the environment through its 'Creating a Green World through Sharing' campaign, which is carried out in partnership with the Beautiful Store. In particular, we have connected our environmental education contest with our volunteer festival, which is held annually on the anniversary of our founding. This public interest campaign brings together the spirit of sharing, the environment, and education. In addition to the environmental festival, we support children from low-income families who are suffering from atopic dermatitis, which is caused by endocrine disrupters. We also undertake activities which improve the environment in our local communities, in order to share the value of being 'green together'.

Happy Together

The 141 volunteer teams of Samsung SDI Materials Division have established ties with 75 welfare facilities across Korea, and undertake regular volunteer activities in close connection with our local communities. Our 'Neighborhood Donation' program, which every staff belongs to, donates more than KRW 400 million every year to social facilities. We enjoy being a companion in local communities, including holding concerts for the under-privileged and by providing integrated welfare services such as environmental, cultural, and medical services in areas in need. One of our leading volunteer activities is the 'Nanuri Marathon', which offers financial support to students from low-income families to help pay their college admission fees. It is held every year in Uiwang, Gyeonggi Province, where the Samsung SDI Materials Division's R&D Center is

located. More than 900 employees take part in the marathon every year; the funds they raise and donate are combined with funds that the company contributes through a matching grant system. As of the end of 2013, the Nanuri Marathon had raised a total of KRW 193 million for 69 new college students.



FINANCIAL REVIEW

2013

Summary of Performance

MANAGEMENT'S DISCUSSION & ANALYSIS

In 2013, the global economy saw low growth, mainly attributable to the slow recovery in developed economies and sluggish growth in major emerging countries. Both consumption and investments fell or saw limited growth across the globe. Currency-easing policies in some developed economies resulted in greater uncertainty as a result of rapid changes in exchange rates. The IT market, our company's main upstream industry, stayed weak, with no major factors to stimulate demand for TVs, PCs, etc. In addition, there were signs that the smartphone market, which had led recent growth in the IT market, had reached saturation point, thus limiting the potential for growth.

Despite these difficulties, however, Samsung SDI Materials Division has continued to make steady efforts to become a global advanced materials company. We focused on long-term competitiveness rather than just short-term performance. We therefore acquired Novaled, a German OLED company, and completed the launch of our OLED business. The Fashion Division was transferred to Samsung Everland, which gave us the investment funds needed to strengthen the materials business. With our corporate structure more suited to the high value-added materials business, we posted sales of KRW 4,411.1 billion, a year-on-year increase of 4.1%. However, sluggish demand in the IT market and lower profitability in the chemicals business resulted in a year-on-year fall of 18.6% in operating income.

Our summarized statement of income is as follows:

Summarized Statement of Income

(Unit: KRW million)

	2013	2012	Change	Change (%)
Sales	4,411,107	4,236,551	174,556	4.1
Cost of sales	3,593,512	3,472,390	121,122	3.5
Gross profit	817,595	764,161	53,434	7.0
Selling and other expenses	622,189	524,162	98,027	18.7
Operating income	195,406	239,999	(44,593)	(18.6)
Non-operating profit (loss)	1,982	(22,887)	24,869	Turned into a surplus
Income before income tax	197,389	217,111	(19,722)	(9.1)
Income tax expense	46,758	57,498	(10,740)	(18.7)
Profit from continuing operations	150,631	159,613	(8,982)	(5.6)
Profit from discontinued operations	104,401	49,147	55,254	112.4
Net income	255,032	208,760	46,272	22.2
Owners of the parent company	256,611	208,624	47,987	23.0
Non-controlling interests (loss)	(1,579)	136	(1,715)	Turned into a deficit
Earnings per share attributable to the owners of the parent company				
Continuing operations and discontinued operations				
Basic earnings per share (KRW)	5,072	4,124	948	23.0
Diluted earnings per share (KRW)	5,070	4,113	957	23.3
Continuing operations				
Basic earnings per share (KRW)	2,999	3,152	(153)	(4.9)
Diluted earnings per share (KRW)	2,998	3,143	(145)	(4.6)

Analysis of Profitability

Sales were up 4.1% year-on-year to KRW 4,411.1 billion. This was attributable to a strong market position in the chemicals business as a result of beginning the full operation of our second polycarbonate (PC) line, originally established in 2012, as well as an increased market share in PV (Photovoltaic) cell paste and increased sales of new materials.

The cost of sales ratio fell slightly, but the selling and administrative expenses ratio rose by 1.7%p, which had a negative effect on profitability. Selling expenses were up KRW 19.7 billion year-on-year, mainly due to paying M&A-related fees. Administrative expenses were up KRW 54.9 billion as a result of increased amortization expenses on intangible assets, an outcome of discarding old inventory, and a temporary increase in personnel expenses, attributable to the payment of extra bonuses. Ordinary R&D expenses increased by KRW 23.4 billion year-on-year.

(Unit: KRW million)

	2013	2012	Change	Change (%)
Sales	4,411,107	4,236,551	174,556	4.1
Cost of sales	3,593,512	3,472,390	121,122	3.5
Cost of sales ratio (%)	81.5	82.0		(0.5%p)
Selling expenses	156,882	137,172	19,710	14.4
Administrative expenses	296,638	241,751	54,887	22.7
Ordinary R&D expenses	168,669	145,239	23,430	16.1
Selling and administrative expenses ratio (%)	14.1	12.4		1.7%p
Operating income	195,406	239,999	(44,593)	(18.6)
Operating profit margin (%)	4.4	5.7		(1.3%p)
Profit from continuing operations	150,631	159,613	(8,982)	(5.6)
Net profit margin (%)	3.4	3.8		(0.4%p)
Return on equity (%)	4.9	4.9	-	-

Analysis of Performance by Business Division

The Chemicals Division improved its market position in 2013, mainly through the success of our high value-added chemical products. This led to sales of KRW 2,794.5 billion, a year-on-year increase of 4.8%. However, profitability fell as a result of sluggishness in downstream industries and increases in raw material prices. Operating income thus fell 50.4% from the previous year.

The Electronic Materials Division posted sales of KRW 1,616.6 billion, a year-on-year increase of 3.0%. This was the result of increased market share for major products and contributions from the OLED business, and despite the withdrawal of some of our less competitive products from the market. Operating income, however, fell by 2.1%, mainly as a result of weaker profitability on some display materials because of continued sluggishness in the IT industry.

(Unit: KRW billion)

	2013	2012	Change	Change (%)
Chemicals Division				
Sales	2,794.5	2,666.8	127.7	4.8
Operating income	40.6	81.8	(41.2)	(50.4)
Electronic Materials Division				
Sales	1,616.6	1,569.7	46.9	3.0
Operating income	154.8	158.2	(3.4)	(2.1)

Analysis of Non-operating Profit/Loss

Non-operating profit improved by KRW 24.9 billion year-on-year, attributable to reduced losses on the valuation of investments in associates, and profits on foreign currency transactions. As a result, income from continuing operations was down by only 5.6% year-on-year, compared to the 18.6% decrease in operating income.

(Unit: KRW million)

	2013	2012	Change
Non-operating profit (loss)	1,982	(22,887)	24,869
Profit (loss) on valuation of investments in associates	(6,606)	(15,067)	8,461
Financial profit (loss)	(29,142)	(45,055)	15,913
Interest profit (loss)	(35,669)	(33,013)	(2,656)
Profit (Loss) on foreign currency transactions	6,919	(9,364)	16,283
Profit (Loss) on foreign currency translation	(2)	(2,678)	2,676
Guarantee fees	(390)	0	(390)
Other non-operating profit (loss)	37,730	37,235	495

Financial Structure

Our summarized statement of financial position is as follows:

[Summarized statement of financial position](#)

(Unit: KRW million)

	2013	2012	Change	Change (%)
Total assets	4,987,794	5,418,572	(430,778)	(8.0)
Current assets	1,882,850	1,836,933	45,917	2.5
(Assets held for sale)	40,755	0	40,755	N/A
Non-current assets	3,104,944	3,581,639	(476,695)	(13.3)
Total liabilities	1,896,970	2,161,141	(264,171)	(12.2)
(Total debt)	1,120,842	1,269,453	(148,611)	(11.7)
(Net debt)	200,538	1,122,994	(922,456)	(82.1)
Current liabilities	1,002,130	1,003,718	(1,588)	(0.2)
(Liabilities directly related to assets held for sale)	6,657	0	6,657	N/A
Non-current liabilities	894,840	1,157,423	(262,583)	(22.7)
Total shareholders' equity	3,090,824	3,257,431	(166,607)	(5.1)
Equity attributable to the owners of the parent company	3,037,982	3,254,303	(216,321)	(6.6)
Capital stock	262,188	262,188	0	0.0
Other contributed capital	396,353	419,595	(23,242)	(5.5)
Revaluation reserve	231,884	231,884	0	0.0
Accumulated other comprehensive income	397,710	802,738	(405,028)	(50.5)
Retained earnings	1,749,847	1,537,898	211,949	13.8
Non-controlling interests	52,842	3,128	49,714	1,589.3
Current ratio (%)	187.9	183.0		4.9%p
Debt-to-equity ratio (%)	61.4	66.3		(4.9%p)
Net debt-to-equity ratio (%)	6.5	34.5		(28.0%p)
Total debt-to-total assets ratio (%)	22.5	23.4		(0.9%p)

Total assets at year-end 2013 were down by KRW 430.8 billion year-on-year, to KRW 4,987.8 billion. This was mainly due to a reduction in the valuation of available-for-sale financial assets.

Current assets saw year-on-year growth of 2.5% to reach KRW 1,882.9 billion. While there was not a significant change in the amount, there was, however, a considerable change in the composition of current assets. Short-term financial instruments were up by KRW 810.6 billion, the result of the inflow of funds from selling the Fashion Division, while there was a KRW 767.5 billion reduction in accounts receivable and inventories.

Cash Flows

Non-current assets fell by 13.3%, attributable to decreases of KRW 540.7 billion in available-for-sale financial assets and KRW 134.6 billion in tangible assets, despite an increase of KRW 281.8 billion in intangible assets. The increase in intangible assets is attributable to business rights that arose from the acquisition of Novaled. Tangible assets decreased KRW 134.6 billion year-on-year, contributed by the sale of the Fashion Division and facility investments, KRW 504.6 billion and KRW 370 billion, respectively.

Total liabilities saw a year-on-year decrease of KRW 264.2 billion to stand at KRW 1,897 billion. Short-term borrowings rose by KRW 54.7 billion to reach KRW 412.5 billion, including liquid alternatives of KRW 237.9 billion. Long-term borrowings fell by KRW 203.4 billion to stand at KRW 708.3 billion, the result of using the cash acquired after transferring the Fashion Division for corporate bond redemptions.

The current ratio increased 4.9%p to 187.9%, while the debt-to-equity ratio fell by 4.9%p to 61.4%. Net debt fell by KRW 922.5 billion, and the net debt-to-equity ratio saw a year-on-year decrease of 28.0%p. It is clear that the sale of the Fashion Division has led to a substantially improved financial structure.

Our summarized statement of cash flows are as follows:

[Summarized Statement of Cash Flows](#)

(Unit: KRW million)

	2013	2012	Change
Cash flows from operating activities	472,149	112,244	359,905
Cash flows from investing activities	(387,957)	(478,811)	90,854
Cash flows from financing activities	(121,285)	384,977	(506,262)
Net increase (decrease) in cash and cash equivalents	(37,093)	18,410	(55,503)
Cash and cash equivalents, beginning of year	113,459	96,432	17,027
Effect of exchange rate changes on cash and cash equivalents	328	(1,383)	1,711
Cash and cash equivalents, end of year	76,694	113,459	(36,765)
Cash flows from operating activities / Total assets (%)	9.5	2.1	7.4%p

In 2013, cash inflows from operating activities were KRW 472.1 billion, a year-on-year rise of KRW 359.9 billion as a result of the decline in operating assets from the sell-off of the Fashion Division. Cash outflows from investing activities were down by KRW 90.8 billion to stand at KRW 388 billion. Cash flows from financing activities shifted from an inflow of KRW 385 billion to an outflow of KRW 121.3 billion, owing to less financing through the issuance of debentures and an increase in short-term borrowing redemptions, despite an increase in short-term borrowings.

Dividend Policy

There is increasing uncertainty in our business environment, mainly attributable to lower growth in China and a limited recovery in demand in the IT industry. We are also planning major investments in our materials business. The former Cheil Industries distributed a dividend of KRW 750 per share in 2013, the same as the previous year.

	2013	2012	2011
Net income (KRW billion)	269.1	240.9	241.1
Dividends (KRW billion)	37.8	38.0	37.9
Dividend per share (KRW)	750	750	750
Standard stock price (KRW)	87,100	94,375	101,300
Payout ratio (%)	14.0	15.8	15.7
Market dividend rate (%)	0.9	0.8	0.7

* K-IFRS non-consolidated basis

Future Outlook

The global economy is expected to grow steadily in 2014, driven by the economic recovery in developed countries. However, we are not expecting a substantial recovery in demand for our products, as GDP growth in China, the largest market for our chemicals business, is not as strong as before, and only a slight recovery in the IT industry is anticipated.

This business environment could restrict growth in the chemical sector, so we will focus on improving profitability by increasing sales of high value-added products and improving our manufacturing competitiveness. Our electronic materials business will focus mainly on markets with strong growth potential, including mobile IT devices and PV cells. We also plan to expand our OLED business and move forward with the development of new, next-generation materials.

By focusing our efforts on improving the competitiveness of our materials business and developing drivers for mid- to long-term growth, we aim to accomplish our goal of becoming a global leading advanced materials company. The merger with Samsung SDI, completed in July 2014, will make the newly-formed company a global leader in eco-friendly materials and energy. This merger will enable both companies to achieve continued growth by bringing together their core strengths, thus maximizing shareholder value.

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

AS OF DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	₩ 76,694,222	₩ 113,459,358
Short-term financial instruments	843,610,433	33,000,000
Trade receivables	374,107,740	624,313,746
Due from customers for contract work	48,194	-
Loans and other receivables	70,939,990	78,621,922
Inventories	391,884,299	909,186,532
Current tax assets	17,787,051	322,899
Other current assets	67,023,410	78,028,509
Non-current assets held for sale	40,754,791	-
Total current assets	1,882,850,130	1,836,932,966
Non-current assets:		
Long-term financial instruments	292,287	-
Long-term trade receivables	489,376	5,048,845
Long-term loans and other receivables	25,239,307	90,145,261
AFS financial assets	674,841,512	1,215,513,471
Investments in associates	96,593,719	98,781,558
Property, plant and equipment	1,561,442,490	1,696,022,149
Intangible assets	744,638,407	462,874,122
Deferred income tax assets	1,325,481	3,454,938
Other non-current assets	81,522	9,798,640
Total non-current assets	3,104,944,101	3,581,638,984
Total assets	₩ 4,987,794,231	₩ 5,418,571,950

CONSOLIDATED STATEMENTS OF INCOME

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

AS OF DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	₩ 235,133,352	₩ 240,797,547
Due to customers for contract work	621,159	1,467,291
Other payables and debts	217,697,973	277,424,150
Short-term borrowings	174,592,365	252,281,104
Current maturities of long-term debts	237,939,816	105,495,494
Provisions	175,845	4,771,391
Deferred income	-	18,281,009
Income tax payable	1,592,315	46,162,190
Other current liabilities	127,719,995	57,037,758
Liability directly associated with assets held for sale	6,657,040	-
Total current liabilities	1,002,129,860	1,003,717,934
Non-current liabilities:		
Long-term incentives	6,206,250	13,670,435
Long-term borrowings	9,749,014	14,089,214
Debentures	698,561,247	897,587,605
Net defined benefit obligation	14,354,953	37,141,790
Deferred tax liabilities	164,770,386	194,563,555
Long-term other payables and debts	1,198,509	370,411
Total non-current liabilities	894,840,359	1,157,423,010
Total liabilities	1,896,970,219	2,161,140,944
Shareholders' equity:		
Equity attributable to the owners of the parent company		
Capital stock	262,188,255	262,188,255
Other contributed capital	396,352,533	419,594,931
Revaluation reserve	231,884,465	231,884,465
Accumulated other comprehensive income	397,709,634	802,737,675
Retained earnings	1,749,847,428	1,537,898,007
	3,037,982,315	3,254,303,333
Non-controlling interests	52,841,697	3,127,673
Total shareholders' equity	3,090,824,012	3,257,431,006
Total liabilities and shareholders' equity	₩ 4,987,794,231	₩ 5,418,571,950

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand, except per share amounts)	2013	2012
SALES	₩ 4,411,106,857	₩ 4,236,550,758
COST OF SALES	3,593,511,796	3,472,389,638
GROSS PROFIT	817,595,061	764,161,120
Selling expenses	156,882,377	137,172,424
Administrative expenses	296,637,911	241,751,412
Research and development expenses	168,668,699	145,238,707
	622,188,987	524,162,543
OPERATING INCOME	195,406,074	239,998,577
NON-OPERATING INCOME		
Gain on valuation of investments in associates	2,934,933	729,263
Financial income:		
Interest income	5,946,659	3,450,745
Gain on foreign currency transactions	65,893,690	41,037,060
Gain on foreign currency translation	2,302,505	6,043,695
	74,142,854	50,531,500
Other non-operating incomes	56,584,308	52,293,609
	133,662,095	103,554,372
NON-OPERATING EXPENSES		
Loss on valuation of investments in associates	9,541,107	15,796,023
Financial expense:		
Interest expense	41,615,994	36,463,634
Loss on foreign currency transactions	58,974,172	50,401,039
Loss on foreign currency translation	2,304,540	8,721,739
Guarantee commission	390,455	-
	103,285,161	95,586,412
Other non-operating expenses	18,853,384	15,059,223
	131,679,652	126,441,658
INCOME BEFORE INCOME TAX	197,388,517	217,111,291
INCOME TAX EXPENSE	46,757,781	57,498,527
INCOME FROM CONTINUING OPERATIONS	150,630,736	159,612,764
INCOME FROM DISCONTINUED OPERATIONS	104,401,407	49,147,733
NET INCOME	₩ 255,032,143	₩ 208,760,497

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand, except per share amounts)	2013	2012
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	₩ 256,610,940	₩ 208,623,842
Non-controlling interests	(1,578,797)	136,655
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		
Continuing operations and discontinued operations:		
Basic earnings per share	₩ 5,072	₩ 4,124
Diluted earnings per share	₩ 5,070	₩ 4,113
Continuing operations:		
Basic earnings per share	₩ 2,999	₩ 3,152
Diluted earnings per share	₩ 2,998	₩ 3,143

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
NET INCOME	₩ 255,032,143	₩ 208,760,497
OTHER COMPREHENSIVE LOSS:		
Items will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan	(6,710,129)	(19,234,935)
	(6,710,129)	(19,234,935)
Items will be reclassified subsequently to profit or loss		
Gain on valuation of AFS financial assets	(400,811,971)	(109,397,078)
Loss on valuation of AFS financial assets	(5,838,278)	738
Loss on valuation of equity method investees	(110,065)	(165,372)
Gain (loss) on foreign operations translation	1,757,287	(4,244,224)
	(405,003,027)	(113,805,936)
	(411,713,156)	(133,040,871)
TOTAL COMPREHENSIVE INCOME (LOSS)	₩ (156,681,013)	₩ 75,719,626
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Owners of the parent company	₩ (155,127,232)	₩ 75,638,399
Non-controlling interests	₩ (1,553,781)	₩ 81,227

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	Capital stock	Other contributed capital	Revaluation reserve	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
January 1, 2012	₩ 262,188,255	₩ 419,152,604	₩ 231,884,465	₩ 916,488,184	₩ 1,386,439,945	₩ 594,280	₩ 3,216,747,733
Dividend	-	-	-	-	(37,930,844)	(12,835)	(37,943,679)
Net income	-	-	-	-	208,623,842	136,656	208,760,498
Payment of non-controlling interests	-	-	-	-	-	2,465,000	2,465,000
Exercise of stock options	-	442,327	-	-	-	-	442,327
Gain on valuation of AFS financial assets	-	-	-	(109,397,078)	-	-	(109,397,078)
Loss on valuation of AFS financial assets	-	-	-	738	-	-	738
Loss on valuation of equity method investees	-	-	-	(165,372)	-	-	(165,372)
Loss on foreign operations translation	-	-	-	(4,188,797)	-	(55,428)	(4,244,225)
Remeasurement of defined benefit plan	-	-	-	-	(19,234,935)	-	(19,234,935)
December 31, 2012	₩ 262,188,255	₩ 419,594,931	₩ 231,884,465	₩ 802,737,675	₩ 1,537,898,008	₩ 3,127,673	₩ 3,257,431,007
January 1, 2013	₩ 262,188,255	₩ 419,594,931	₩ 231,884,465	₩ 802,737,675	₩ 1,537,898,008	₩ 3,127,673	₩ 3,257,431,007
Dividend	-	-	-	-	(37,951,390)	(12,311)	(37,963,701)
Net income	-	-	-	-	256,610,939	(1,578,797)	255,032,142
Business combination	-	-	-	-	-	53,210,081	53,210,081
Business transfer	-	-	-	-	-	(1,929,964)	(1,929,964)
Exercise of stock options	-	190,259	-	-	-	-	190,259
Acquisition of treasury stock	-	(23,432,657)	-	-	-	-	(23,432,657)
Gain on valuation of AFS financial assets	-	-	-	(400,811,971)	-	-	(400,811,971)
Loss on valuation of AFS financial assets	-	-	-	(5,838,278)	-	-	(5,838,278)
Loss on valuation of equity method investees	-	-	-	(110,065)	-	-	(110,065)
Gain on foreign operations translation	-	-	-	1,732,272	-	25,016	1,757,288
Remeasurement of defined benefit plan	-	-	-	-	(6,710,129)	-	(6,710,129)
December 31, 2013	₩ 262,188,255	₩ 396,352,533	₩ 231,884,465	₩ 397,709,633	₩ 1,749,847,428	₩ 52,841,698	₩ 3,090,824,012

CONSOLIDATED STATEMENTS OF CASH FLOWS

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows from operations:		
Net income	₩ 255,032,143	₩ 208,760,497
Income tax expense	83,420,795	84,220,667
Financial income	(12,304,578)	(13,503,293)
Financial expense	47,945,780	49,177,452
Dividend income	(16,940,217)	(16,907,502)
Reversal of allowance for bad debts	(1,525,929)	(219,764)
Gain on disposal of assets held for sale	(128,184,043)	-
Gain on disposal of AFS financial assets	(1,364,197)	-
Gain on valuation of investments in associates	(2,934,933)	(729,263)
Gain on disposal of property, plant and equipment	(3,032,924)	(380,060)
Gain on disposal of intangible assets	(215,000)	-
Reversal of provisions	(27,783)	-
Depreciation	221,153,288	199,385,546
Amortization	26,574,565	9,305,095
Provision for doubtful accounts	985,762	(264,639)
Other bad debt expense	395,373	105,606
Loss on valuation of investments in associates	9,541,107	15,796,023
Loss on disposal of property, plant and equipment	11,347,748	6,738,608
Loss on disposal of intangible assets	2,381,748	-
Impairment of intangible assets	3,021,318	-
Loss on disposal of AFS financial assets	37,731	-
Impairment of AFS financial assets	591,275	-
Loss on disposal of investments in associates	1,277,008	-
Warranty expenses	48,054	68,087
Provision for severance benefits	31,763,677	25,625,526
Payroll (long-term incentives)	(3,321,127)	9,756,288

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	41,327,634	(163,184,256)
Decrease (increase) in due from customers for contract work	(48,193)	794,216
Increase in loans and other receivables	(19,341,698)	(10,337,426)
Decrease (increase) in inventories	34,575,748	(171,096,826)
Increase in other current assets	(778,086)	(18,067,358)
Decrease in long-term trade receivables	4,690,199	-
Increase in long-term loans and other receivables	(6,265,169)	(19,614,235)
Decrease (increase) in other non-current assets	418,058	(6,411,682)
Decrease in trade payables	(981,532)	(35,221,185)
Decrease in due to customers for contract work	(846,132)	(1,178,916)
Increase (decrease) in other payables and other debts	(170,922)	89,719,104
Decrease in provisions	(1,648,387)	(16,864)
Increase in deferred income	873,860	2,077,894
Increase (decrease) in other current liabilities	50,910,295	(12,264,741)
Increase (decrease) in long-term incentives	(1,250,308)	64,263
Increase in long-term other payables and debts	2,079,742	-
Payment of severance benefits	(14,092,309)	(19,994,994)
Transfer from affiliate company of defined benefit obligation	3,239,734	2,489,919
Increase in plan assets	(30,163,358)	(29,227,413)
	62,529,176	(391,470,500)
	588,195,817	185,464,374
Interest received	3,823,557	1,288,003
Dividend received	16,940,217	19,046,655
Income tax refunds	-	34,655
Interest paid	(58,658,811)	(46,997,676)
Income taxes paid	(78,151,682)	(46,592,056)
	472,149,098	112,243,955
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of short-term financial instruments	-	178,580
Collection of loans and other receivables	1,994,913	3,611,249
Collection of long-term financial instruments	138,905	-

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Unit: KRW thousand)	2013	2012
Collection of long-term loans and other receivables	7,486,014	253,362
Proceeds from disposal of AFS securities	5,504,023	-
Proceeds from disposal of investments in associates	431,021	-
Proceeds from disposal of property, plant and equipment	9,857,149	4,001,193
Proceeds from disposal of intangible assets	405,583	2,003,325
Proceed from transfer of business	985,816,583	-
Increase in short-term financial instruments	(810,610,215)	(33,000,000)
Increase in loans and other receivables	(1,388,575)	(2,025,450)
Increase in long-term financial instruments	(237,416)	-
Increase in long-term loans and other receivables	(7,888,171)	(2,606,391)
Acquisition of investments in subsidiaries	(155,687,434)	-
Acquisition of investments in associates	(6,236,429)	-
Acquisition of property, plant and equipment	(332,298,587)	(412,289,491)
Acquisition of intangible assets	(85,244,251)	(38,937,319)
	(387,956,887)	(478,810,942)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	1,130,060,863	707,795,829
Proceeds from issuance of debentures	-	398,565,400
Proceeds from long-term borrowings	1,723	37,172,300
Payment of non-controlling interests	-	2,465,000
Exercise of stock options	178,632	386,492
Redemption of short-term borrowings	(1,119,477,223)	(610,708,240)
Redemption of current maturities of long-term debts	(70,652,766)	(112,756,255)
Acquisition of treasury stock	(23,432,657)	-
Payment of dividends	(37,963,701)	(37,943,679)
	(121,285,129)	384,976,847
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,092,918)	18,409,860
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	113,459,358	96,432,779
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	327,782	(1,383,281)
CASH AND CASH EQUIVALENTS, END OF YEAR	₩ 76,694,222	₩ 113,459,358

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean

To the Shareholders and the Board of Directors of
CHEIL INDUSTRIES INC.:

We have audited the accompanying consolidated financial statements of CHEIL INDUSTRIES INC. and its subsidiaries (the "Group"). The financial statements consist of the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2013 and 2012. The Group's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, including Samsung Chemical U.S.A. Inc., whose statements reflect 4.53% and 2.11% of the consolidated total assets as of December 31, 2013 and 2012, respectively, and 10.20% and 3.17% of the consolidated total sales for the years ended December 31, 2013 and 2012, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

March 6, 2014

Notice to Readers

This report is effective as of March 6, 2014, the audit report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

REPORT OF INDEPENDENT ACCOUNTANTS' REVIEW OF INTERNAL ACCOUNTING CONTROL SYSTEM (IACS)

English Translation of a Report Originally Issued in Korean

To the Presidents of Cheil Industries Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Cheil Industries Inc. (the "Company") as of December 31, 2013. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on the assessment of the operations of the IACS as of December 31, 2013, the Company's IACS has been designed and is operating effectively as of December 31, 2013 in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2013, and we did not review management's assessment of its IACS subsequent to December 31, 2013. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

February 27, 2014

GLOBAL NETWORK



Domestic Business Sites

Uiwang R&D Center

56, Gosan-ro, Uiwang-si, Gyeonggi-do, Korea
Tel: +82-31-596-4114
Fax: +82-31-596-3249

Gumi Plant

58, Gumi-daero, Gumi-si, Gyeongsangbuk-do, Korea
Tel: +82-54-468-2345
Fax: +82-54-468-2319

Yeosu Plant

334-27, Yeosusandan-ro, Yeosu-si, Jeollanam-do, Korea
Tel: +82-61-689-1242
Fax: +82-61-689-1243

Ochang Plant

146, Gwahaksaneop 4-ro, Ochang-eup, Cheongwon-gun, Chungcheongbuk-do, Korea
Tel: +82-43-200-0039
Fax: +82-43-217-6991

Samsung Material Research Complex

130, Samsung-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Korea
Tel: +82-31-8061-4114

Overseas Business Sites

ASIA

Samsung Chemical Material Trading(Shanghai) Co., Ltd. (S.C.S.C)

Room No. 2701 Shanghai International Trade Center, 2201 Yanan Rd(W) Shanghai 200336, China

Tel: +86-21-6270-3000
Fax: +86-21-6275-6882
Email: ws0703.kim@samsung.com

Tianjin Office

1802 Xinyin Building, 7 Youyi Road, Hexi District, Tianjin, China

Tel: +86-22-2836-4258
Fax: +86-22-2836-4268
Email: hugh_kim@samsung.com

Shenzhen Office

Rm1206, No. 4 Building, Excellence Century Center Fuhua 3 Road, Futian District, Shenzhen, China

Tel: +86-755-8203-2204
Fax: +86-755-8203-2321
Email: hb88.shin@samsung.com

Tianjin Samsung Engineering Plastics Co., Ltd. (T.S.E.P)

No. 20, 5th Saida Branch Rd., Xinqing Economic Development Area Dist., Tianjin 300385, China

Tel: +86-22-5868-0290
Fax: +86-22-5868-0299
Email: mc007jeon@samsung.com

Dongguan Samsung Engineering Plastics Co., Ltd. (D.S.E.P)

Fumin Industrial Park 518030, Dalang Town, Dongguan City, Guangdong Province, China

Tel: +86-769-8120-8882
Fax: +86-769-8120-8883
Email: jekang.ryu@samsung.com

Samsung Chemical(Thailand) Co., Ltd. (S.C.T)

16th Floor, Empire Tower, 195 South Sathorn Road, Yannawa, Sathorn, Bangkok, Thailand

Tel: +66-2-624-6710
Fax: +66-2-624-6780
Email: jh1977jeong@samsung.com

Kuala Lumpur Branch

A-12-3, Tower A, Menara UOA. No.5, Jalan Bangsar Utama 1, Bangsar, Kuala Lumpur, Malaysia

Tel: +60-3-2283-3714
Fax: +60-3-2283-3716
Email: peter.jhkim@samsung.com

Chennai Office

Regus Business Centre, Olympia Technology Park, Level 2, Altius Block, No-1, SIDCO Industrial Estate, Guindy, Chennai, India

Tel: +91-044-4299-4255
Email: shanmi.v@samsung.com

Delhi Office

2nd Floor, Tower C, Vipul Tech Square, Golf Course Road, Sector-43, Gurgaon-122 002, Haryana, India

Tel: +91-12-4415-3801
Email: jay.jeikal@samsung.com

Samsung Cheil Industries Japan Co., Ltd. (S.C.J)

Shinagawa Grand Central Tower 9F, 2-16-4, Konan, Minato-ku, Tokyo 108-0075, Japan

Tel: +81-03-6369-6419
Fax: +81-3-6369-6439
Email: c77.song@samsung.com

Nagoya Office

451-6040 Aichi-ken, Nagoya-shi, Nishi-ku, Ushijima-cho 6-1, Nagoya Lucent Tower 40F, Japan

Tel: +81-52-569-1807
Email: boin56.noh@samsung.com

Osaka Office

540-6006 6F, Crystal Tower, 1-2-27, Shiromi, Chuo-ku, Osaka, Japan

Tel: +81-6-6949-3162
Fax: +81-6-6949-5133
Email: f.naoki@samsung.com

Samsung Chemical Electronic Materials(Suzhou) Co., Ltd. (S.C.E.S)

6-A XianDai Gong Ye Fang, No.333 XingPu Rd. Suzhou, Jiang Su Province, China

Tel: +86-512-6936-3800
Fax: +86-512-6936-3899
Email: donghan.hur@samsung.com

Taiwan Branch

3rd Fl., No.30, Lane 513, Rueiguang Rd., Neihu District, Taipei, Taiwan

Tel: +886-2-8751-0033
Fax: +886-2-8751-3131
Email: paul.oh@samsung.com

AMERICAS

Samsung Chemical USA, Inc. (S.C.I)

14251 E. Firestone Blvd. Suite 101, La Mirada, CA 90638, USA

Tel: +1-562-229-1323
Fax: +1-562-404-2276
Email: jason74.park@samsung.com

San Diego Office

2020 Camino Del Rio North Suite 520, San Diego, CA 92108, USA

Tel: +1-619-297-0362
Fax: +1-619-278-0964
Email: ts481.choi@samsung.com

Detroit Office

5440 Corporate Drive (Suite 100) Troy MI 48098, USA

Tel: +1-248-979-9212
Fax: +1-248-979-9250
Email: han.kook.lee@samsung.com

Starex Compounding America, Inc. (S.C.A)

2020 Camino Del Rio North Suite 520, San Diego, CA 92108, USA

Tel: +1-619-567-4735
Email: elfin.cho@samsung.com

EUROPE

Samsung Chemical Europe GmbH (S.C.E.G)

65824 Am Kronberger Hang 6 Schwalbach/Ts Germany

Tel: +49-6196-66-7410
Fax: +49-6196-66-7466
Email: leedongsoo@samsung.com

Slovakia Office

831 04 Skultetyho 1, No. 207, Bratislava, Slovakia

Email: jh2407.kim@samsung.com

Istanbul Office

Buyukdere Caddesi Kirgulu Sokak No4 Metrocity AVM D Blok Kat4 Istanbul, Turkey

Tel: +90-541-231-0314
Email: ferhat.gungor@samsung.com

Dubai Office

PO Box 48969 Flat No. 1702, Arenco Tower, Dubai Media City, Dubai, UAE

Tel: +971-4-270-7300
Fax: +971-4-270-7333
Email: moon357@samsung.com

Samsung Chemical Hungary LLC (S.C.H)

2851 Uveggyar ut. 2 Kornye Hungary

Tel: +36-34-814-120
Fax: +36-34-814-181
Email: bt.hyun@samsung.com

Novaled AG.

01307 Tatzberg 49 Dresden, Germany

Tel: +49-351-796-5263
Fax: +49-351-796-5829
Email: troy.moon@samsung.com

CONTACT US

If you need additional information about this Report or have questions, please contact us at the following:

IR Team
Samsung SDI Materials Division

ADDRESS 11, Seocho-daero 74-gil, Seocho-gu, Seoul, Korea

PHONE +82-2-2255-2616~8

FAX +82-2-2255-2699

WEBSITE www.cii.samsung.com

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