

# **Samsung C&T Corporation and Subsidiaries**

**Consolidated Financial Statements  
December 31, 2013 and 2012**

**Samsung C&T Corporation and Subsidiaries**  
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**December 31, 2013 and 2012**

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## Report of Independent Auditors

To the Board of Directors and Shareholders of  
Samsung C&T Corporation

We have audited the accompanying consolidated statements of financial position of Samsung C&T Corporation and its subsidiaries (collectively referred to as the Group) as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Samsung C&T Deutschland, GmbH and 61 other consolidated subsidiaries in 2013, and 40 other consolidated subsidiaries in 2012, whose financial statements represent 20% and 13% of the Group's consolidated total assets before elimination of intercompany transactions as of December 31, 2013 and 2012, respectively, and 38% and 34% of the Group's consolidated total revenue before elimination of intercompany transactions for the respective years then ended. Those statements were audited by other auditors whose reports have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Samsung C&T Deutschland, GmbH and the other consolidated subsidiaries, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Samsung C&T Corporation and its subsidiaries as of December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

The amounts expressed in U.S. dollars are provided solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

*Samil Ricewaterhousecoopers*

Seoul, Korea  
March 6, 2014

This report is effective as of March 6, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	7	₩ 1,468,603	₩ 1,378,201	\$ 1,391,645	\$ 1,305,980
Short-term financial instruments	7	40,760	41,696	38,624	39,511
Trade receivables	7,8	4,665,169	4,407,534	4,420,704	4,176,570
Other current assets	7,8	2,430,571	2,454,007	2,303,204	2,325,411
Inventories	6	1,432,474	1,419,908	1,357,409	1,345,502
Assets held for sale	1,12	23,756	-	22,511	-
Total current assets		₩ 10,061,333	₩ 9,701,346	\$ 9,534,097	\$ 9,192,974
<b>Non-current assets</b>					
Available-for-sale financial assets	7,11	10,622,670	11,344,296	10,066,019	10,749,830
Investments in associates	12	1,185,015	1,056,787	1,122,918	1,001,409
Property, plant and equipment	13	1,158,802	1,249,702	1,098,078	1,184,215
Investment properties	14	77,120	107,101	73,079	101,489
Biological assets	15	72,674	91,782	68,866	86,972
Intangible assets	13	1,284,139	1,230,992	1,216,847	1,166,485
Deferred income tax assets	29	23,561	25,409	22,326	24,078
Other non-current assets	7,8	980,596	1,156,630	929,211	1,096,021
Total non-current assets		₩ 15,404,577	₩ 16,262,699	\$ 14,597,344	\$ 15,410,499
<b>Total assets</b>		₩ 25,465,910	₩ 25,964,045	\$ 24,131,441	\$ 24,603,473

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade payables	7	₩ 1,988,191	₩ 2,171,245	\$ 1,884,005	\$ 2,057,467
Short-term borrowings	7,16	1,361,491	1,613,645	1,290,146	1,529,087
Current portion of long-term debts	7,16	721,450	596,154	683,644	564,914
Income taxes payable		20,197	6,866	19,139	6,506
Other current liabilities	7,10	4,827,847	4,339,081	4,574,858	4,111,704
Total current liabilities		8,919,176	8,726,991	8,451,792	8,269,678
<b>Non-current liabilities</b>					
Bonds payable and long-term borrowings	7,16	2,468,827	2,695,189	2,339,455	2,553,955
Net retirement benefit obligation	17	70,690	88,038	66,986	83,425
Deferred income tax liabilities	29	2,336,001	2,506,558	2,213,590	2,375,209
Provisions	18	205,055	174,426	194,310	165,286
Other non-current liabilities	7,10	46,607	83,571	44,164	79,191
Total non-current liabilities		5,127,180	5,547,782	4,858,505	5,257,066
<b>Total liabilities</b>		<b>14,046,356</b>	<b>14,274,773</b>	<b>13,310,297</b>	<b>13,526,744</b>

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012**

	Notes	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Equity</b>					
Share capital	1,20	₩ 804,332	₩ 804,332	\$ 762,183	\$ 762,183
<b>Additional paid-in capital</b>		<u>1,060,478</u>	<u>1,056,567</u>	<u>1,004,907</u>	<u>1,001,201</u>
<b>Other reserve</b>					
Treasury stock	20	(289,696)	(291,243)	(274,515)	(275,981)
Share options	21	225	481	213	456
Other capital adjustments		(469)	(2,160)	(445)	(2,050)
Gains on valuation of available-for-sale financial assets, net					
Gains on valuation of investment in associates	11	7,017,232	7,601,564	6,649,514	7,203,226
Losses on valuation of investment in associates		92,424	122,709	87,581	116,279
Cumulative effect of foreign currency translation of overseas operations, net		(70,182)	(57,913)	(66,504)	(54,878)
Gains (losses) on valuation of cash-flow hedge derivative instruments, net	19	(129,150)	(16,468)	(122,382)	(15,605)
Actuarial gains(losses) on defined benefit liability, net		554	1,557	525	1,476
<b>Retained earnings</b>		<u>(134,041)</u>	<u>(98,959)</u>	<u>(127,017)</u>	<u>(93,773)</u>
<b>Equity attributable to owners of the parent company</b>	22	<u>2,630,349</u>	<u>2,467,579</u>	<u>2,492,513</u>	<u>2,338,273</u>
<b>Non-controlling interests</b>		<u>10,982,056</u>	<u>11,588,046</u>	<u>10,406,573</u>	<u>10,980,807</u>
<b>Total equity</b>	1	<u>437,498</u>	<u>101,226</u>	<u>414,571</u>	<u>95,922</u>
<b>Total liabilities and equity</b>		<u>₩ 25,465,910</u>	<u>₩ 25,964,045</u>	<u>\$ 24,131,441</u>	<u>\$ 24,603,473</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The accompanying notes are an integral part of these consolidated financial statements.

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years ended December 31, 2013 and 2012**

	Notes	2013	2012	2013	2012
<i>(In millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))</i>					
<b>Net sales</b>	33	₩ 28,433,401	₩ 25,325,925	\$ 25,965,628	\$ 23,127,854
<b>Cost of sales</b>	25	26,461,951	23,317,156	24,165,283	21,293,429
<b>Gross profit</b>		1,971,450	2,008,769	1,800,345	1,834,425
Selling and general administrative expenses	23,25	1,538,148	1,518,438	1,404,650	1,386,650
<b>Operating profit</b>	27	433,302	490,331	395,695	447,775
Other income	24,27	944,365	886,610	862,403	809,658
Other expenses	24,27	896,535	744,725	818,724	680,089
Finance income	28	110,332	129,154	100,756	117,945
Finance expenses	28	180,464	236,129	164,801	215,635
Gain on valuation of equity method investments	12,24	79,688	59,851	72,772	54,656
Loss on valuation of equity method investments	12,24	42,002	29,431	38,357	26,877
<b>Profit before income tax</b>		448,686	555,661	409,744	507,433
<b>Income tax expense</b>	29	182,314	90,250	166,491	82,416
<b>Profit for the year</b>		₩ 266,372	₩ 465,411	\$ 243,253	\$ 425,017

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years ended December 31, 2013 and 2012**

	Notes		2013		2012	
			2013	2012	2013	2012
<i>(In millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))</i>						
<b>Other comprehensive income for the year, net of tax</b>						
Items that will be reclassified subsequently to profit or loss		₩	(786,718)	₩ 1,791,796	\$ (718,438)	\$ 1,636,285
Items that will not be reclassified subsequently to profit or loss		₩	(751,635)	₩ 1,828,248	(686,401)	1,669,572
<b>Total comprehensive income for the year</b>			(35,083)	(36,452)	(32,037)	(33,287)
<b>Profit for the year attributable to:</b>			(520,346)	2,257,207	(475,185)	2,061,302
Equity holders of the Parent Company			242,444	450,610	221,402	411,501
Non-controlling interest	2		23,928	14,801	21,851	13,516
<b>Total comprehensive income for the year attributable to:</b>						
Equity holders of the Parent Company			(533,210)	2,257,936	(486,933)	2,061,968
Non-controlling interest			12,864	(729)	11,748	(666)
<b>Earnings per share to the equity holders of the company:</b>	30					
Basic earnings per share		₩	1,632	₩ 3,049	\$ 1.49	\$ 2.78
Diluted earnings per share		₩	1,632	₩ 3,048	\$ 1.49	\$ 2.78

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The accompanying notes are an integral part of these consolidated financial statements.

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years ended December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share Capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share Capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
<b>Balance at January 1, 2012</b>		₩ 804,332	₩ 1,022,485	₩ 2,039,555	₩ 5,518,585	₩ 100,099	₩9,485,056	\$ 762,183	\$ 968,905	\$ 1,932,678	\$ 5,229,399	\$ 94,854	\$ 8,988,019
<b>Cumulative effect of changes in accounting policy</b>		-	-	62,508	(62,508)	-	-	-	-	59,232	(59,232)	-	-
<b>Beginning balance after adjustment</b>		804,332	1,022,485	2,102,063	5,456,077	100,099	9,485,056	762,183	968,905	1,991,910	5,170,167	94,854	8,988,019
<b>Total comprehensive income:</b>													
Profit for the year		-	-	450,610	-	14,801	465,411	-	-	426,997	-	14,025	441,022
Gains (Losses) on valuation of available-for-sale financial assets	11	-	-	-	2,028,231	-	2,028,231	-	-	-	1,921,947	-	1,921,947
Accumulated comprehensive income of equity method investees	12	-	-	-	(74,422)	-	(74,422)	-	-	-	(70,522)	-	(70,522)
Cumulative effect of foreign currency translation from overseas operations		-	-	-	(92,226)	-	(92,226)	-	-	-	(87,393)	-	(87,393)
Gains (losses) on valuation of cash-flow hedge derivative instruments	19	-	-	-	5,363	-	5,363	-	-	-	5,082	-	5,082
Actuarial losses on defined benefit liability, net		-	-	-	(36,452)	-	(36,452)	-	-	-	(34,541)	-	(34,541)
<b>Transactions with owners:</b>													
Cash dividends		-	-	(75,807)	-	(3,752)	(79,559)	-	-	(71,835)	-	(3,555)	(75,390)
Transfer to additional paid-in and other capital		-	34,078	-	(34,078)	-	-	-	32,292	-	(32,292)	-	-
Loss on sale of treasury stock		-	-	(4,762)	4,762	-	-	-	-	(4,512)	4,512	-	-
Exercise of share options	21	-	-	-	2,492	-	2,492	-	-	-	2,361	-	2,361
<b>Others</b>		-	4	(4,525)	(179)	(9,922)	(14,622)	-	4	(4,287)	(171)	(9,402)	(13,856)
<b>Balance at December 31, 2012</b>		₩ 804,332	₩ 1,056,567	₩ 2,467,579	₩ 7,259,568	₩ 101,226	₩11,689,272	\$ 762,183	\$ 1,001,201	\$ 2,338,273	\$ 6,879,150	\$ 95,922	\$ 11,076,729

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years ended December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share Capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share Capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
<b>Balance at January 1, 2013</b>		₩ 804,332	₩ 1,056,567	₩ 2,467,579	₩ 7,259,568	₩ 101,226	₩11,689,272	\$ 762,183	\$ 1,001,201	\$ 2,338,273	\$ 6,879,150	\$ 95,922	\$ 11,076,729
<b>Total comprehensive income:</b>													
Profit for the year		-	-	242,444	-	23,928	266,372	-	-	229,739	-	22,674	252,413
Gains on valuation of available-for-sale financial assets	11	-	-	-	(584,332)	-	(584,332)	-	-	-	(553,711)	-	(553,711)
Accumulated comprehensive income of equity method investees	12	-	-	-	(42,554)	-	(42,554)	-	-	-	(40,324)	-	(40,324)
Cumulative effect of foreign currency translation from overseas operations		-	-	-	(112,682)	-	(112,682)	-	-	-	(106,777)	-	(106,777)
Gains on valuation of cash-flow hedge derivative instruments	19	-	-	-	(1,004)	-	(1,004)	-	-	-	(951)	-	(951)
Actuarial loss on defined benefit Liability, net		-	-	-	(35,082)	-	(35,082)	-	-	-	(33,244)	-	(33,244)
<b>Transactions with owners:</b>													
Cash dividends		-	-	(75,885)	-	(7,355)	(83,240)	-	-	(71,908)	-	(6,970)	(78,878)
Loss on sale of treasury stock		-	-	(2,656)	2,656	-	-	-	-	(2,517)	2,517	-	-
Exercise of share options	21	-	268	-	522	-	790	-	254	-	495	-	749
Capital reduction of subsidiaries		-	860	-	-	6,562	7,422	-	815	-	-	6,218	7,033
<b>Changes in ownership interests in a subsidiary that do not result in a loss of control :</b>													
Changes in non-controlling interest associated with disposal of shares	1	-	(2,438)	(1,133)	(195)	(32,057)	(35,823)	-	(2,310)	(1,074)	(185)	(30,378)	(33,947)
<b>Cumulative effect of changes in consolidated entities</b>													
<b>Balance at December 31, 2013</b>		₩ 804,332	₩ 1,060,478	₩ 2,630,349	₩ 6,486,897	₩ 437,498	₩11,419,554	\$ 762,183	\$ 1,004,907	\$ 2,492,513	\$ 6,146,970	\$ 414,571	\$ 10,821,144

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The accompanying notes are an integral part of these consolidated financial statements.

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2013	2012	2013	2012
<b>Cash flows from operating activities</b>					
Cash generated from operations	32	₩ 510,772	₩ 458,606	\$ 484,006	\$ 434,574
Interest received		125,263	64,225	118,699	60,859
Interest paid		(151,619)	(149,041)	(143,674)	(141,231)
Dividends received		87,763	413,475	83,164	391,808
Income tax paid		(144,727)	(154,734)	(137,143)	(146,626)
<b>Net cash generated from operating activities</b>		<b>427,452</b>	<b>632,531</b>	<b>405,052</b>	<b>599,384</b>
<b>Cash flows from investing activities</b>					
<b>Cash provided by investing activities</b>					
Decrease in short-term financial instruments		3,512	71,469	3,328	67,725
Disposal of assets held for sale		8,004	-	7,585	-
Decrease in current portion of long-term receivables	8	3,705	14,547	3,511	13,785
Disposal of available-for-sale financial assets	11	132,868	81,950	125,905	77,656
Disposal in investments in subsidiaries	1	61,386	205,865	58,169	195,077
Decrease of associates and joint ventures	12	7,922	-	7,507	-
Decrease in deposits for overseas resource development		82,575	1,162	78,248	1,101
Decrease in long-term receivables	8,9	136,699	135,866	129,536	128,746
Disposal of property, plant and equipment	13	141,609	27,005	134,188	25,590
Disposal of intangible assets	13	6,529	12,384	6,187	11,735
Disposal of investment properties	14	28,345	62,664	26,860	59,380
Disposal of other non-current assets	8	6,379	3,339	6,044	3,164
		<b>619,533</b>	<b>616,251</b>	<b>587,068</b>	<b>583,959</b>
<b>Cash used in investing activities</b>					
Increase in short-term financial instruments		5,138	-	4,869	-
Increase in short-term loans		22,596	47,392	21,412	44,909
Acquisition of available-for-sale financial assets	11	231,760	144,737	219,615	137,152
Acquisition of investments in associates and Joint ventures	12	144,864	203,229	137,273	192,579
Increase in deposits for overseas resource development		14,267	11,809	13,519	11,190
Increase in long-term receivables	8,9	78,488	203,264	74,375	192,613
Acquisition of property, plant and equipment	13	175,027	379,678	165,855	359,781
Acquisition of intangible assets	13	104,504	132,202	99,028	125,274
Increase in other non-current assets	8	9,771	67,845	9,259	64,291
Cash used in business combination	35	1,081	-	1,024	-
		<b>(787,496)</b>	<b>(1,190,156)</b>	<b>(746,229)</b>	<b>(1,127,789)</b>
<b>Net cash used in investing activities</b>		<b>(167,963)</b>	<b>(573,905)</b>	<b>(159,161)</b>	<b>(543,830)</b>

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2013 and 2012**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2013	2012	2013	2012
<b>Cash flows from financing activities</b>					
<b>Cash provided by financing activities</b>					
Proceeds from bonds issuance	16	₩ 697,539	₩ 796,985	\$ 660,986	\$ 755,221
Increase in long-term borrowings	16	397,435	405,404	376,609	384,160
Disposal of treasury stock	21	549	1,723	520	1,633
Increase in non-controlling interest due to disposal of shares	1	327,012	-	309,876	-
Increase(Decrease) in other reserves		4,789	(486)	4,538	(461)
		<u>1,427,324</u>	<u>1,203,626</u>	<u>1,352,529</u>	<u>1,140,553</u>
<b>Cash used in financing activities</b>					
Decrease in short-term borrowings	16	253,373	264,895	240,096	251,014
Dividends paid		75,885	75,769	71,908	71,799
Repayment of current portion of long-term debts	16	615,174	199,232	582,938	188,792
Repayment of long-term debts	16	579,809	314,325	549,426	297,854
Decrease in leasehold deposits received	10	293	3,400	278	3,222
Capital reduction by cash distribution of non-controlling interests		18,185	-	17,232	-
Dividends paid to non-controlling interests	1	7,354	3,709	6,968	3,514
		<u>(1,550,073)</u>	<u>(861,330)</u>	<u>(1,468,846)</u>	<u>(816,195)</u>
<b>Net cash generated from (used in) financing activities</b>		<u>(122,749)</u>	<u>342,296</u>	<u>(116,317)</u>	<u>324,358</u>
<b>Net increase in cash and cash equivalents</b>		136,740	400,922	129,574	379,912
Cash and cash equivalents at the beginning of the year		1,378,201	1,002,160	1,305,980	949,645
Exchange gain(losses) on cash and cash equivalents		<u>(46,338)</u>	<u>(24,881)</u>	<u>(43,909)</u>	<u>(23,577)</u>
Cash and cash equivalents at the end of the year		<u>₩ 1,468,603</u>	<u>₩ 1,378,201</u>	<u>\$ 1,391,645</u>	<u>\$ 1,305,980</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The accompanying notes are an integral part of these consolidated financial statements.

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

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#### **1. General Information**

These consolidated financial statements are prepared in accordance with Korean IFRS 1027, *'Consolidated and Separate Financial Statements'*. Samsung C&T Corporation ("the Company or Parent Company") has 86 subsidiaries, including Samsung C&T America, Inc., and 36 associates, including Samsung Petrochemical Co., Ltd.

##### **1.1 The Parent Company**

Samsung C&T Corporation was incorporated in 1952 under the laws of the Republic of Korea to export and import goods. The Parent Company is also engaged in the construction and engineering business in global markets since its merger with Samsung Engineering & Construction Co., Ltd. in 1995, then an associated company. The Parent Company is headquartered in Seoul and operates a number of domestic and foreign operations. The Company is part of the Samsung Group of Companies.

The Company's shares were offered for public ownership in 1975, and all issued and outstanding shares are listed on the Korean Stock Exchange. Also, the Company listed its Global Depositary Receipts (GDRs) on the London Stock Exchange on December 8, 2006. As of December 31, 2013, the paid-in capital is ₩ 804,332 million (Note 20).

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

#### 1.2 Subsidiaries

(a) General information of subsidiaries as of December 31, 2013, is as follows:

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Subsidiaries			
Carecamp Inc.	Sales of Medical appliances	₩ 9,846	1,969,100	1,040,000	-	1,040,000	52.82	Korea
CVnet Corporation(**)	e-Business	3,200	6,400,000	2,569,155	-	2,569,155	40.14	Korea
Samsung C&T America, Inc.	Trading	52,259	105	105	-	105	100.00	U.S.A.
Samsung C&T France S.A.S.	Trading	5,489	8,000	8,000	-	8,000	100.00	France
Samsung C&T U.K. Ltd	Trading	59,415	27,950,000	27,950,000	-	27,950,000	100.00	United Kingdom
Samsung C&T Deutschland GmbH(*)	Trading	18,551	-	-	-	-	100.00	Germany
S.C. Otelinox S.A.	Production of stainless steel plates and poles	56,148	33,078,479	-	31,179,053	31,179,053	94.26	Romania
Samsung C&T Hong Kong Limited	Trading	83,748	111,565	111,565	-	111,565	100.00	Hong Kong
Samsung C&T Japan Corporation	Trading	42,104	5,000,000	5,000,000	-	5,000,000	100.00	Japan
Samsung Logistics (China) Limited	Logistics	1,822	12,593,945	-	12,593,945	12,593,945	100.00	Hong Kong
Guang Dong Xingpu Steel Center Co., Ltd.	Production and sale of steel products	15,297	10,985,000	5,666,000	-	5,666,000	51.55	China

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)	
				Samsung C&T	Total				
Samsung C&T (Thailand) Co., Ltd.	Trading	₩ 126	409,600	180,000	54,000	234,000	57.13	Thailand	Samsung C&T Hong Kong Limited 13.18%
Samsung E&C America, Inc.	Construction	104	100	100	-	100	100.00	U.S.A.	
Samsung E&C (Shanghai) Co., Ltd. (*)	Construction	11,066	-	-	-	-	100.00	China	
POSS-SLPC S.R.O(*)	Production of steel products	5,967	-	-	-	-	70.00	Slovakia	Samsung C&T Deutschland GmbH 20%
Samsung C&T Taiwan Co., Ltd.	Trading	361	1,000,000	1,000,000	-	1,000,000	100.00	Taiwan	
Myodo Metal Co., Ltd.	Production of steel products	3,811	10,080,000	10,080,000	-	10,080,000	100.00	Japan	
S&G Bio Fuel Pte. Ltd.	Natural resources development	45,922	46,312,500	23,400,000	5,850,000	29,250,000	63.16	Singapore	Samsung C&T Singapore Pre.Ltd 12.63%
Samsung Precision Stainless Steel Co., Ltd. (*)	Production of steel products	82,979	-	-	-	-	100.00	China	Samsung C&T Hong Kong Limited 45%
Samsung (Tianjin) International Trading Co., Ltd. (*)	Trading	382	-	-	-	-	100.00	China	Samsung C&T Hong Kong Limited 100%
Samsung Trading (Shanghai) Co., Ltd. (*)	Trading	498	-	-	-	-	100.00	China	Samsung C&T Hong Kong Limited 100%
Samsung C&T Co., (Guanzhou) Ltd. (*)	Trading	466	-	-	-	-	100.00	China	Samsung C&T Hong Kong Limited 100%

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Total			
PT Gandaerah Hendana	Natural resources development	₩ 11,320	100,000,000	-	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
PT Inecda	Natural resources development	11,320	100,000,000	-	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
Samsung Corporation Rus LLC(*)	Construction	6,303	-	-	-	100.00	Russia	
Samsung Oil & Gas USA Corp.	Natural resources development	78,895	83,889	75,500	8,389	100.00	U.S.A.	Samsung C&T America, Inc. 10%
Samsung C&T Singapore Pte. Ltd.	Trading	35,574	34,000,000	34,000,000	-	100.00	Singapore	
Samsung Trading (Shenzhen) Ltd. (*)	Trading	464	-	-	-	100.00	China	Samsung C&T Hong Kong Limited 100%
Posco-Samsung Suzhou Processing Center Co., Ltd. (*)	Production of steel products	5,340	-	-	-	70.00	China	Samsung C&T Hong Kong Limited 20%
Samsung C&T Italy S.A.R.L. (*)	Trading	123	-	-	-	100.00	Italy	Samsung C&T Deutschland GmbH 100%
Comptoir Des Produits Inoxydables S.A.S(*)	Production of steel products	917	-	-	-	94.98	France	S.C. Oteinox S.A. 87.48%, Samsung C&T France S.A.S. 12.52%
Samsung Logistics (Tianjin) Ltd. (*)	Logistics	1,557	-	-	-	100.00	China	Samsung Logistics (China) Limited 100%

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Total			
Samsung Logistics (Shenzhen) Ltd. (*)	Logistics	₩ 684	-	-	-	100.00	China	Samsung Logistics (China) Limited 100%
Samsung C&T Corporation Hanoi Logistics(*)	Logistics	365	-	-	-	51.00	Vietnam	Samsung C&T Singapore Pte.Ltd 40%, Samsung Logistics (China) Limited 11%
Samsung C&T Malaysia Sdn. Bhd	Trading	6,002	15,000,000	15,000,000	-	100.00	Malaysia	
MSSC Sdn.,Bhd.	Production of steel products	4,928	44,974	31,482	13,492	100.00	Malaysia	Samsung C&T Singapore Pte.Ltd 30%
Samsung Chemtech VINA(*)	Trading	3,554	-	-	-	100.00	Vietnam	Samsung C&T Singapore Pte.Ltd 48.33%
Samsung Renewable Energy, Inc.	Renewable energy development	126,268	1,141,667	1,141,667	-	100.00	Canada	
SRE Wind GP Holdings, Inc. (*)	Renewable energy development	77	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc 100%
Kingston Solar GP, Inc. (*)	Renewable energy development	4	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
Kingston Solar LP(*)	Renewable energy development	13,529	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, Kingston Solar GP, Inc. 0.01%
SCNT Power Norte S. de R.L. de C.V.	Thermal power generation	9,374	112,683,150	112,683,150	-	100.00	Mexico	
QSSC, S.A. de C.V.	Production of steel products	8,616	93,758,250	56,254,950	18,751,650	80.00	Mexico	Samsung C&T America, Inc. 20%
Samsung Green Repower, LLC(*)	Renewable energy development	41,634	-	-	-	100.00	U.S.A.	Samsung C&T America, Inc. 100%

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Total			
Samsung C&T Oil & Gas Parallel Corp. (*)	Natural resources development	₩ 59,630	-	-	-	100.00	U.S.A.	
Parallel Petroleum LLC(*)	Natural resources development	837,480	-	-	-	51.00	U.S.A.	PLL Holdings LLC. 61% Samsung C&T America, Inc.24%, Samsung C&T Singapore Pte.Ltd 16%
S-Print(*)	Production of textile	2,245	-	-	-	80.00	Vietnam	
Samsung C&T Corporation Saudi Arabia(*)	Construction	2,658	-	-	-	100.00	Saudi Arabia	
Samsung Solar Construction, Inc. (*)	Renewable energy development	6	-	-	-	100.00	U.S.A.	Samsung C&T America, Inc. 100%
SPS Atwell Island, LLC(*)	Renewable energy development	19,407	-	-	-	100.00	U.S.A.	Samsung Green Repower, LLC 100%
Solluce Romania 1 B.V. (*)	Renewable energy development	33,517	-	-	-	100.00	Netherlands	Samsung C&T Deutschland GmbH 20%
Samsung C&T Chile Copper SpA	Natural resources development	12,495	11,169,199	11,169,199	-	100.00	Chile	
Samsung E&C RADIUS, Inc(*)	Construction	2,142	-	-	-	100.00	U.S.A.	Samsung E&C America, Inc. 100%
Samsung C&T ECUK Limited(*)	Construction	57	-	-	-	100.00	United Kingdom	
Samsung India Private Limited	Construction	2,748	126,500,000	126,500,000	-	100.00	India	
SAMSUNG C&T Mongolia LLC. (*)	Industrial plant construction	1,215	-	-	-	70.00	Mongolia	

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Total			
SAMSUNG C&T Eng.&Cons. Mongolia LLC.(*)	Construction	₩ 598	-	-	-	100.00	Mongolia	
SAMSUNG C&T Brasil Participacoes LTDA(*)	Construction	2,208	-	-	-	100.00	Brazil	
SRE GRW EPC GP(*)	Renewable energy development	1	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRW EPC LP(*)	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRW EPC GP, Inc. 0.01%
SRE SKW EPC GP(*)	Renewable energy development	1	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE SKW EPC LP(*)	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE SKW EPC GP, Inc. 0.01%
Samsung C&T Automation Inc.	Manufacturing	4,442	1,000,000	700,000	300,000	100.00	U.S.A.	Samsung C&T America Inc. 30%
PLL Holdings LLC.(*)	Natural resources development	238,537	-	-	-	83.61	U.S.A.	Samsung C&T Oil & Gas Parallel Corp. 83.61%
Ecosolar OOD	Renewable energy development	15,143	27,300,300	27,300,300	-	100.00	Bulgaria	
Ecoenergy Solar OOD	Renewable energy development	9,507	18,656,000	18,656,000	-	100.00	Bulgaria	
Agriplam EOOD	Renewable energy development	4,290	80,041	80,041	-	100.00	Bulgaria	
Fishtrade EOOD	Renewable energy development	6,595	79,959	79,959	-	100.00	Bulgaria	

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Subsidiaries			
Manageprojekt EOOD	Renewable energy development	₩ 6,086	749,042	749,042	-	100.00	Bulgaria	
Solar Park EOOD	Renewable energy development	2,353	384,002	384,002	-	100.00	Bulgaria	
Veselinovo Energy OOD	Renewable energy development	2,732	606,050	606,050	-	100.00	Bulgaria	
Samsung C&T India Private Ltd.	Trading	3,455	16,500,001	16,500,001	-	100.00	India	
Samsung C&T Canada Ltd. (*)	Construction	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%
SRE GRW LP Holdings LP (*)	Renewable energy development	35,973	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%
SRE SKW LP holdings LP (*)	Renewable energy development	55,401	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%
SRE WIND PA GP Inc. (*)	Renewable energy development	1	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE WIND PA LP (*)	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind PA GP Inc. 0.01%
PLL E&P LLC (*)	Natural resources development	34,733	-	-	-	90.00	U.S.A.	Samsung C&T Oil & Gas Parallel Corp. 90%
SRE GRS Holdings GP Inc. (*)	Natural resources development	6	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRS Holdings LP (*)	Natural resources development	16,188	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRS Holdings GP Inc. 0.01%

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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Subsidiaries	Primary business	Capital stock (in millions of Korean won)	Number of outstanding shares	Number of shares		Percentage of ownership(%)	Location	Percentage of ownership in subsidiaries (%)
				Samsung C&T	Total			
Whesoe Project Limited	Industry plant engineering	₩ -	138	138	-	100.00	United Kingdom	
Samsung C&T (KL) Sdn.Bhd.(*)	Construction	3,870	-	-	-	100.00	Malaysia	
Pampa Camarones S.A. (*) (**)	Natural resources development	9,324	-	-	-	46.50	Chile	Samsung C&T Chile Copper SpA 46.50%
Samsung C&T Construction Hungary Kft.(*)	Construction	2	-	-	-	100.00	Hungary	
SRE K2 EPC GP Inc.(*)	Renewable energy development	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE K2 EPC LP(*)	Renewable energy development	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE K2 EPC GP Inc. 0.01%

(\*) No share has been issued in accordance with the local laws and regulations.

(\*\*)The Company has de facto control to appoint or dismiss more than 50% of the members of board of directors even though it has less than 50% ownership interest.

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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(b) Summarized financial information of subsidiaries as of and for the year ended December 31, 2013, is as follows:

(In millions of Korean won)

Subsidiaries	Total Assets	Total Liabilities	Revenue	Profit (loss)	Total Comprehensive Income(loss)
Carecamp Inc.	₩ 159,587	₩ 148,498	₩ 272,965	₩ 276	₩ 87
CVnet Corporation	27,109	10,084	42,161	(1,738)	(1,390)
Samsung C&T America, Inc.	428,631	181,204	745,971	7,792	6,101
Samsung C&T France S.A.S.	5,678	230	3,012	(1,119)	(945)
Samsung C&T U.K. Ltd	32,617	6,744	95,184	(3,942)	(4,015)
Samsung C&T Deutschland GmbH	362,710	147,437	544,196	(4,611)	(10,076)
S.C. Otelinox S.A.	67,072	13,650	53,730	2,250	3,715
Samsung C&T Hong Kong Limited	358,338	261,883	3,610,019	5,579	3,555
Samsung C&T Japan Corporation	244,461	189,766	1,776,710	2,801	(10,109)
Samsung Logistics (China) Limited	5,590	1,162	13,299	(417)	(286)
Guang Dong Xingpu Steel Center Co., Ltd.	26,841	6,293	41,622	16	277
Samsung C&T (Thailand) Co., Ltd.	10,453	7,720	40,185	1,424	1,163
Samsung E&C America, Inc.	53,896	40,086	215,115	(17,215)	(17,017)
Samsung E&C (Shanghai) Co., Ltd.	381,963	325,498	1,075,348	46,080	45,197
POSS-SLPC S.R.O	24,370	15,007	49,874	(417)	(149)
Samsung C&T Taiwan Co., Ltd.	12,784	9,353	38,042	(88)	(242)
Myodo Metal Co., Ltd.	98,385	95,484	144,079	1,416	1,266
S&G Bio Fuel Pte. Ltd.	130,975	100,834	-	(4,695)	(20,285)
Samsung Precision Stainless Steel Co., Ltd.	93,684	38,645	57,295	(849)	(121)
Samsung (Tianjin) International Trading Co., Ltd. (*)	33,843	27,400	147,307	988	1,035
Samsung Trading (Shanghai) Co., Ltd.	83,632	71,462	123,605	686	817
Samsung C&T Co., (Guanzhou) Ltd.	18,153	10,361	81,790	1,350	1,402
PT Gandaerah Hendana	86,843	31,650	50,974	12,636	(2,538)
PT Inecda	55,879	23,730	35,737	4,416	(4,674)
Samsung Corporation Rus LLC	1,655	414	-	(5,493)	(5,435)
Samsung Oil & Gas USA Corp.	202,870	70,683	113,465	4,865	2,665
Samsung C&T Singapore Pte. Ltd.	176,503	161,668	1,704,697	(2,383)	(2,273)
Samsung Trading (Shenzhen) Ltd.	38,175	36,698	77,959	393	398
Posco-Samsung Suzhou Processing Center Co., Ltd.	27,747	22,592	32,966	(1,349)	(1,237)

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

*(In millions of Korean won)*

Subsidiaries	Total Assets	Total Liabilities	Revenue	Profit (loss)	Total Comprehensive Income(loss)
Samsung C&T Italy S.A.R.L.	₩ 10,625	₩ 13,773	₩ 40,456	₩ (771)	₩ (838)
Comptoir Des Produits Inoxydables S.A.S	1,165	4,209	89	(985)	(1,039)
Samsung Logistics (Tianjin) Ltd.	5,893	1,991	13,159	103	149
Samsung Logistics (Shenzhen) Ltd.	262	8	606	(58)	(53)
Samsung C&T Corporation Hanoi Logistics	680	74	817	43	25
Samsung C&T Malaysia Sdn. Bhd	3,600	4,945	8,441	194	318
MSSC Sdn.,Bhd.	15,419	10,273	49,405	873	404
Samsung Chemtech VINA	13,871	15,025	31,850	455	482
Samsung Renewable Energy, Inc.	172,628	18,469	24,195	41,167	42,630
SRE Wind GP Holdings, Inc.	71	1	-	(4)	(2)
Kingston Solar GP, Inc.	2	1	-	(2)	(2)
Kingston Solar LP	12,669	392	-	64	(839)
SCNT Power Norte S. de R.L. de C.V.	39,085	29,712	-	-	-
QSSC, S.A, de C.V.	30,718	23,009	52,887	(6)	(122)
Samsung Green Repower, LLC	48,629	1	-	6,800	18,919
Samsung C&T Oil & Gas Parallel Corp.	217,503	198,127	-	(17,991)	(18,417)
Parallel Petroleum LLC	900,137	42,765	140,652	49,517	35,379
S-Print	10,800	14,621	13,900	(1,372)	(1,248)
Samsung C&T Corporation Saudi Arabia	216,409	227,312	529,538	(8,895)	(8,539)
Samsung Solar Construction, Inc.	2,160	-	18	(158)	2,055
SPS Atwell Island, LLC	18,431	4,700	5,880	1,551	(2,797)
Solluce Romania 1 B.V.	38,694	5,746	-	(94)	694
Samsung C&T Chile Copper SpA	12,074	-	-	(373)	(136)
Samsung E&C RADIUS, Inc	2,110	-	-	1	(30)
Samsung C&T ECUK Limited	8,201	4,846	223	(201)	(184)
Samsung India Private Limited	51,655	53,920	70,704	(4,999)	(4,867)
Samsung C&T Mongolia LLC.	57,535	49,776	46,122	5,748	4,604
Samsung C&T Eng.&Cons. Mongolia LLC.	194,541	186,261	112,324	8,717	7,683
Samsung C&T Brasil Participacoes LTDA	1,665	2,350	2,810	(2,418)	(2,370)
SRE GRW EPC GP, Inc	1	2	-	(2)	(2)

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

(In millions of Korean won)

Subsidiaries	Total Assets	Total Liabilities	Revenue	Profit (loss)	Total Comprehensive Income(loss)
SRE GRW EPC LP	₩ 17,415	₩ 14,642	₩ 32,078	₩ 2,966	₩ 2,763
SRE SKW EPC GP, Inc	1	2	-	(2)	(2)
SRE SKW EPC LP	55,329	38,789	193,265	17,743	16,530
Samsung C&T Automation Inc.	11,249	6,527	14,342	630	545
PLL Holdings LLC.	524,993	272,720	-	(2,140)	45,698
Ecosolar OOD	45,224	30,063	7,448	(454)	18
Ecoenerg Solar OOD	29,099	19,608	4,836	(312)	(16)
Agriplam EOOD	12,248	7,800	1,977	24	157
Fishtrade EOOD	14,489	7,852	1,970	(163)	42
Manageprojekt EOOD	13,885	7,780	1,939	(171)	19
Solar Park EOOD	6,320	3,941	977	(47)	27
Veselinovo Energy OOD	10,269	7,294	1,943	158	243
Samsung C& Corporation India Private Limited	12,632	13,486	20,674	(3,171)	(3,171)
Samsung C&T Canada Ltd.	19,678	19,172	13,036	543	506
SRE GRW LP Holdings LP	36,083	2	-	7	109
SRE SKW LP holdings LP	55,573	2	-	(3)	170
SRE WIND PA GP Inc.	1	1	-	(1)	(1)
SRE WIND PA LP	991	20	1,046	1,032	961
PLL E&P LLC	34,527	2,714	7,025	(2,498)	(2,920)
SRE GRS Holdings GP Inc.	11	1	-	5	4
SRE GRS Holdings LP	21,130	3,051	-	56,321	1,890
Whessoe Project Limited	9,439	3,170	8,859	(1,246)	(933)
Samsung C&T (KL) Sdn.Bhd.	170,867	160,146	84,089	9,151	7,871
Pampa Camarones S.A.	57,084	51,157	-	(3,024)	(3,392)
SRE K2 EPC GP Inc.	-	1	-	(1)	(1)
SRE K2 EPC LP	-	1	-	(1)	(1)
Samsung C&T Construction Hungary Kft.	7,295	6,828	18,318	464	465

(\*) Intercompany transactions, balances, and unrealized gains and losses on transactions between Group companies are not eliminated in the summarized financial information above. Also, shares in controlled subsidiaries and associates, accounted for under the equity method which the controlled subsidiaries own, are recognized at acquisition cost.

## Samsung C&T Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2013 and 2012

#### 1.3 Investments in associates

General information of associates accounted for under the equity method as of December 31, 2012, is as follows:

Associates	Primary business	Capital stock (in millions of Korean won)	Number of outstanding Shares	Number of shares		Percentage of ownership (%)	Location	
				Samsung C&T	Subsidiaries			
				Total				
Samsung General Chemicals Co., Ltd.	Petrochemical products manufacturing	₩ 489,983	48,998,305	18,953,592	-	18,953,592	38.68	Korea
Samsung Petrochemical Co., Ltd.	Petrochemical products manufacturing	19,830	3,965,981	1,081,600	-	1,081,600	27.27	Korea
Songdo Landmark City Limited	Construction	53,467	10,694,000	4,424,929	-	4,424,929	41.38	Korea
Terminal KMS(*)	LNG receiving terminal	193,266	-	-	-	-	20.00	Mexico
Starworld Corporation	Property development	18,352	5,300,000	2,120,000	530,000	2,650,000	50.00	Philippines
Uglegorskugol, LLC(*)	Natural resources development	2	-	-	-	-	50.00	Russia
Port Uglegorsky, LLC(*)	Natural resources development	1	-	-	-	-	50.00	Russia
Tongling Guoxing Chemical Co., Ltd	Petrochemical products manufacturing	9,081	-	-	-	-	30.00	China
Solar Projects Solutions, LLC(*)	Renewable energy development	12,828	-	-	-	-	50.00	U.S.A
Waris Gigh Engineering & Technology Sdn. Bhd.	Construction	349	1,000,000	300,000	-	300,000	30.00	Malaysia

**Samsung C&T Corporation and Subsidiaries**  
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Associates	Primary business	Capital stock (in millions of Korean won)	Number of outstanding Shares	Number of shares		Percentage of ownership (%)	Location
				Samsung C&T	Subsidiaries		
				Total			
Korea LNG Limited	Natural resources development	₩ 14	12,000	2,400	-	20.00	Oman
Dongducheon Combined Cycle Power Plant Co., Ltd.	Integrated thermal power generation	330,658	66,131,621	20,600,000	-	31.15	Korea
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (*)	Property development	48,274	-	-	-	40.00	China
Jamsil Veterans PFV Co., Ltd.	Construction	20,000	4,000,000	800,000	-	20.00	Korea
JSC Balkhas Thermal Power Plant(**)	Internal combustion power plant	123,372	1,632,590	1,224,441	-	75.00	Kazakhstan
LJG GREEN SOURCE ENERGY ALPHA S.R.L.(*)(**)	Renewable energy develop	29	-	-	-	78.00	Romania
Chongqing Shanxia Technology Textile Co., Ltd (*)	Cotton thread manufacturing	77,223	-	-	-	20.00	China
Samsung Investment Manzanillo.B.V(**)	Natural resources development	69,859	41,473,469	22,119,184	-	53.33	Netherlands
Terminal KMS(*)	LNG receiving terminal	193,266	-	-	-	20.00	Mexico

(\*) No share has been issued in accordance with the local laws and regulations.

(\*\*) Excluded from the scope of consolidation as it is a jointly controlled entity under a contractual arrangement.

# Samsung C&T Corporation and Subsidiaries

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#### 1.4 Changes in scope of consolidation

Details of the changes of consolidation scope for the year ended December 31, 2013, are as follows:

Subsidiaries newly included in the consolidation for the year ended December 31, 2013:

Subsidiaries	Description
Samsung C&T Canada Ltd. and 14 others	Included in the scope of consolidation as the ownership interest is over 50%
Whessoe Project Limited	Newly included in the scope of consolidation due to business combination

Subsidiaries excluded from the consolidation for the year ended December 31, 2012.

Subsidiaries	Description
Grand Renewable Solar GP, Inc. (*) Grand Renewable Solar LP (*)	Loss of control due to disposal of the investment shares
Samsung Trading Plc.	Excluded in scope of consolidation due to liquidation

(\*) During the year ended December 31, 2013, the Group sold some of Grand Renewable Solar GP, Inc. and Grand Renewable Solar LP's equity shares, representing 50% and 64.985% interest, respectively, and additional shares held for sale (Grand Renewable Solar LP, 22.01%) as part of a determined plan to sell assets held for sale (book value : ₩ 17,291 million).

#### 1.5 Financial Information about Non-Controlling Interest

Accumulated non-controlling interests of subsidiary as of December 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Carecamp, Inc.	₩ 5,355	₩ 5,423
CVNET Co., Ltd.	10,191	11,022
Parallel Petroleum LLC (*)	422,421	87,130
PLL Holdings LLC	(35,016)	(25,506)
Shunde Xingpu Steel Center Co.	9,735	9,821
Others	24,812	13,337
	<u>₩ 437,498</u>	<u>₩ 101,227</u>

(\*) During the year ended December 31, 2013, PLL Holdings LLC sold some of Parallel Petroleum LLC's equity shares to Korea Investment Parallel LLC. As a result of the said sale, the Group's interest in Parallel Petroleum LLC decreased from 90% to 51%. In addition, non-controlling interest increased by ₩ 342,946 million which is recorded as a decrease in equity attributable to owner of the parent company.

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Profit or loss attributed to the non-controlling interests for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
Carecamp, Inc.	₩	130	₩	(69)
CVNET Co., Ltd.		(1,040)		(460)
Parallel Petroleum LLC		24,243		3,279
PLL Holdings LLC		(3,609)		3,650
Shunde Xingpu Steel Center Co.		(217)		8
Others		4,421		8,393
	₩	<u>23,928</u>	₩	<u>14,801</u>

Dividends paid to non-controlling interests for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
Carecamp, Inc.	₩	232	₩	-
CVNET Co., Ltd.		-		96
Parallel Petroleum LLC		6,223		-
PTInecda		900		3,656
	₩	<u>7,355</u>	₩	<u>3,752</u>

**Summarized Consolidated Financial Information**

A summary of the subsidiaries' statements of financial position as of December 31, 2013 and December 31, 2012, follows:

<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Parallel Petroleum LLC</b>		<b>PLL Holdings LLC</b>	
Current assets	₩	31,067	₩	10,329
Non-current assets		869,070		514,664
Current liabilities		24,914		39,141
Non-current liabilities		17,851		233,579
Equity		857,372		252,273

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<i>(in millions of Korean won)</i>	2012	
	Parallel Petroleum LLC	PLL Holdings LLC
Current assets	₩ 23,276	₩ 20,840
Non-current assets	896,893	836,869
Current liabilities	25,303	8,125
Non-current liabilities	23,564	267,775
Equity	871,302	581,809

A summary of consolidated statements of comprehensive income and cash flows for the years ended December 31, 2013 and 2012, follows:

<i>(in millions of Korean won)</i>	Parallel Petroleum LLC		PLL Holdings LLC	
	2013	2012	2013	2012
Sale	₩ 140,652	₩ 125,932	₩ -	₩ -
Profit for the period	49,517	32,789	(2,140)	(351)
Other comprehensive income and loss	(14,138)	(43,031)	47,383	₩ -
	₩ 35,379	₩ (10,242)	₩ 45,698	₩ (351)

<i>(in millions of Korean won)</i>	Parallel Petroleum LLC		PLL Holdings LLC	
	2013	2012	2013	2012
Cash flow generated from operating activities	₩ 77,462	₩ 61,733	₩ 8,023	₩ -
Cash flow generated from investment activities	(57,161)	(70,207)	328,071	-
Cash flow generated from financing activities	(12,700)	14,805	(335,309)	-
Increase (Decrease) in cash and cash equivalent	7,601	6,331	785	-
Cash and cash equivalent at the beginning of the period	6,590	825	-	-
Exchange gains and losses on cash and cash equivalents	(371)	(138)	(28)	-
Cash and cash equivalent at the end of the period	₩ 13,820	₩ 7,018	₩ 757	₩ -

# Samsung C&T Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

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## 2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation

The Company has prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards ("Korean IFRS").

Korean IFRS permits the use of critical accounting estimates in the preparation of the financial statements and requires management judgments in applying accounting policies. Note 4 explains where more complex and higher standards of judgment or critical assumptions and estimates are required.

The Company applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

The standard requires other comprehensive income items to be presented into two groups on the basis of whether they are potentially reclassified to profit or loss subsequently. There is no material impact on its total comprehensive income due to the retrospective application of changes in these accounting policies.

- Korean IFRS 1110, *Consolidated Financial Statements*

The standard introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the consolidated financial statements.

- Korean IFRS 1111, *Joint Arrangements*

The standard focuses on determining the substance of joint arrangements, including determination of the rights and obligations of the parties to the joint arrangements, rather than focusing on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an impact on the consolidated financial statements.

- Korean IFRS 1112, *Disclosure of Interests in Other Entities*

The standard provides disclosure requirements for all types of equity investments in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

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- Korean IFRS 1027, *Separate Financial Statements*

The standard contains accounting treatments and requirements for investments in subsidiaries, associates, and joint ventures relating only to separate financial statements of the Company.

- Korean IFRS 1113, *Fair Value Measurement*

The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean-IFRS. The adoption of this standard does not have a material impact on the consolidated financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted by the Company are as follows:

- Amendment to Korean-IFRS 1110, *Consolidated Financial Statements*

Amendment to Korean IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit and loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this amendment would not have a material impact on its consolidated financial statements.

- Amendment to Korean-IFRS 1032, *Financial Instruments: Presentation*

The standard provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company is assessing the impact of application of this amendment on its consolidated financial statements.

- Amendment to Korean-IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company is assessing the impact of application of this amendment on its consolidated financial statements.

- Enactment of Korean-IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with legislation. The interpretation requires that the liability to pay a levy is recognized

# **Samsung C&T Corporation and Subsidiaries**

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when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

Revenues from the sale of real-estate of apartment units are recognized using the percentage-of-completion method in accordance with Korea Accounting Institute Q&A "2011-I-KQA", effective under Korean IFRS Section based on the Article 13.1.1 of the Act on External Audit in Korea.

#### **2.2 Consolidation**

The Company prepares annual consolidated financial statements in accordance with Korean-IFRS 1110, '*Consolidated Financial Statements*'

##### **(a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Company applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of (1) the aggregate of i) the consideration transferred, ii) the amount of any non-controlling interest in the acquiree and iii) the acquisition-date fair value of the Company's previously held equity interest in the acquiree over (2) the net identifiable assets acquired. If the aggregate amount in (1) is less than the fair value of the acquiree's net assets in (2), the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Company subsidiaries are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

##### **(b) Associates**

Associates are all entities over which the Company has significant influence. Investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Company recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

#### **(c) Joint arrangements**

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

### **2.3 Foreign Currency Translation**

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates 'the functional currency'. The consolidated financial statements are presented in Korean won, which is the parent Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of profit and loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'other income or expense'.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instrument at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

The results and financial position of all the foreign operations that have a functional currency different from the presentation currency of the Group are translated into the presentation currency. Assets and liabilities for each statement of financial position presented are translated at the closing

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rate at the end of the reporting date, and income and expenses for each statement of income are translated at average exchange rates, and all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity (accumulated comprehensive income).

Exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and presented as a separate component of equity. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are recognized in the statement of income where there is a loss of control.

#### *(d) Translation of financial statements of overseas subsidiaries*

Items on the statements of financial position are translated at the closing rate at the end of the reporting period, except historical exchange rate applied to equity accounts. Items on the statements of comprehensive are translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and allocated to equity attributable to owners of the parent and non-controlling interests. Differences allocated to equity attributable to owners of the parent are presented on the consolidated statements of financial position as other equity items (cumulative effect of foreign currency translation of overseas operations).

## **2.4 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

## **2.5 Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Company. It is stated as net of value added taxes, returns and discounts, after elimination of intra-company transactions.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *(a) Sale of goods and sales commission*

Sales are recognized when significant risk and rewards of ownership of the goods are transferred. Sale of merchandise is recognized when it is delivered to the customer, except export sales which

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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are recognized upon shipment of product. Sales commission is recognized on an accrual basis when the transaction, where the Company serves as the selling agent, is completed.

#### *(b) Contract revenue*

Revenues from construction contracts are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred for work performed to date to estimated total costs to complete the contract work.

#### *(c) Interest income*

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

#### *(d) Dividend income*

Dividend income is recognized when the right to receive payment is established.

## **2.6 Construction contracts**

Construction contract is defined by Korean IFRS 1011, *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

Contract costs are recognized as an expense in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

The Company uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory or other current assets.

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Contract costs are recognized as an expense in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

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#### **2.7 Financial Assets**

##### **(a) Classification and measurement**

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and held-to-maturity financial assets.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

# **Samsung C&T Corporation and Subsidiaries**

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#### (b) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is recognized only if there is objective evidence and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties.

#### (c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'short-term borrowings' in the statement of financial position.

### **2.8 Trade Receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts.

Factoring of trade receivables is recognized when the contractual rights to receive cash flows from the receivables have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership.

### **2.9 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method or moving average method. Net realizable value is the estimated selling

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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price in the ordinary course of business, less applicable variable selling expenses.

Inventories are reduced for the estimated losses arising from excess, obsolescence, and decline in value. This reduction is, determined by estimating market value based on future customer demand. The losses on inventory obsolescence are recorded as a part of cost of sales.

#### **2.10 Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over the following estimated useful lives, except that other property, plant and equipment of subsidiaries in natural resources development, trading and construction are depreciated using the units of production method and the declining-balance method:

	<b>Estimated useful lives</b>
Buildings and structures	20 - 40 years
Others	5 - 12 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

#### **2.11 Intangible assets**

Intangible assets are initially measured at their historical cost, and carried at cost less accumulated amortization. Intangible assets, except for mineral rights amortized using the units of production method, are amortized using the straight-line method to allocate their cost to their residual values of nil over their estimated useful lives, as stated below. Membership rights are regarded as intangible assets with indefinite useful life and not amortized, because there is no foreseeable limit to the period over which the assets are expected to be utilized.

	<b>Estimated useful lives</b>
Industrial property rights	5 - 10 years
Right to use property	14 - 20 years
Memberships	Indefinite
Others	5 - 20 years

#### **2.12 Investment Property**

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property

# **Samsung C&T Corporation and Subsidiaries**

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is carried at its cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives of 10~40 years.

#### **2.13 Biological assets**

A biological asset shall be measured on initial recognition and at each statement of financial position date at its fair value less estimated costs to sell. The fair value of a biological asset is measured by an independent professional organization by using Discounted Cash Flow (DCF) method. The cash flows during the life expectancy of a biological asset are determined under consideration of agricultural produce such as Fresh Fruit Bunch at the point of harvest, market price and the estimated cultivating costs and other variations.

#### **2.14 Impairment of Non-Financial Assets**

Goodwill or intangible assets with indefinite useful life are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **2.15 Financial Liabilities**

##### *(a) Classification and measurement*

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

##### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

#### **2.16 Trade Payables**

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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Trade payables are amounts due to suppliers for merchandise purchased or services received in the ordinary course of business. If payment is expected in one year or less (or in the normal operating cycle of the Company if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **2.17 Financial Guarantee Contract**

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. If the amount measured in subsequent periods exceeds the unamortized balance of the amount initially recognized, the excess is classified as other financial liabilities.

- The amount determined in accordance with Korean-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- the initial amount, less accumulated amortization recognized in accordance with Korean-IFRS1018, *Revenue*.

#### **2.18 Borrowings and Borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income as financial expense over the period of the borrowings using the effective interest method.

If the Company has an indefinite right to defer payment for a period longer than 12 months after the end of the reporting date, such liabilities are recorded as non-current liabilities, otherwise, they are recorded as current liabilities.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **2.19 Employee benefits**

##### *(a) Net defined benefit liability*

The Company has a variety of retirement pension plans including defined benefit or defined contribution plans. The contributions are recognized as employee benefit expense when they are due. A defined benefit plan is a pension plan that is not a defined contribution plan.

# **Samsung C&T Corporation and Subsidiaries**

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Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlement occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

#### *(b) Long-term employee benefit fund*

Long-term employee benefit fund are held by the Company. The Company recognizes the fund as an asset to the net amount that the prepayment will lead to a reduction in related future payments of employee benefits.

#### *(c) Share-based payments*

Equity-settled share-based payments granted to employees are estimated at the grant date fair value of equity instruments and recognized as employee benefit expenses over the vesting period. The number of equity instruments expected to vest is remeasured with consideration to non-market vesting conditions at the end of the reporting period, with any changes from the original measurement recognized in the profit for the year and equity.

## **2.20 Provisions**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provisions due to passage of time is recognized as an interest expense.

## **2.21 Derivative Instruments**

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other non-operating income (expenses)' or 'finance income (expenses)' according to the nature of transactions.

# **Samsung C&T Corporation and Subsidiaries**

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#### **2.22 Dividend Distribution**

Dividend distribution to the Company's shareholders is recognized when the dividends are approved.

#### **2.23 Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

A deferred tax liability is recognized for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, a deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.24 Earnings per Share**

Basic earnings per share is calculated by dividing net profit for the period available to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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#### **2.25 Segment Reporting**

Information of each operating segment is reported in a manner consistent with the internal reporting provided to the Company's management, which is responsible for allocating resources and assessing performance of the operating segments.

#### **2.26 Share Capital**

Common shares and preferred shares with no repayment obligations are classified as equity.

When the Company purchases its common shares, the acquisition cost including direct transaction costs are deducted from equity until the redemption or reissuance of treasury shares. Consideration received on the subsequent or issue of treasury shares is credited to equity.

#### **2.27 Assets Held-for-Sale**

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

#### **2.28 Approval of Issuance of the Financial Statements**

These consolidated financial statements were approved by the Board of Directors on January 24, 2014.

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

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#### **3. United States Dollar Amounts**

The Parent Company and its domestic subsidiaries operate primarily in Korean won and their official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All Korean won amounts other than those in statement of comprehensive income have been translated into U.S. dollars at the exchange rate of ₩1,055.30 to US\$ 1, while Korean won amounts in statement of comprehensive income have been translated into U.S. dollars at the exchange rate of ₩ 1,095.04 to US\$ 1. Such presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

The December 31, 2012 U.S. dollar amounts, which were previously expressed at the exchange rate of ₩1,071.10 to US\$ 1, the rate in effect on December 31, 2012, have been restated to reflect the exchange rate in effect on December 31, 2012 (the statements of income: ₩ 1,126.88 to US\$ 1).

#### **4. Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting date are addressed below.

*(a) Construction contract*

The recognition of revenue is recognized by reference to the percentage of completion method. The stage of completion of a contract is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

*(b) Estimated impairment of goodwill*

*The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations are based on estimates.*

*(c) Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

## **Samsung C&T Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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*(d) Net Defined benefit liability*

The net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

*(e) Income taxes*

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

*(f) Provisions*

As described in Note 2.20, the Group recognizes provisions for warranties, repairs and others as of the reporting date. The amounts are estimated based on historical data.

**Samsung C&T Corporation and Subsidiaries**  
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**5. Construction Contracts**

The Group's balances of construction contracts as of December 31, 2013 and 2012, are summarized as follows:

*(in millions of Korean won)*

	2013			2012
	Domestic	Overseas	Total	Total
Beginning balance	₩ 13,701,364	₩ 8,854,350	₩ 22,555,714	₩ 21,320,255
New construction contracts	4,006,328	15,463,226	19,469,554	9,521,220
Revenue recognized during the year	6,130,780	6,559,896	12,690,676	8,285,761
Ending balance	₩ 11,576,912	₩ 17,757,680	₩ 29,334,592	₩ 22,555,714

The Group provides the certificates of payment from financial institutions to the ordering parties or reserves certain amount for guarantees for bidding, performance, payment and warranty relating to the construction contracts mentioned above, presented in the statement of financial position as guarantee deposits received. As of December 31, 2013, the Group reserves ₩ 193,260 million (2012: ₩ 167,926 million) relating to the constructions on progress.

As of December 31, 2013, the Group has accumulated revenues and costs on the ongoing construction projects amounting to ₩ 20,957,577 million and ₩ 18,993,158 million, respectively. As of December 31, 2013, the total accumulated revenues and costs incurred on all construction projects, including those which were completed during the current period, were ₩ 26,364,867million and ₩ 23,827,701 million, respectively.

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The account balances of outstanding construction contracts as of December 31, 2013 and 2012, are summarized as follows:

(in millions of Korean won)

	2013			2012
	Domestic	Overseas	Total	Total
Accounts receivable	₩ 1,857,187	₩ 1,056,526	₩ 2,913,713	₩ 2,501,925
Advance payment	35,674	414,772	450,446	405,512
Prepaid expenses	505,895	39,531	545,426	571,525
Guarantee deposits	34,232	267,176	301,408	192,878
Long-term loans	316,177	330	316,507	322,421
Short-term loans	186,033	4,520	190,553	225,779
Advances received	855,604	1,537,271	2,392,875	1,692,826
Payment guarantee from financial institutions	5,705,503	2,878,957	8,584,460	7,104,112
Payment guarantee from Construction Guarantee Cooperative	3,716,130	-	3,716,130	3,959,899
Payment guarantee from Korea Software Financial Cooperative	13,779	-	13,779	5,768

The Group provides commissions (0.15-2.31%) to Korea Construction Financial Cooperative and Korea Housing Guarantee Co., Ltd. As of December 31, 2013, unbilled amount out of accounts receivable is ₩ 1,475,976 million and overbilled amount out of advances received is ₩ 1,632,550 million.

As of December 31, 2013, the Company arranges housing finance to the members engaged in redevelopment and reconstruction that the Company manages, and records advances temporarily received but not executed related to housing finance amounting to ₩680,393 million.

As of December 31, 2013, construction sites are covered by construction work insurance amounting to ₩ 6,310,117 million (2012: ₩ 7,280,334 million). For the year ended December 31, 2013, movements in provision for estimated warranty costs for the completed projects and reserve for foreseeable losses from construction contract are as follows:

(in millions of Korean won)

	Beginning	Increase	Decrease	Ending
Provision for estimated warranty costs (provision)	₩ 137,711	₩ 52,233	₩ (22,803)	₩ 167,141
Reserve for foreseeable losses (other current liability)	16,037	71,277	(20,168)	67,146

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Investments in Busan Newport Co., Ltd., the Social Overhead Capital project amounting to ₩ 90,609 million, were pledged as collateral in connection with the investee's debts (total borrowing limit of ₩270,000 million) to eight financial institutions, including Kookmin Bank. Also, when Busan Newport Co., Ltd. is unable to repay its loan principal due to insufficient funds, the Group is obligated to pay the loan for up to ₩ 4,170 million(Note 11).

**6. Inventories**

Inventories as of December 31, 2013 and 2012, consist of the following:

<i>(in millions of Korean won)</i>	<b>2013</b>			<b>2012</b>		
	<b>Acquisition Cost</b>	<b>Inventory valuation allowance</b>	<b>Carrying value</b>	<b>Acquisition Cost</b>	<b>Inventory valuation allowance</b>	<b>Carrying value</b>
Merchandise	₩ 307,864	₩ (14,707)	₩ 293,157	₩ 287,627	₩ (12,151)	₩ 275,476
Finished good	58,732	(2,232)	56,500	65,362	(6,864)	58,498
Raw materials	95,660	(1,720)	93,940	126,498	(2,959)	123,539
Land held for housing projects	714,268	(612)	713,656	709,639	(612)	709,027
Materials-in-transit	154,265	-	154,265	162,699	-	162,699
Others	120,973	(17)	120,956	90,669	-	90,669
	<u>₩ 1,451,762</u>	<u>₩ (19,288)</u>	<u>₩ 1,432,474</u>	<u>₩ 1,442,494</u>	<u>₩ (22,586)</u>	<u>₩ 1,419,908</u>

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**7. Financial Instruments by Category**

Details of financial instruments by category as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<b>Financial assets</b>	<b>Loans and Receivables</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Derivative instruments for hedging activities</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
Cash and cash equivalents	₩ 1,468,603	₩ -	₩ -	₩ -	₩ 1,468,603
Short-term financial instruments	40,760	-	-	-	40,760
Trade receivables <sup>1</sup>	3,189,193	-	-	-	3,189,193
Other current assets	1,153,626	20,049	8,356	-	1,182,031
Available-for-sale financial assets	-	-	-	10,622,670	10,622,670
Other non-current assets <sup>2</sup>	930,810	-	2,679	-	933,489
	<u>₩ 6,782,992</u>	<u>₩ 20,049</u>	<u>₩ 11,035</u>	<u>₩ 10,622,670</u>	<u>₩ 17,436,746</u>

<sup>1</sup> Accounts receivable unbilled which amount to ₩ 1,475,976 million are excluded from financial instruments.

<sup>2</sup> Bank deposits amounting to ₩ 610 million are subject to withdrawal restrictions in relation to Group's loan facility agreement.

(in millions of Korean won)

<b>Financial liabilities</b>	<b>Financial liabilities measured at fair value through profit or loss</b>	<b>Derivative instruments for hedging activities</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
Trade payables	₩ -	₩ -	₩ 1,988,191	₩ -	₩ 1,988,191
Short-term borrowings	-	-	931,550	429,941	1,361,491
Current maturities of long-term debts	-	-	721,450	-	721,450
Other current liabilities	6,653	22,331	1,000,787	98,020	1,127,791
Long-term debts	-	-	2,468,827	-	2,468,827
Other non-current liabilities	-	-	44,631	-	44,631
	<u>₩ 6,653</u>	<u>₩ 22,331</u>	<u>₩ 7,155,436</u>	<u>₩ 527,961</u>	<u>₩ 7,712,381</u>

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Categorized financial instruments as of December 31, 2012, are as follows:

(in millions of Korean won)

<b>Financial assets</b>	<b>Loans and Receivables</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Derivative instruments for hedging activities</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
Cash and cash equivalents	₩ 1,378,201	₩ -	₩ -	₩ -	₩ 1,378,201
Short-term financial instruments	41,696	-	-	-	41,696
Trade receivables <sup>1</sup>	3,229,277	-	-	-	3,229,277
Other current assets	1,185,653	4,090	20,298	-	1,210,041
Available-for-sale financial assets	-	-	-	11,344,296	11,344,296
Other non-current assets <sup>2</sup>	1,101,559	12,325	-	-	1,113,884
	<u>₩ 6,936,386</u>	<u>₩ 16,415</u>	<u>₩ 20,298</u>	<u>₩ 11,344,296</u>	<u>₩ 18,317,395</u>

<sup>1</sup> Accounts receivable unbilled which amount to ₩ 1,178,257 million are excluded from financial instruments.

<sup>2</sup> Bank deposits amounting to ₩ 497 million are subject to withdrawal restrictions in relation to Group's loan facility agreement.

(in millions of Korean won)

<b>Financial liabilities</b>	<b>Financial liabilities measured at fair value through profit or loss</b>	<b>Derivative instruments for hedging activities</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
Trade payables	₩ -	₩ -	₩ 2,171,245	₩ -	₩ 2,171,245
Short-term borrowings	-	-	1,103,981	509,664	1,613,645
Current maturities of long-term debts	-	-	596,154	-	596,154
Other current liabilities	90,066	35,972	1,041,245	35,278	1,202,561
Long-term debts	-	-	2,695,189	-	2,695,189
Other non-current liabilities	-	-	81,346	-	81,346
	<u>₩ 90,066</u>	<u>₩ 35,972</u>	<u>₩ 7,689,160</u>	<u>₩ 544,942</u>	<u>₩ 8,360,140</u>

Fair value of financial instruments is the same as carrying value, except for those which do not have market prices in active market and whose fair value cannot be reliably measured.

**Samsung C&T Corporation and Subsidiaries**  
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Finance income (expense) categorized by assets and liabilities for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>Available-for-sale financial assets</b>		
Gain (Loss) on valuation (Other comprehensive income/ Expense)	₩ (584,332)	₩ 2,028,231
Gain (Loss) from disposal (Profit/ Loss)	(2,159)	(12,929)
Gain (Loss) from disposal (Reclassification) <sup>1</sup>	1,055	38,247
Interest income (expense)	1,311	8,192
Dividend income	85,001	154,594
<b>Financial assets/liabilities measured at amortized cost</b>		
Interest income (expense)	(79,823)	(95,026)
Gain (loss) from disposal of trade receivables	(15,530)	(6,044)
Gain (loss) from foreign currency translation	(2,281)	25,942
Bad debt expense/Reversal of provision for impairment of receivables	28,052	(133,119)
<b>Financial assets measured at fair value through profit or loss</b>		
Gain (loss) from foreign currency translation (gain/ loss on valuation of derivative instruments)	157,599	96,856
Gain (loss) from derivative instruments (conversion rights and others)	-	(9,915)
<b>Derivative instruments for hedging activities</b>		
Gain (loss) from foreign currency translation (gain/loss on valuation of derivative instruments)	240	3,039
<b>Financial liabilities measured at fair value through profit or loss</b>		
Gain (loss) from foreign currency translation (gain/ loss on valuation of derivative instruments)	(93,989)	(94,960)
<b>Derivative instruments for hedging activities</b>		
Gain (loss) from foreign currency translation (gain/ loss on valuation of derivative instruments)	(920)	(30,707)
<b>Other financial liabilities</b>		
Interest income (expense)	6,847	(9,270)

<sup>1</sup>Accumulated other comprehensive income in prior year is reclassified as profit for the year.

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**8. Trade Receivables and Other Assets**

Trade receivables and other assets as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			2012
	Gross amount	Provision for impairment	Net amount	Net amount
<b>Trade receivables</b>				
Financial instruments	₩ 3,240,348	₩ (51,155)	₩ 3,189,193	₩ 3,229,277
Due from customer for construction work	1,475,976	-	1,475,976	1,178,257
	<u>4,716,324</u>	<u>(51,155)</u>	<u>4,665,169</u>	<u>4,407,534</u>
<b>Other current assets</b>				
Financial instruments				
Short-term loans	294,196	(132,760)	161,436	122,234
Current portion of long-term receivables (Note 9)	13,220	-	13,220	29,261
Non-trade receivables	527,534	(33,564)	493,970	677,891
Accrued revenues	248,045	(41,486)	206,559	184,803
Deposits	313,666	(6,820)	306,846	195,852
	<u>1,396,661</u>	<u>(214,630)</u>	<u>1,182,031</u>	<u>1,210,041</u>
Advances payments	567,438	(15,953)	551,485	616,433
Prepaid expenses	744,309	(179,238)	565,071	530,164
Others	131,983	-	131,983	97,369
	<u>2,840,391</u>	<u>(409,821)</u>	<u>2,430,570</u>	<u>2,454,007</u>
<b>Other non-current assets</b>				
Financial instruments:				
Long-term receivables (Note 9)	842,473	(95,113)	747,360	840,538
Long-term financial instruments	610	-	610	497
Deposits	159,574	-	159,574	168,950
Overseas natural resources development	23,266	-	23,266	91,574
Consideration for conversion rights	2,679	-	2,679	12,325
	<u>1,028,602</u>	<u>(95,113)</u>	<u>933,489</u>	<u>1,113,884</u>
Others	47,107	-	47,107	42,747
	<u>1,075,709</u>	<u>(95,113)</u>	<u>980,596</u>	<u>1,156,631</u>
	<u>₩ 8,632,424</u>	<u>₩ (556,089)</u>	<u>₩ 8,076,335</u>	<u>₩ 8,018,172</u>

**Samsung C&T Corporation and Subsidiaries**  
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(in millions of Korean won)

	2013			2012
	Gross amount	Provision for impairment	Net amount	Net amount
Third party transactions	₩ 8,411,458	₩ (556,089)	₩ 7,855,369	₩ 7,964,823
Related party transactions	220,966	-	220,966	53,349
	₩ 8,632,424	₩ (556,089)	₩ 8,076,335	₩ 8,018,172

As of December 31, 2013, trade receivables amounting to ₩ 429,941 million (2012: ₩ 509,644 million) which were transferred to financial institutions but have not matured yet, are recognized as trade receivables and short-term borrowings, due to a recourse in the event the debtor fails to pay (Note 16).

Changes in provision for impairment for the year ended December 31, 2013, are as follows:

(in millions of Korean won)	January 1, 2013	Bad debts expense	Reversal	Others	December 31, 2013
<b>Trade receivables</b>	₩ 51,934	₩ 15,287	₩ (9,091)	₩ (6,975)	₩ 51,155
<b>Other current assets</b>					
Financial instruments					
Short-term loans	168,822	3,199	(2,206)	(37,055)	132,760
Current portion of long-term receivables	9,781	-	-	(9,781)	-
Non-trade receivables	93,874	9,142	(69,157)	(295)	33,564
Accrued revenues	70,077	2,788	(1,189)	(30,190)	41,486
Deposits	7,487	-	(667)	-	6,820
	350,041	15,129	(73,219)	(77,321)	214,630
Advances payments	7,400	8,604	-	(51)	15,953
Prepaid expenses	158,963	53,678	(33,403)	-	179,238
Others	-	2	(110)	108	-
	516,404	77,413	(106,732)	(77,264)	409,821
<b>Other non-current assets</b>					
Financial instruments					
Long-term receivables (Note 9)	61,509	23,853	(11)	9,762	95,113
	₩ 629,847	₩ 116,553	₩ (115,834)	₩ (74,477)	₩ 556,089

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Changes in provision for impairment for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2012</b>	<b>Bad debts expense</b>	<b>Reversal</b>	<b>Others</b>	<b>December 31, 2012</b>
<b>Trade receivables</b>	₩ 57,038	₩ 21,305	₩ (22,140)	₩ (4,269)	₩ 51,934
<b>Other current assets</b>					
Financial instruments					
Short-term loans	168,659	3,150	(3,094)	107	168,822
Current portion of					
long-term receivables	10,518	(737)	-	-	9,781
Non-trade receivables	41,399	73,444	(2,134)	(18,835)	93,874
Accrued revenues	62,067	11,756	(3,743)	(3)	70,077
Deposits	7,505	-	(18)	-	7,487
	290,148	87,613	(8,989)	(18,731)	350,041
Advances payments	13,596	-	-	(6,196)	7,400
Prepaid expenses	121,920	63,156	(26,113)	-	158,963
Others	42	-	-	(42)	-
	425,706	150,769	(35,102)	(24,969)	516,404
<b>Other non-current assets</b>					
Financial instruments					
Long-term receivables	6,247	55,330	-	(68)	61,509
	₩ 488,991	₩ 227,404	₩ (57,242)	₩ (29,306)	₩ 629,847

The creation and release of provision for impaired trade and other receivables have been included in selling and administrative expenses and other operating expenses, respectively, in the statement of consolidated comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As of December 31, 2013 and 2012, fair value of trade receivables, other current assets and other non-current assets are equal to their carrying value. The maximum exposure of trade and other receivables to credit risk is the carrying value of each class of receivable mentioned above.

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**9. Long-Term Receivables**

As of December 31, 2013 and 2012, long-term receivables (including current portion) are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Samsung Motors Co., Ltd.	₩ 87,935	₩ 91,641
Long-term receivables related to project financing	66,036	156,198
Loans for redevelopment and reconstruction projects	653,492	674,861
Less: Present value discount	<u>(46,883)</u>	<u>(52,901)</u>
	760,580	869,799
Less: Current portion of long-term receivables	<u>(13,220)</u>	<u>(29,261)</u>
	<u>₩ 747,360</u>	<u>₩ 840,538</u>

The collectability of the contingent receivables from Renault Samsung Motors Co., Ltd. amounting to ₩ 73,620 million will depend on the results of its future operations. Although management believes that the collectability is uncertain, it does not, however, expect this to result in a material adverse impact on the Group's financial position.

**10. Other Liabilities**

Details of other liabilities as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
<b>Other current liabilities</b>		
Financial instruments	₩ 682,373	₩ 924,542
Non-trade payables	347,398	242,741
Accrued expenses	<u>98,020</u>	<u>35,278</u>
Finance guarantee contract	1,127,791	1,202,561
Advances received	3,347,334	2,946,357
Withholdings	352,108	189,198
Others	<u>614</u>	<u>964</u>
	<u>4,827,847</u>	<u>4,339,080</u>
<b>Other non-current liabilities</b>		
Financial instruments		
Long-term non-trade payables	37,340	73,672
Leasehold deposits received	<u>7,291</u>	<u>7,674</u>
	44,631	81,346
Long-term unearned revenue	<u>1,977</u>	<u>2,226</u>
	<u>46,608</u>	<u>83,572</u>
	<u>₩ 4,874,455</u>	<u>₩ 4,422,652</u>

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**11. Available-for-sale Financial Assets**

The changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
Beginning balance	₩	11,344,296	₩	8,444,548
Acquisition		239,298		144,737
Disposal		(133,972)		(92,629)
Asset impairment losses		(47,051)		(60,012)
Other changes		(8,254)		25,312
Gain(Loss) on valuation		(770,800)		2,883,604
Gain(Loss) on translation of foreign currency		(847)		(1,264)
Ending balance	₩	<u>10,622,670</u>	₩	<u>11,344,296</u>

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

<i>(in millions of Korean won)</i>	<b>Details</b>	<b>2013</b>		<b>2012</b>	
Listed equities	(1)	₩	9,027,544	₩	9,775,540
Non-listed equities	(2)		1,510,228		1,487,410
Other investments			84,898		81,346
		₩	<u>10,622,670</u>	₩	<u>11,344,296</u>

**Samsung C&T Corporation and Subsidiaries**  
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(1) Listed equities

Listed equities as of December 31, 2013 and 2012, consist of following:

(in millions of Korean won)

	Number of shares owned	Percentage (%) of ownership	2013			2012	
			Acquisition cost	Market value	Carrying value	Carrying value	
Samsung Electronics Co., Ltd.	5,976,362	3.51	₩ 395,123	₩8,199,569	₩ 8,199,569	₩ 9,096,023	
Samsung Card Co., Ltd. <sup>1</sup>	-	-	-	-	-	107,386	
Cheil Communications Inc.	14,539,350	12.64	20,570	399,832	399,832	313,323	
Samsung Techwin Co., Ltd.	2,273,350	4.28	28,270	123,670	123,670	135,719	
Samsung Fine Chemicals Co., Ltd.	1,441,982	5.59	34,003	64,240	64,240	87,961	
Samsung Engineering Co., Ltd .	3,124,222	7.81	200,615	206,199	206,199	-	
Samsung Securities Co., Ltd.	201,731	0.26	4,531	8,886	8,886	10,772	
iMarketKorea, Inc.	647,320	1.80	324	16,668	16,668	18,416	
S Energy Co., Ltd.	260,000	2.46	3,900	3,042	3,042	2,730	
Others	-	-	9,851	5,438	5,438	3,210	
Total			₩ 697,187	₩ 9,027,544	₩ 9,027,544	₩ 9,775,540	

<sup>1</sup>On December 13, 2013, the Group sold 2.54% equity shares of Samsung Card Co., Ltd. to Samsung Life Insurance Co., Ltd.

The gain or loss on valuation of available-for-sale securities is recorded as accumulated other comprehensive income and expense for the amount, net of income tax directly charged to equity.

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(2) Non-listed equities

Non-listed equities as of December 31, 2013 and 2012, consist of following:

(in millions of Korean won)

	Number of shares owned	Percentage (%) of ownership	2013				2012	
			Acquisition cost	Fair value or Net asset value	Carrying value	Carrying value		
<b>Domestic Companies</b>								
Busan Newport Co., Ltd.	14,905,167	12.91	W 74,541	W 90,609	W 90,609	W 84,244		
Samsung SDS Co., Ltd.	13,215,822	17.08	180,436	915,949	915,949	857,786		
Korea Housing Guarantee Co., Ltd.	1,988,266	0.31	42,419	13,673	13,673	12,178		
Samsung Everland Inc.	36,997	1.48	3,376	77,310	77,310	77,095		
Dream hub Project Financing(Note 19)	12,800,000	6.40	64,000	25,068	25,068	51,853		
Samsung Economics Research Institute	120,000	1.00	600	860	690	690		
Samsung biologics <sup>1</sup>	1,170,945	9.85	57,111	36,284	57,111	52,666		
Australia water conversion fund	-	1.97	17,803	17,656	17,656	17,663		
Oil Hub Korea and Others <sup>1</sup>	-	-	71,138	54,301	58,063	38,963		
			511,424	1,231,710	1,256,129	1,193,138		
<b>Overseas Companies</b>								
Samsung SDI (Hongkong) Limited and Others <sup>1</sup>	5,500,000	2.44	4,477	6,592	4,477	4,477		
BEIJING SAMSUNG REAL ESTATE CO. LTD.	-	10.00	53,969	52,077	53,969	48,277		
Korea Ras laffan LNG Ltd.	2,783,333	10.00	4,304	112,933	122,534	122,534		
POSCO INDIA DELHI STEEL PROCESSING CENTRE.PVT.LTD and Others <sup>1</sup>	-	-	63,506	61,207	34,519	80,661		
			126,256	232,809	215,499	255,949		
<b>Other Companies</b>								
Korea Construction Financial Cooperative	27,574	0.71	27,650	38,129	38,129	37,872		
Others <sup>1</sup>	-	-	471	620	471	451		
			28,121	38,749	38,600	38,323		
			665,801	1,503,268	1,510,228	1,487,410		

<sup>1</sup>Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Investments in Busan Newport Co., Ltd., the Social Overhead Capital project amounting to ₩ 90,609 million, were pledged as collateral against the investee's debts (total borrowing limit of ₩ 270,000 million) to eight financial institutions, including Kookmin Bank (Note 5).

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As of December 31, 2013 and 2012, the debt securities amount to ₩ 84,898 million and ₩ 81,346 million, respectively, are composed of convertible bonds, national and municipal bonds, which have rates of return of 2.5% to 5.0% per annum.

As of December 31, 2013, the maximum amount exposed to credit risk, which is relating to available-for-sale financial assets, is equal to the fair value.

Changes in gain or loss on valuation of available-for-sale financial assets for the year ended December 31, 2013, recorded as other component of equity, consist of the following:

<i>(in millions of Korean won)</i>	<u>Balance at January 1, 2013</u>	<u>Valuation Amount</u>	<u>Deferred Income Tax</u>	<u>Balance at December 31, 2013</u>
Gain on valuation of available-for-sale financial assets	₩ 7,614,143	₩ (779,420)	₩ 188,561	₩ 7,023,284
Loss on valuation of available-for-sale financial assets	(12,579)	8,620	(2,093)	(6,052)
	<u>₩ 7,601,564</u>	<u>₩ (770,800)</u>	<u>₩ 186,468</u>	<u>₩ 7,017,232</u>

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**12. Investments in Associates and Joint ventures**

Changes in investments in associates and joint ventures for the years ended December 31, 2013 and 2012, are as follows:

	January 1, 2013	Acquisition	Disposal	2013		December 31, 2013
				Share of profit	Others <sup>1</sup>	
Samsung General Chemicals Co., Ltd.	481,843	-	-	79,688	526	562,057
Samsung Petrochemical Co., Ltd.	114,941	-	-	(11,451)	-	103,490
Songdo Landmark City Limited	14,896	787	-	(1,302)	(1)	14,380
Starworld Corporation	8,451	-	-	194	(915)	7,730
Uglegorskugol, LLC	15,359	-	-	(1,035)	(3,578)	10,746
Port Uglegorsky, LLC	6,726	-	-	(279)	(6,079)	368
Tongling Guoxing Chemical Co., Ltd	2,914	-	-	126	18	3,058
Solar Projects Solutions, LLC	4,428	726	-	11,317	(3,316)	13,155
Waris Gigih Engineering & Technology Sdn. Bhd.	61	-	-	15	(7)	69
Ningxia KNOG Samsung Lantian Oil Development Co.,Ltd <sup>2</sup>	7,139	-	-	(683)	(6,456)	-
Korea LNG Limited	110,543	-	-	22,723	(56,998)	76,268
Dongducheon Combigned Cycle Power Plant Co.,Ltd.	79,796	18,650	-	(27,309)	(97)	71,040
Sino-Singapore Tianjin Eco-City Investment and Development Co.,Ltd.	16,015	-	-	(1,329)	234	14,920
Jamsil Veterans PFV Co., Ltd <sup>3</sup>	2,454	-	-	(612)	-	1,842
JSC Balkhash Thermal Power Plant	88,449	12,116	-	(2,475)	(4,887)	93,203
LJG GREEN SOURCE ENERGY ALPHA S.R.L.	20,260	12,236	-	(177)	658	32,977
Chongqing Shanxia Technology Textile Co., Ltd	-	23,246	-	3,462	(11)	26,697
Samsung Investment Manzanillo B.V.	46,366	-	(7,375)	(2,650)	11,776	48,117
Others	36,146	77,103	(1,104)	(12,086)	4,839	104,898
	<u>1,056,787</u>	<u>144,864</u>	<u>(8,479)</u>	<u>56,137</u>	<u>(64,294)</u>	<u>1,185,015</u>

<sup>1</sup>Others include dividends, changes in foreign currency exchange rates and other.

<sup>2</sup>The company is classified as assets held-for-sale (book value: ₩ 6,454 million) in accordance with a commitment to sell.

<sup>3</sup>Investments in Jamsil Veterans PFV Co., Ltd, amounting to ₩4,000 million were pledged as collateral to Samsung Life Insurance Co., Ltd. related to the construction of Jamsil Veterans Office Building for borrowings (total borrowing limit of ₩252,000 million) of the Jamsil Veterans PFV Co., Ltd. (Note 31).

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	2012					December 31, 2012
	January 1, 2012	Acquisition	Disposal	Share of profit	Others <sup>1</sup>	
Samsung General Chemicals Co., Ltd.	430,437	-	-	51,900	(494)	481,843
Samsung Petrochemical Co., Ltd.	137,731	-	-	(20,063)	(2,727)	114,941
Songdo Landmark City Limited	16,687	1,150	-	(2,935)	(6)	14,896
Samsung Japan Co., Ltd.	322,048	-	(97,682)	7,951	(232,317)	-
Starworld Corporation	6,430	-	-	99	1,922	8,451
Uglegorskugol, LLC	13,600	4,020	-	(1,699)	(562)	15,359
Port Uglegorsky, LLC	2,944	3,028	-	802	(48)	6,726
Tongling Guoxing Chemical Co., Ltd	2,959	-	-	6	(51)	2,914
Solar Projects Solutions, LLC	14,816	506	-	(72)	(10,822)	4,428
Waris Gigih Engineering & Technology Sdn. Bhd.	24	-	-	38	(1)	61
Ningxia KNOC Samsung Lantian Oil Development Co.,Ltd	7,315	-	-	163	(339)	7,139
Korea LNG Limited	117,556	-	-	21,591	(28,604)	110,543
Dongducheon Combined Cycle Power Plant Co.,Ltd.	13,597	70,000	-	(3,459)	(342)	79,796
Sino-Singapore Tianjin Eco-City Investment and Development Co.,Ltd.	18,483	-	-	(1,446)	(1,022)	16,015
Jamsil Veterans PFV Co., Ltd.	-	4,000	-	(1,527)	(19)	2,454
JSC Balkhash Thermal Power Plant	-	92,529	-	334	(4,414)	88,449
LJG GREEN SOURCE ENERGY ALPHA S.R.L.	-	20,723	-	(305)	(158)	20,260
Samsung Investment Manzanillo B.V.	35,725	-	-	2,300	8,341	46,366
Others	23,372	14,132	(67)	302	(1,593)	36,146
	<u>1,163,724</u>	<u>210,088</u>	<u>(97,749)</u>	<u>53,980</u>	<u>(273,256)</u>	<u>1,056,787</u>

<sup>1</sup>Others include dividends, changes in foreign currency exchange rates and other.

Samsung General Chemicals Co., Ltd. and Samsung Investment Manzanillo B.V account for their investments in Samsung Total Petrochemical Co., Ltd.(50%) and Terminal KMS (37.5%) under the equity method.

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Summarized financial information of major associates and joint ventures of the Group as of and for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

Associates	Percentage (%) of ownership	2013				2012			
		Total Assets	Total Liabilities	Sales	Profit(Loss) for the year	Total Assets	Total Liabilities	Sales	Profit(Loss) for the year
Samsung General Chemicals Co., Ltd.	38.68	₩ 1,597,400	₩ 40,265	₩ 207,310	₩ 205,314	₩ 1,384,392	₩ 33,928	₩ 131,303	₩ 137,097
Samsung Petrochemical Co., Ltd.	27.27	873,105	493,560	2,364,204	(42,171)	867,957	446,241	2,222,740	(73,827)
Songdo Landmark City Limited	41.38	65,955	31,204	-	(3,043)	65,883	29,667	-	(7,049)
Starworld Corporation	50.00	17,131	1,671	-	387	18,876	2,310	-	157
Uglegorskugol, LLC	50.00	40,264	15,215	25,036	(2,070)	48,575	18,972	28,452	(3,790)
Port Uglegorsky, LLC	50.00	4,976	4,240	6,030	(565)	6,129	4,750	9,524	1,596
Tongling Guoxing Chemical Co., Ltd	30.00	21,134	10,941	68,113	416	24,762	15,211	16,711	6
Solar Projects Solutions, LLC	50.00	26,787	907	27,436	22,633	7,457	703	-	(141)
Waris Gigih Engineering & Technology Sdn. Bhd.	30.00	2,456	2,227	3,940	51	4,490	4,291	10,682	42
Ningxia KNOC Samsung Lantian Oil Development Co.,Ltd.	44.00	-	-	-	-	19,194	2,525	8,524	(303)
Korea LNG Limited	20.00	381,437	98	111,602	113,616	552,779	64	109,992	108,021
Dongducheon Combined Cycle Power Plant Co.,Ltd.	31.15	1,149,579	840,475	-	(15,309)	235,002	856	-	(4,289)
Sino-Singapore Tianjin Eco-City Investment and Development Co.,Ltd.	40.00	117,835	80,534	-	(3,321)	71,260	31,227	-	(3,616)
Jamsil Veterans PFV Co., Ltd.	20.00	316,763	299,366	-	(1,775)	241,274	227,668	-	(6,298)
JSC Balkhash Thermal Power Plant	75.00	130,309	6,038	-	(3,299)	119,777	1,845	-	968
LJG GREEN SOURCE ENERGY ALPHA S.R.L.	78.00	150,926	122,164	6,813	(227)	38,370	21,329	-	(903)
Chongqing Shanxia Technology Textile Co., Ltd	20.00	369,838	236,353	203,043	4,609	-	-	-	-

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Reconciliation of financial information to book value of the major investments in associates and joint ventures for the years ended December 31, 2013 and 2012, is as follows:

	2013					
	Net assets	Percentage (%) of ownership	Net asset value of equity shares	Goodwill	Intercompany Transaction	Book value
(in millions of Korean won)						
Samsung General Chemicals Co., Ltd.	1,557,135	38.68	602,300	-	(40,243)	562,057
Samsung Petrochemical Co., Ltd.	379,545	27.27	103,502	-	(12)	103,490
Korea LNG Limited	381,339	20.00	76,268	-	-	76,268
Dongducheon Combined Cycle Power PlantCo.,Ltd	309,104	31.15	96,286	-	(25,246)	71,040
JSC Balkhash Thermal Power Plant	124,271	75.00	93,203	-	-	93,203
	2012					
(in millions of Korean won)	Net assets	Percentage (%) of ownership	Net asset value of equity shares	Goodwill	Intercompany Transaction	Book value
Samsung General Chemicals Co., Ltd.	1,350,464	38.68	522,359	-	(40,516)	481,843
Samsung Petrochemical Co., Ltd.	421,716	27.27	115,002	-	(61)	114,941
Korea LNG Limited	552,715	20.00	110,543	-	-	110,543
Dongducheon Combined Cycle Power PlantCo.,Ltd	234,146	35.00	81,951	-	(2,155)	79,796
JSC Balkhash Thermal Power Plant	117,932	75.00	88,449	-	-	88,449

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**13. Property, Plant and Equipment, and Intangible Assets**

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

(in millions of Korean won)	2013				Total
	Land	Buildings and Structures	Others	Construction in progress	
<b>Beginning balance as of January 1, 2013</b>					
Acquisition cost	319,881	655,661	631,820	130,382	1,737,744
Accumulated depreciation	-	(125,820)	(362,222)	-	(488,042)
Net carrying amount	319,881	529,841	269,598	130,382	1,249,702
<b>Changes during the year</b>					
Acquisition	4,216	4,747	105,297	60,767	175,027
Acquisition due to business combination <sup>1</sup>	-	-	382	-	382
Disposal	(2,421)	(100,122)	(32,925)	-	(135,468)
Depreciation	-	(25,068)	(75,374)	-	(100,442)
Other changes <sup>2</sup>	(1,300)	102,275	(4,135)	(127,239)	(30,399)
Net carrying amount as of December 31, 2013	<u>320,376</u>	<u>511,673</u>	<u>262,843</u>	<u>63,910</u>	<u>1,158,802</u>
<b>Ending balance as of December 31, 2013</b>					
Acquisition cost	320,376	649,743	647,832	63,910	1,681,861
Accumulated depreciation	-	(138,070)	(384,989)	-	(523,059)
Net carrying amount	<u>320,376</u>	<u>511,673</u>	<u>262,843</u>	<u>63,910</u>	<u>1,158,802</u>

<sup>1</sup>The Group acquired 100% equity shares of Whessoe Project Limited through business combination during the year ended December 31, 2013 (Note 35).

<sup>2</sup>Other changes include asset transfer, adjustment on changes in foreign currency exchange rates and scope of consolidation.

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<i>(in millions of Korean won)</i>	2012				
	Land	Buildings and Structures	Others	Construction in progress	Total
<b>Beginning balance as of January 1, 2012</b>					
Acquisition cost	₩ 301,861	₩ 513,922	₩ 627,354	₩ 44,872	₩ 1,488,009
Accumulated depreciation	-	(114,923)	(363,619)	-	(478,542)
Net carrying amount	301,861	398,999	263,735	44,872	1,009,467
<b>Changes during the year</b>					
Acquisition	4,332	110,656	105,771	158,918	379,677
Disposal	(863)	(18,270)	(6,143)	-	(25,276)
Depreciation	-	(19,493)	(76,578)	-	(96,071)
Other changes <sup>1</sup>	14,551	57,949	(17,187)	(73,408)	(18,095)
Net carrying amount as of					
December 31, 2012	₩ 319,881	₩ 529,841	₩ 269,598	₩ 130,382	₩ 1,249,702
<b>Ending balance as of December 31, 2012</b>					
Acquisition cost	₩ 319,881	₩ 655,661	₩ 631,820	₩ 130,382	₩ 1,737,744
Accumulated depreciation	-	(125,820)	(362,222)	-	(488,042)
Net carrying amount	₩ 319,881	₩ 529,841	₩ 269,598	₩ 130,382	₩ 1,249,702

<sup>1</sup>Other changes include asset transfer, adjustments due to changes in foreign currency exchange rates and scope of consolidation.

Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013						
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Others	Total
<b>Beginning balance</b>	₩ 1,017,817	₩ 85,638	₩ 13,079	₩ 9,074	₩ 19,760	₩ 85,624	₩ 1,230,992
Acquisition	61,698	2,630	23,688	-	-	16,488	104,504
Acquisition due to business combination <sup>1</sup>	-	-	-	-	10,880	897	11,777
Disposal	-	(4,520)	(275)	-	-	(2,037)	(6,832)
Amortization	(54,868)	-	(9,376)	(1,206)	-	(14,788)	(80,238)
Other changes <sup>2</sup>	10,630	401	33,072	6,329	(7,651)	(18,845)	23,936
<b>Ending Balance</b>	₩ 1,035,277	₩ 84,149	₩ 60,188	₩ 14,197	₩ 22,989	₩ 67,339	₩ 1,284,139

<sup>1</sup>The Group acquired 100% equity shares of Whessoe Project Limited through business combination during the year ended December 31, 2013 (Note 35).

<sup>2</sup>Other changes include asset transfer, adjustment on changes in foreign currency exchange rates and scope of consolidation.

**Samsung C&T Corporation and Subsidiaries**  
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(in millions of Korean won)

2012

	2012						Total
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Others	
<b>Beginning balance</b>	₩ 1,064,147	₩ 93,334	₩ 11,851	₩ 10,170	₩ -	₩ 25,306	₩ 1,204,808
Acquisition	83,805	3,514	5,960	-	-	38,923	132,202
Disposal	-	(11,176)	(1,168)	-	-	(107)	(12,451)
Amortization	(53,470)	-	(4,693)	(1,096)	-	(3,946)	(63,205)
Other changes <sup>1</sup>	(76,665)	(34)	1,129	-	19,760	25,448	(30,362)
<b>Ending Balance</b>	<b>₩ 1,017,817</b>	<b>₩ 85,638</b>	<b>₩ 13,079</b>	<b>₩ 9,074</b>	<b>₩ 19,760</b>	<b>₩ 85,624</b>	<b>₩ 1,230,992</b>

<sup>1</sup>Other changes include asset transfer, adjustments on changes in foreign currency exchange rates and scope of consolidation.

In accordance with the Asset Revaluation Law of the Republic of Korea, in 1998, the Parent Company revalued a substantial portion of its property, plant and equipment, and certain equity securities included in the investments account on June 1, 1998. As of December 31, 2013, the resulting revaluation reserve included in consolidated capital premium amounts to ₩ 128,626 million.

As of December 31, 2013, the value of land owned by the Parent Company and its domestic subsidiaries, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩ 374,435 million (2012: ₩ 336,864 million).

The right to use property is on the off-street parking area donated to the Seoul city government, and others. The Parent Company is able to use the facility for free for 14-20 years after the completion of the construction.

Depreciation and amortization expenses allocated to cost of sales and selling and general administrative expense amount to ₩ 130,249 million and ₩ 50,431 million (2012: ₩ 110,892 million and ₩ 48,384 million), respectively.

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**14. Investment Properties**

Changes in net carrying amounts of investment properties for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013			2012		
	Land	Building	Total	Land	Building	Total
<b>Beginning balance</b>	₩ 53,223	₩ 53,878	₩ 107,101	₩ 77,214	₩ 96,410	₩ 173,624
Acquisition	-	-	-	-	-	-
Disposal	(10,250)	(18,081)	(28,331)	(23,991)	(39,978)	(63,969)
Depreciation	-	(1,444)	(1,444)	-	(1,484)	(1,484)
Other changes <sup>1</sup>	-	(206)	(206)	-	(1,070)	(1,070)
<b>Ending Balance</b>	<b>₩ 42,973</b>	<b>₩ 34,147</b>	<b>₩ 77,120</b>	<b>₩ 53,223</b>	<b>₩ 53,878</b>	<b>₩ 107,101</b>

<sup>1</sup>Other changes include adjustments due to changes in foreign currency exchange rates.

As of December 31, 2013, fair value of the investment properties above is ₩ 166,684 million (2012: ₩ 236,450 million).

The rental income for the years ended December 31, 2013 and 2012, arising from the investment properties above, amounts to ₩ 4,288 million and ₩ 7,475 million, respectively.

**15. Biological assets**

Changes in biological assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
<b>Beginning balance</b>	₩ 91,782	₩ 98,782
Gain (Loss) on valuation	585	4,768
Acquisition	1,002	5,895
Gain (Loss) from foreign currency translation	(20,695)	(17,663)
<b>Ending balance</b>	<b>₩ 72,674</b>	<b>₩ 91,782</b>

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**16. Borrowings**

The carrying amounts of borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
<b>Current liabilities</b>		
Short-term borrowings	₩ 1,361,491	₩ 1,613,645
Current portion of long-term borrowings	271,743	295,502
Current portion of debentures	450,000	300,683
Less: Discount on debentures	<u>(294)</u>	<u>(31)</u>
	<u>2,082,940</u>	<u>2,209,799</u>
<b>Non-current liabilities</b>		
Long-term borrowings	723,392	1,199,597
Debentures	1,750,000	1,500,000
Less: Discount on debentures	<u>(4,565)</u>	<u>(4,408)</u>
	<u>2,468,827</u>	<u>2,695,189</u>
<b>Total</b>	<u>₩ 4,551,767</u>	<u>₩ 4,904,988</u>

Short-term borrowings as of December 31, 2013 and 2012, consist of the following:

<i>(in millions of Korean won)</i>	<u>Creditors</u>	<u>Annual Interest Rates (%)</u>	<u>2013</u>	<u>2012</u>
<b>Samsung C&amp;T and domestic subsidiaries</b>				
Loans in local currency	Korea Exim and others	1.65 - 4.18	₩ 270,550	₩ 42,217
Loans in foreign currency	Korea Exim	-	-	262,420
Banker's usance	Woori Bank and others	Libor+0.5 – 2.0	42,442	40,740
Secured loans	Woori Bank and others	Libor+0.5 – 1.8	<u>429,941</u>	<u>509,664</u>
			742,933	855,041
<b>Foreign subsidiaries</b>				
General loans	Citibank and others	0.90 - 6.16	<u>618,558</u>	<u>758,604</u>
			<u>₩ 1,361,491</u>	<u>₩ 1,613,645</u>

As of December 31, 2013, the Company has bank overdraft facility agreements amounting to ₩ 137,000 million and credit facility agreements amounting to ₩ 213,000 million with nine banks, including Woori Bank. Also, the Company has entered into credit agreement using its notes receivable which are guaranteed, as collateral for up to ₩ 181,900 million with three banks, including Shinhan bank.

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Debentures as of December 31, 2013 and 2012, consist of the following:

<i>(in millions of Korean won)</i>	Annual Interest		2013	2012
	Rates (%)			
Non guaranteed and publicly listed	3.02 - 4.58	₩	2,200,000	₩ 1,700,000
Non guaranteed and publicly listed (Foreign currency)	-		-	100,683
			2,200,000	1,800,683
Less: Current portion of debentures			(450,000)	(300,683)
		₩	1,750,000	₩ 1,500,000

Long-term borrowings as of December 31, 2013 and 2012, consist of the following:

<i>(in millions of Korean won)</i>	Annual Interest		2013	2012
	Creditors	Rates (%)		
<b>Won currency loans</b>				
<b>Samsung C&amp;T and domestic subsidiaries</b>				
Korea Housing Guarantee Co., Ltd and others	1.0, 2.8	₩	32,866	₩ 27,867
KDB Daewoo Securities Co.,Ltd. and others	-		-	408,029
Hana Bank and others	3.0 - 6.87		39,503	55,529
Korea Investment&Securities Co., Ltd., and others	2.97, 3.03		300,000	-
			372,369	491,425
Less: Current portion of long-term borrowings			(14,387)	(7,920)
			357,982	483,505
<b>Foreign currency loans</b>				
<b>Samsung C&amp;T and domestic subsidiaries</b>				
Petroleum Development Fund	0.75 - 5.0		46,346	43,177
Korea Resources Corporation	-		-	11,054
Korea Exim bank	Libor + 2.55		216,337	323,579
ING	-		-	10,650

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Standard Chartered Bank	-	-	107,110
Mizuho Corporate Bank, Ltd.	Libor + 1.1	14,069	85,688
<b>Foreign subsidiaries</b>			
SCB and others	1.0 - 5.0	<u>346,014</u>	<u>422,416</u>
		622,766	1,003,674
Less: Current portion of long-term borrowings		<u>(257,356)</u>	<u>(287,582)</u>
		<u>365,410</u>	<u>716,092</u>
		<u>₩ 723,392</u>	<u>₩ 1,199,597</u>

**Samsung C&T Corporation and Subsidiaries**  
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The annual maturities of long-term debts outstanding as of December 31, 2013, exclusive of adjustments relating to discounts, are as follows:

<i>(in millions of Korean won)</i>	<b>Debentures (Face value)</b>		<b>Won currency Loans</b>		<b>Foreign currency Loans</b>		<b>Total</b>
January 1, 2015 ~ December 31, 2015	₩	320,000	₩	13,424	₩	72,917	₩ 406,341
January 1, 2016 ~ December 31, 2016		580,000		311,810		79,858	971,668
January 1, 2017 December 31, 2017		480,000		9,208		63,632	552,840
After January 1, 2018		370,000		23,540		149,003	542,543
	₩	1,750,000	₩	357,982	₩	365,410	₩ 2,473,392

Long-term borrowings and debentures by currencies as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>Long-term borrowings</b>		<b>Debentures (Amortized cost)</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
US Dollars	₩ 359,991	₩ 676,177	₩ -	₩ -
Korean Won	357,983	483,503	1,745,435	1,495,592
Chinese Yuan	-	13,750	-	-
EURO	-	10,650	-	-
Japanese Yen	4,321	5,073	-	-
Others	1,097	10,444	-	-
	₩ 723,392	₩ 1,199,597	₩ 1,745,435	₩ 1,495,592

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**17. Net Retirement Benefit Obligation**

The amounts recognized on the statements of financial position as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Defined benefit obligation	₩ 398,400	₩ 344,005
Plan assets	(326,675)	(254,799)
Contribution to National Pension Plan	(1,035)	(1,168)
	<u>₩ 70,690</u>	<u>₩ 88,038</u>

As of December 31, 2013, the Group has agreement with Samsung Life Insurance Co. to manage defined benefit plans.

The Company and its subsidiaries under defined benefit plans are required to pay retirement benefits to any employee who has provided one year or more of services as of reporting date, in accordance with the Group's policies on payment of retirement benefits (in accordance with local regulations for overseas subsidiaries). Additionally, as of December 31, 2013, the Company and its subsidiaries are under contracts with Samsung Life Insurance Co., Ltd. and others for operations management and asset management of their defined benefit pension plans.

Defined benefit liability recognized in the statements of financial position as of December 31, 2013 and 2012, are determined as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Present value of funded obligations	₩ 318,025	₩ 227,411
Fair value of plan assets <sup>1</sup>	(327,710)	(255,967)
	(9,685)	(28,556)
Present value of unfunded obligations	80,375	116,594
	<u>₩ 70,690</u>	<u>₩ 88,038</u>

<sup>1</sup> The amount includes contributions to the National Pension Fund of ₩ 1,035 million (2012: ₩ 1,168 million), according to the National Pension Law.

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Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>		<u>2012</u>	
<b>Beginning balance</b>	₩	344,005	₩	277,607
Current service cost		53,176		45,461
Interest expense		13,973		15,218
<b>Remeasurement (before tax )</b>				
(Gain)/Loss from change in demographic assumptions		32,355		(23,764)
(Gain)/ Loss from change in financial assumptions		(9,116)		37,013
Experience (gains)/ losses		20,219		30,715
Benefits paid		(42,217)		(38,525)
Transfer-in (out)		(13,045)		1,142
Others <sup>1</sup>		(950)		(862)
<b>Ending balance</b>	₩	<u>398,400</u>	₩	<u>344,005</u>

<sup>1</sup> The amount includes adjustments due to change in foreign currency.

The movement in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>		<u>2012</u>	
<b>Beginning balance</b>	₩	255,967	₩	209,156
Return on plan assets (excluding amounts included in interest expenses/income)		11,183		10,627
Actuarial gains(losses) (before tax)		(3,743)		(3,112)
Employer contributions		96,405		67,719
Benefits paid		(32,471)		(28,409)
Others		369		(14)
<b>Ending balance</b>	₩	<u>327,710</u>	₩	<u>255,967</u>

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The amounts recognized in the income statements for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
<b>Defined benefit plan</b>		
Current service cost	₩ 53,176	₩ 45,461
Interest cost	13,973	15,218
Return on plan assets (excluding amounts included in interest expenses/income)	(11,183)	(10,627)
<b>Defined contribution plan</b>		
Severance benefits	1,721	1,273
<b>Total</b>	<u>₩ 57,687</u>	<u>₩ 51,325</u>

Details of allocation of expenses during the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Cost of sales	₩ 26,017	₩ 22,527
Selling and administrative expenses (severance benefits)	23,686	22,098
Selling and administrative expenses (general development)	2,484	3,044
Other assets	5,500	3,656
	<u>₩ 57,687</u>	<u>₩ 51,325</u>

The principal actuarial assumptions used as of the reporting dates, are as follows:

<i>(In Percentage)</i>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Discount rate	0.90% - 4.90%	1.25% - 4.50%
Weighted average future salary increase	4.50% - 5.00%	3.00% - 5.00%
Expected return rate on plan assets	0.90% - 4.90%	1.25% - 4.50%

Discount rate is measured by reference to corporate bond rated AA- and Japanese corporate bond with a 10-year maturity. Mortality rate for defined benefit pension plan announced by Korea Insurance Development Institute is adapted and the retirement rate is measured by reference to the historical record of retirement.

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Accumulated actuarial gains and losses recognized as other comprehensive income amount to ₩ 134,041 million as of December 31, 2013 (2012: ₩ 98,959 million).

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	<b>Changes in principal assumption</b>	<b>Impact on overall liability</b>
Discount rate	1%	(6)%/6%
Salary growth rate	1%	7%/(7)%

Plan assets as of December 31, 2013 and 2012, consist of:

*(in millions of Korean won)*

	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Equity instruments	₩ 15,665	4.78	₩ 9,650	4
Debentures	191,317	58.38	124,912	49
Others	120,728	36.84	121,405	47
<b>Total</b>	<b>₩ 327,710</b>	<b>100</b>	<b>₩ 255,967</b>	<b>100</b>

The estimated amount that the Group's management expects to contribute to plan assets within 12 months after the end of the reporting period is ₩ 61,283 million.

Actual income on plan assets for the years ended December 31, 2013 and 2012, is ₩ 7,440 million and ₩ 7,515 million, respectively.

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2013 and 2012, are as follows:

*(in millions of Korean won)*

	<b>2013</b>		<b>2012</b>	
Present value of defined benefit liability	₩	398,400	₩	344,005
Fair value of plan assets		327,710		255,967
Deficit(Surplus) of the funded plans		70,690		88,038
Defined benefit liability adjustments		(20,219)		(30,715)
Plan assets adjustments		(3,743)		(3,112)

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**18. Other Provisions for Liabilities and Charges**

Details and changes of provisions for liabilities and charges for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	<b>2013</b>			
	<b>Provision for construction warranties</b>	<b>Restoration</b>	<b>Other</b>	<b>Total</b>
January 1, 2013	₩ 137,711	₩ 36,450	₩ 265	₩ 174,426
Additional provisions adjustment	53,061	(2,361)	7,057	57,757
Unused amounts reversed	-	-	-	-
Used during year	(22,803)	(2,889)	(271)	(25,963)
Exchange differences	(828)	(335)	(2)	(1,165)
December 31, 2013	₩ 167,141	₩ 30,865	₩ 7,049	₩ 205,055
Current	₩ -	₩ -	₩ -	-
Non-current	167,141	30,865	7,049	205,055

(In millions of Korean won)

	<b>2012</b>			
	<b>Provision for construction warranties</b>	<b>Restoration</b>	<b>Other</b>	<b>Total</b>
January 1, 2012	₩ 136,580	₩ 37,960	₩ -	₩ 174,540
Additional provisions adjustment	24,454	5,591	265	30,310
Unused amounts reversed	-	-	-	-
Used during year	(23,120)	(3,031)	-	(26,151)
Exchange differences	(203)	(4,070)	-	(4,273)
December 31, 2012	₩ 137,711	₩ 36,450	₩ 265	₩ 174,426
Current	₩ -	₩ -	₩ -	-
Non-current	137,711	36,450	265	174,426

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#### 19. Contingencies and Commitments

As of December 31, 2013, the Company entered into agreements with several financial institutions including Woori Bank, for the guarantees of letters of credit related to the Group's export and import, totaling USD 339,217 thousand (2012: USD 1,003,040 thousand), for the guarantee of the performance of exporting contracts amounting to USD 174,341 thousand (2012: USD 288,494 thousand) and for the guarantee of various trade finance with limit of USD 1,796,633 thousand, respectively.

The receivables from exporting transactions sold to financial institutions which amount to USD 404,697 thousand, are not yet due as of December 31, 2013 (2012: USD 497,199 thousand) (Note 16).

As of December 31, 2013, the Group provided 11 unissued checks and notes payable amounting to ₩ 17,312 million, and 61 blank checks and notes as collaterals for various guarantees.

As of December 31, 2013, investments in Busan Newport Co., Ltd., the Social Overhead Capital project amounting to ₩ 90,609 million, were pledged as collateral in connection with the investee's debts (total borrowing limit of ₩ 270,000 million) to eight financial institutions, including Kookmin Bank. Also, when Busan Newport Co., Ltd. is unable to repay its loan principal due to insufficient funds, the Company is obligated to pay the loan for up to ₩ 4,170 million. And the Group is contingently liable for the participation in the housing and lotting-out projects limit of ₩ 2,533,002 million (including 2,459,301 million) with 130% collateral requirement.

As of December 31, 2013, the Parent Company is contingently liable for loan guarantees, principally for foreign associates amounting to USD 221,314 thousand (2012: USD 164,586 thousand).

As of December 31, 2013, the Company provides performance guarantees on the construction contracts of its foreign operations limited to USD 130,489 thousand, and the Group is contingently liable for mutual guarantees for the performance of projects by other construction companies amounting to ₩ 1,113,811 million (2012: ₩ 1,366,922 million). Conversely, other construction companies provided guarantees for the performance of the Group's projects amounting to ₩ 1,377,099 million (2012: ₩ 3,274,651 million).

As of December 31, 2013, the Group is contingently liable for guarantees relating to the real estate development projects amounting to ₩ 529,900 million (including ABS loans of ₩ 86,700 million and other PF loans of ₩ 443,200 million).

As of December 31, 2013, the Group holds a short-term export insurance with Korea Trade Insurance Corporation. The certificates issued by Korea Trade Insurance Corporation (insured amount of ₩ 128,057 million) relating to guarantees provided by financial institutions are pledged as collateral.

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As of December 31, 2013, the Group has been named as the defendant in certain lawsuits brought against it in the normal course of business. The aggregate amount of 90 claims brought against the Group, excluding the Samsung Motor Inc. case mentioned below, amounted to approximately ₩ 120,864 million and USD 10,318 thousand. The Group also filed 48 counterclaims amounting to ₩ 92,003 million and USD 59,109 thousand.

As of December 31, 2013, the Group entered into 1,009 forward exchange contracts amounting to USD 553,413 thousand, JPY 2,298,916 thousand, GBP 536 thousand, EUR 2,935 thousand, CHF 288 thousand, AUD 66,973 thousand, KWD 443 thousand, and SGD 880 thousand, and six interest rate swap contracts whose contracts amounting to ₩ 296,000 million and USD 169,295 thousand with financial institutions. These forward exchange contracts and interest rate swap are intended to hedge foreign exchange risk and interest risk exposures of the Group. In addition, the Group has entered 135 commodity futures contracts whose contract prices amount to USD 410,693 thousand with financial institutions. For the year ended December 31, 2013, realized gains and losses from the contracts mentioned above, included in 'foreign exchange gain and loss', amount to approximately ₩ 166,879 million and ₩ 222,454 million, respectively.

As of December 31, 2013, unrealized gain (loss) on valuation of each derivative instrument is as follows:

<i>(in millions of Korean won)</i>	<u>Gain on valuation</u>	<u>Loss on valuation</u>	<u>Other component of equity</u>
Currency forward contracts	₩ 158,340	₩ 95,203	₩ (1,115)
Interest swap contracts	-	-	2,268
Currency swap contracts	-	-	-
Commodity futures contracts	6,823	5,990	(599)

As of December 31, 2013, the Parent Company has an electronic credit sales agreement amounting to ₩ 177,900 million and collateral loan agreements using the accounts receivable for up to ₩ 30,000 million with financial institutions, including Hana Bank.

Based on the agreement entered into in September 1999, with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of Samsung Group, including the Company, under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩ 2,450 billion for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default of interest.

During 2010, the Creditors' shares of Samsung Life Insurance Co. were sold during the IPO, and ₩ 877,600 million out of the total proceeds have been withheld in the escrow accounts. The Creditors withdrew most part of the amount the Creditors sought related to the lawsuit.

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Seoul High Court sentenced the Samsung Group to pay ₩ 600,000 million of penalty for breach of contract and default interest on such amount. Thus, the sum of penalty and its default interest amount to ₩ 620,400 million paid to the Creditors as ordered. However, the Samsung Group, including Samsung C&T Corporation, and the Creditors appealed to the Supreme Court and the trial is still ongoing.

On February 14, 2012, the Company entered into a Share Purchase Agreement with Samruk-Energy, JSC to purchase its shares related to the construction of and business investment in the coal-fired electrical power plant located in Kazakhstan. The Company retains the right to re-sell the shares purchased from Samruk-Energy, JSC, which also retains the right to re-purchase the sold shares.

As of December 31, 2013, the Company guarantees Badaro SG, a shareholder of Miraero SG, in the amount of USD 121,263 thousand, representing six ships with each costing USD 20,211 thousand, in case of non-fulfillment of the ship purchase contract with a contract date of September 10, 2017, between Geden Holdings Limited and Miraero SG, the shipowner.

The Company has equity securities and debt securities for Dream Hub Project Financing, the operator, in relation to the Yongsan station-area development project. During the year ended December 31, 2013, KORAIL notified the private shareholders of the termination of the business contract due to the financial difficulties of Dream Hub Project Financing. The Company recognized impairment loss on equity securities related to the aforementioned project in the light of financial difficulties of the said operator.

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**20. Share Capital**

The Company is authorized to issue 320 million shares of common stock with a par value of ₩ 5,000 per share, and preferred stock, which is entitled to an additional dividend of 1% of the par value over voting common stock, up to 50% of total issued and outstanding shares of stock. As of December 31, 2013, 156,217,764 shares of common stock and 4,648,653 shares of preferred stock are issued and outstanding.

The Company has listed Global Depositary Receipts (GDRs), representing certain shares of common stock and preferred stock, at the London Stock Exchange, as follows:

	<u>Number of Shares</u>	<u>Number of Shares of GDR</u>
Common stock	1,435,434	2,870,868
Preferred stock	2,152,906	4,305,812

As authorized in its Articles of Incorporation, the Parent Company is able to issue convertible bonds which can be converted into common shares and preferred shares of the Parent Company and bonds with warrants which grant the right to purchase new preferred shares to the amount of ₩ 800 billion each. As of December 31, 2013, there are no convertible bonds and bonds with warrants issued under these terms.

The Parent Company holds its own the common shares and preferred shares as treasury shares acquired for price stabilization of its shares recorded as other reserve. These acquired shares are expected to be used when the Parent Company should issue the shares if the share options are exercised.

As of December 31, 2013 and 2012, details of treasury shares are as follows:

<i>(in millions of Korean won, except number of shares)</i>	<u>2013</u>		<u>2012</u>	
	<u>Preferred shares</u>	<u>Common shares</u>	<u>Preferred shares</u>	<u>Common shares</u>
Number of Shares	449,930	9,016,757	449,930	9,065,957
Acquisition cost	₩ 6,092	₩ 283,604	₩ 6,092	₩ 285,151

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**21. Share-based Payments**

The Parent Company has a stock option plan that provides for the granting of stock purchase options to employees or directors who have contributed or are expected to contribute to the management and technological innovation.

Share options are granted to its directors and employees as follows:

- Stocks issued through share option: registered common stock
- Grant method: New shares of common stock (or treasury stock)
- The common shares will be issued by following amount if the stock options outstanding as of the end of the year are exercised at the following exercise prices:

(in Korean won)

	Date of the grant					
	March 18, 2000	March 5, 2001	March 9, 2002	April 26, 2002	February 28, 2003	April 23, 2004
Granted	1,630,000	3,115,000	890,000	25,000	228,000	252,000
Forfeited	220,000	671,000	96,000	-	25,667	25,000
Exercised	1,410,000	2,444,000	794,000	25,000	202,333	200,800
Outstanding as of						
December 31, 2012	-	-	-	-	-	26,200
Exercise price <sup>1</sup>	₩ 14,500	₩ 7,100	₩ 10,500	₩ 11,600	₩ 6,600	₩ 14,300

<sup>1</sup>The exercise price can be adjusted in case of issuance of new shares, stock dividends, stock splits, or stock mergers.

- Vesting period:
  - 1st - 2nd: Options are conditional on the employee completing three years' service after the grant date. The options are exercisable within seven years after the date the options are vested.
  - 3rd - 6th: Options are conditional on the employee completing two years' service after the grant date. The options are exercisable within eight years after the date the options are vested.
- The options are fully vested to the employees who completed two years of service from the date of grant.

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Details of the compensation cost are as follows:

<i>(in millions of Korean won)</i>	<b>March 18, 2000</b>	<b>March 5, 2001</b>	<b>March 9, 2002</b>	<b>April 26, 2002</b>	<b>February 28, 2003</b>	<b>April 23, 2004</b>	<b>Total</b>
Cumulative compensation cost as of December 31, 2012	₩ 7,245	₩ 536	₩ 2,046	₩ 28	₩ 60	₩ 2,085	₩ 12,000
Recognized in 2013	-	-	-	-	-	-	-
Forfeited	(978)	(115)	(221)	-	(7)	(134)	(1,455)
Exercised	(6,267)	(421)	(1,825)	(28)	(53)	(1,726)	(10,320)
Expected compensation cost	-	-	-	-	-	-	-
	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 225	₩ 225

The Group measures the value of the option by using fair value approach (minimum value approach for the options granted before January 1, 2003). The compensation cost of share options was estimated based on following assumption on the date of grant:

	<b>March 18, 2000</b>	<b>March 5, 2001</b>	<b>March 9, 2002</b>	<b>April 26, 2002</b>	<b>February 28, 2003</b>	<b>April 23, 2004</b>
Risk-free interest rate	9.09%	5.57%	6.19%	6.37%	4.60%	4.77%
Expected exercise period	6.5 years	6.5 years	6 years	6 years	6 years	6 years
Expected dividend yield	5.00%	5.00%	4.00%	4.00%	4.00%	5.00%
Expected stock price volatility	58.90%	62.60%	65.80%	66.30%	66.71%	63.14%

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**22. Retained Earnings**

Retained earnings as of December 31, 2013 and 2012, consist of:

<i>( in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Legal reserves <sup>1</sup>	₩ 95,052	₩ 87,463
Discretionary reserves	2,195,313	1,844,213
Unappropriated retained earnings	<u>339,984</u>	<u>535,903</u>
Total	<u>₩ 2,630,349</u>	<u>₩ 2,467,579</u>

<sup>1</sup>The Korean Commercial Code requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Parent Company's majority shareholders.

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**23. Selling and General Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Salaries and others	₩ 538,063	₩ 534,146
Employee benefits	91,445	85,250
Depreciation	41,026	46,614
Travel	57,447	56,617
Commission	240,268	209,031
Rent	38,050	41,465
Freight	163,966	201,164
Taxes and dues	38,200	46,714
Advertising	17,502	20,186
Research and development	127,892	115,090
Bad debts	6,196	450
Others	178,093	161,712
	<u>₩ 1,538,148</u>	<u>₩ 1,518,439</u>

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**24. Other income and expenses**

Other income and expenses for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
<b>Other income</b>				
Gain on valuation of equity method investments	₩	38,546	₩	25,641
Dividend income		85,001		154,594
Foreign exchange gains		375,899		276,551
Gain on translation of foreign currency		175,245		120,576
Gain on disposal of investments		85,435		197,248
Gain on disposal of property, plant and equipment		14,204		6,401
Gain on disposal of investment properties		1,014		7
Gain on disposal of intangible assets		590		-
Reversal of allowance for doubtful accounts		106,743		36,658
Others		61,688		68,933
	₩	<u>944,365</u>	₩	<u>886,609</u>
<b>Other expenses</b>				
Loss on valuation of equity method investments	₩	20,095	₩	2,081
Foreign exchange losses		437,122		281,906
Loss on translation of foreign currency		117,809		122,419
Impairment loss of investments		55,431		60,012
Impairment loss of property, plant and equipment		10,779		-
Impairment loss of intangible assets		10,652		15,560
Loss on disposal of investments		3,979		5,270
Loss on disposal of property, plant and equipment		8,063		4,672
Loss on disposal of investment properties		1,000		1,312
Loss on disposal of intangible assets		894		67
Loss on disposal of trade receivables		15,530		6,044
Donations		6,310		5,654
Other bad debts expense		100,128		206,369
Others		108,743		33,359
	₩	<u>896,535</u>	₩	<u>744,725</u>

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**25. Expenses by Nature**

Expenses that are recorded by nature as cost of sales, selling and general administrative expenses in the statements of comprehensive income for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
Changes in finished goods and work-in-process	₩	19,400,793	₩	18,494,973
Construction outsourcing		4,533,214		3,261,925
Employee benefit expenses		1,389,349		1,181,846
Commission		890,595		588,807
Freight		166,245		208,136
Research and development		127,892		115,090
Heavy construction equipment usage		162,981		84,979
Rental		109,181		95,975
Taxes and dues		128,836		102,794
Depreciation and amortization		171,275		158,958
Insurance		53,757		61,436
Other		865,981		480,675
	₩	<u>28,000,099</u>	₩	<u>24,835,594</u>

**26. Employee Benefits**

Employee benefits for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>		<b>2012</b>	
Wages and salaries	₩	1,073,626	₩	919,258
Welfare		266,020		217,963
Retirement benefit obligation		49,703		44,625
	₩	<u>1,389,349</u>	₩	<u>1,181,846</u>

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**27. Adjusted Operating Profit and Loss**

The operating profit adjusted to reflect the performance of the Group by including and excluding the the other income or expenses not included within operating income in the statements of comprehensive income for the years ended December 31, 2013 and 2012, is as follows:

<i>(In millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Operating income in the statement of consolidated comprehensive income	₩ 433,302	₩ 490,331
Gains(Losses) on valuation of equity method investment	18,451	23,560
Dividends income	85,001	154,594
Gains (Losses) on foreign currency transaction	(61,223)	(5,355)
Gains (Losses) on translation of foreign currency	57,436	(1,843)
Gains on disposal of investments	81,456	191,978
Impairment loss on investments	(55,431)	(60,012)
Impairment loss on property, plant and equipment	(10,779)	-
Impairment loss on intangible assets	(10,652)	-
Gains(Losses) on disposal of property, plant and equipment	6,141	1,729
Losses on disposal of intangible assets	(304)	(67)
Other bad debts expense (Reversal of allowance for bad debts)	6,615	(206,369)
Loss on disposal of investment property	14	(1,305)
Donations	(6,310)	(5,654)
Loss on disposal of trade receivables	(15,530)	(6,044)
Others	(47,055)	56,672
Adjusted operating profit	<u>₩ 481,132</u>	<u>₩ 632,215</u>

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**28. Finance Income and Expenses**

Finance income and expenses for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Interest income		
Deposits in bank	₩ 8,642	₩ 5,865
Securities	1,311	8,192
Loans	10,725	15,979
Overdue interest	274	328
Present value discounts	1,352	1,637
Others	21,123	21,175
Foreign exchange gain	40,529	6,319
Gain on translation of foreign currency	26,376	69,659
<b>Total finance income</b>	<u>110,332</u>	<u>129,154</u>
Interest expense		
Short-term borrowings	26,688	38,109
Long-term borrowings	25,421	27,247
Debentures	79,509	67,440
Others	12,441	28,766
Capitalized interest (3.49%)	(28,967)	(12,281)
Foreign exchange loss	42,209	9,287
Loss on translation of foreign currency	21,949	67,646
Loss on Valuation of Derivatives	1,214	9,915
<b>Total Financial expenses</b>	<u>180,464</u>	<u>236,129</u>
<b>Finance cost(net)</b>	<u>₩ 70,132</u>	<u>₩ 106,975</u>

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**29. Income Tax Expense**

Income tax expense for the years ended December 31, 2013 and 2012, consists of:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Current income taxes for the Parent Company	₩ 102,004	₩ 61,501
Deferred income taxes	(244,761)	821,218
Items charged directly to equity	<u>186,091</u>	<u>(840,262)</u>
Income tax expense for the Parent Company	43,334	42,457
Income tax expense for subsidiaries	<u>138,980</u>	<u>47,793</u>
Consolidated Income tax expense	<u>₩ 182,314</u>	<u>₩ 90,250</u>

The income tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit before income tax of the Group as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Profit before income tax	₩ 448,686	₩ 555,661
Tax calculated at domestic tax rates applicable to profits in the respective countries	₩ 139,397	₩ 146,904
Tax effect of		
- Expenses not deductible for tax purposes	1,656	36,350
- Tax credits	(29,606)	(143,309)
- Subsidiaries, associates and interests in joint ventures	54,321	13,102
- Others	(4,461)	(6,562)
Net adjustment items	<u>21,007</u>	<u>43,765</u>
Income tax expense	<u>₩ 182,314</u>	<u>₩ 90,250</u>

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As of December 31, 2013 and 2012, deferred income tax assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
<b>Deferred income tax assets</b>		
- After 12 months	₩ 304,334	₩ 299,451
- Within 12 months	77,028	47,428
 <b>Deferred income tax liabilities</b>		
- After 12 months	(2,693,160)	(2,825,123)
- Within 12 months	(641)	(2,905)
<b>Net amount</b>	<u>₩ (2,312,439)</u>	<u>₩ (2,481,149)</u>

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The movement in deferred income tax assets and liabilities during the years ended December 31, 2013 and 2012, are as follows:

	2013					
	Temporary differences			Deferred income tax assets(Liabilities)		
	Beginning balance	Increase /decrease	Ending balance	Beginning balance	Increase /decrease	Ending balance
<i>(in millions of Korean won)</i>						
<b>Deferred income taxes</b>						
Provisions	₩ 765,118	₩ 79,047	₩ 844,165	₩ 185,158	₩ 19,130	₩ 204,288
Investment equity	(807,802)	(15,630)	(823,432)	(195,488)	(3,783)	(199,271)
Impairment losses	123,792	35,779	159,571	29,958	8,658	38,616
Foreign currency receivables/payables	4,574	2,009	6,583	1,107	486	1,593
Long-term receivables	21,910	(1,335)	20,575	5,302	(323)	4,979
Others	103,337	86,909	190,246	26,808	19,232	46,040
Financial guarantee liabilities	-	63,100	63,100	-	15,270	15,270
	<u>210,929</u>	<u>249,879</u>	<u>460,808</u>	<u>52,845</u>	<u>58,670</u>	<u>111,515</u>
<b>Income tax directly credited to equity</b>						
Available-to-sale securities	(10,027,985)	771,407	(9,256,578)	(2,426,215)	186,680	(2,239,535)
Gains(losses) from valuation of derivative instruments	19,956	(2,433)	17,523	4,829	(589)	4,240
Advanced depreciation provision for land	(26,605)	-	(26,605)	(6,438)	-	(6,438)
	<u>(10,034,634)</u>	<u>768,974</u>	<u>(9,265,660)</u>	<u>(2,427,824)</u>	<u>186,091</u>	<u>(2,241,733)</u>
<b>Total</b>	<u>₩ (9,823,705)</u>	<u>₩ 1,018,853</u>	<u>₩ (8,804,852)</u>	<u>(2,374,979)</u>	<u>244,761</u>	<u>(2,130,218)</u>
<b>Deferred income tax of foreign subsidiaries</b>				<u>₩ (106,170)</u>	<u>₩ (76,051)</u>	<u>₩ (182,221)</u>

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	<b>2012</b>					
	<b>Temporary differences</b>			<b>Deferred income tax assets(Liabilities)</b>		
	<b>Beginning balance</b>	<b>Increase /decrease</b>	<b>Ending balance</b>	<b>Beginning balance</b>	<b>Increase /decrease</b>	<b>Ending balance</b>
<b>Deferred income taxes</b>						
Provisions	₩ 800,422	₩ (35,304)	₩ 765,118	₩ 193,702	₩ (8,544)	₩ 185,158
Investment equity	(916,850)	109,048	(807,802)	(221,878)	26,390	(195,488)
Impairment losses	137,990	(14,198)	123,792	33,394	(3,436)	29,958
Foreign currency receivables/payables	4,553	21	4,574	1,102	5	1,107
Long-term receivables	23,480	(1,570)	21,910	5,682	(380)	5,302
Others	<u>90,078</u>	<u>13,259</u>	<u>103,337</u>	<u>21,799</u>	<u>5,009</u>	<u>26,808</u>
	<u>139,673</u>	<u>71,256</u>	<u>210,929</u>	<u>33,801</u>	<u>19,044</u>	<u>52,845</u>
<b>Income tax directly credited to equity</b>						
Available-to-sale securities	(7,144,411)	(2,883,574)	(10,027,985)	(1,585,949)	(840,266)	(2,426,215)
Gains(losses) from valuation of derivative instruments	19,937	19	19,956	4,825	4	4,829
Advanced depreciation provision for land	<u>(26,605)</u>	<u>-</u>	<u>(26,605)</u>	<u>(6,438)</u>	<u>-</u>	<u>(6,438)</u>
	<u>(7,151,079)</u>	<u>(2,883,555)</u>	<u>(10,034,634)</u>	<u>(1,587,562)</u>	<u>(840,262)</u>	<u>(2,427,824)</u>
<b>Total</b>	<u>₩ (7,011,406)</u>	<u>₩ (2,812,299)</u>	<u>₩ (9,823,705)</u>	<u>(1,553,761)</u>	<u>(821,218)</u>	<u>(2,374,979)</u>
<b>Deferred income tax of foreign subsidiaries</b>				<u>₩ (90,413)</u>	<u>₩ (15,757)</u>	<u>₩ (106,170)</u>

The Group annually assesses its ability to recover deferred income tax assets, and recognizes deferred tax assets to the extent that it is almost certain that benefits from such deferred tax assets will be realized. However, deferred tax assets have not been recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, as it is not probable that such differences will reverse in the foreseeable future due to disposal of equity shares or dividends. In 2013, deferred tax liabilities of ₩54,321 million (2012: ₩13,102 million) have been recognized for temporary differences arising from undistributed profits of subsidiaries, associates and joint ventures, considering the probability that such differences will subsequently reverse due to dividends.

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**30. Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Parent Company and held as treasury shares.

Weighted- average number of common shares outstanding for the year ended December 31, 2013, is as follows:

	<u>Number of shares</u>	<u>Number of days outstanding</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	156,217,764	365	57,019,483,860
Treasury stock	(9,016,757)	(*)	<u>(3,307,112,405)</u>
			<u>53,712,371,455</u>

(\*)Weighted number of treasury stock is deducted when calculating weighted number of common shares.

Weighted-average number of common shares (2013) : 53,712,371,455 / 365 = 147,157,182

Basic earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

	<u>2013</u>		<u>2012</u>	
Profit attributable to equity holders	₩	242,444 million	₩	450,610 million
Less: Dividends paid to preferred shareholders		<u>(2,309) million</u>		<u>(2,309) million</u>
Adjusted profit attributable to common shares ( I )		240,135 million		448,301 million
Weighted-average number of common shares outstanding ( II )		<u>147,157,182 shares</u>		<u>147,011,698 shares</u>
Basic earnings per share ( I )/( II )	₩	<u>1,632</u>	₩	<u>3,049</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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The Parent Company has outstanding share options. The number of shares calculated as above is 20,023 and 61,766 as of December 31, 2013 and 2012, respectively.

Diluted earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

	2013		2012	
Adjusted profit attributable to common shares ( I )	₩	240,135 million	₩	448,300 million
Adjusted weighted-average number of common shares outstanding ( II )		147,177,205 shares		147,073,464 shares
Diluted earnings per share ( I)/( II )	₩	1,632	₩	3,048

**31. Related Party Transactions**

As of reporting date, the Group 's related parties consist of 36 associates and joint ventures, including Samsung Petrochemical Co., Ltd. (Note 1.3).

Significant transactions between the Group and its associates accounted for under the equity method for the years ended December 31, 2013 and 2012, and the related account balances as of December 31, 2013 and 2012, which have been eliminated during consolidation, consist of following:

(in millions of Korean won)

	Sales		Purchases		Receivables		Payables	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Associates</b>								
Samsung Petrochemical Co., Ltd	₩ 16,117	₩ 25,291	₩ 362,873	₩ 265,561	₩ 7,673	₩ -	₩ 10,399	₩ 15,876
Samsung Total Petrochemicals Co., Ltd.	167,665	182,612	1,045,040	971,220	31,990	16,917	112,555	90,783
Songdo Landmark City Limited	39	116	-	-	3,526	3,483	-	-
Dongducheon Combined Cycle Power Plant Co.,Ltd.	605,223	70,402	-	-	321	-	-	-
Jamsil Veterans PFV Co., Ltd. <sup>1</sup>	35,363	9,447	-	-	-	-	-	-
Other associates and joint ventures including Uglegorskugol, LLC	3,365	13,016	8,895	3,225	4,964	14,972	526	-

<sup>1</sup>Transactions with subsidiary and related receivables exclude unbilled accounts receivable.

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The major financial transactions with related parties for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Fund loan deal	
	Lend	Collection
<b>Associates and joint venture</b>		
KST Electric Power Company, SAPI de CV	₩ 29,711	₩ -
LJG GREEN SOURCE ENERGY ALPHA S.R.L.	5,679	-
Port Uglegorsky, LLC	390	-
Pampa Camarones S.A.	-	3,320

As of December 31, 2013, the Company provides the payment guarantee for the liabilities of foreign associates amounting to USD 209,124 thousand (2012: USD 156,186 thousand).

Investments in Jamsil Veterans PFV Co., Ltd, amounting to ₩4,000 million, were pledged as collateral to Samsung Life Insurance Co., Ltd. related to the construction of Jamsil Veterans Office Building against borrowings (total borrowing limit of ₩252,000 million) of the Jamsil Veterans PFV Co., Ltd. (Note 12).

In addition to the above, as of December 31, 2013, the Group recognized revenues using the percentage-of-completion method in excess of billed amounts on uncompleted construction contracts with a related party amounting to ₩ 67,145 million.

For the year ended December 31, 2013, the Group recognized expenses for short-term benefits amounting to ₩ 3,688 million (2012: ₩ 4,200 million) and retirement benefits amounting to ₩ 2,188 (2012: ₩ 1,880 million) million as key management compensation. Key management includes executive offices who have significant authorities and responsibilities with the respect to planning, operating and controlling of the Group's business activities.

Also, the Company introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the cumulative estimated incentive cost for the past periods. For the years ended December 31, 2013 and 2012, the Company recognized expenses amounting to ₩ 3,035 million and ₩ 1,067 million, respectively.

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**32. Cash Generated from Operations**

Reconciliation between operating profit and net cash inflow from operating activities is as follows:

<i>(in Korean won)</i>	<u>2013</u>	<u>2012</u>
Profit for the year	₩ 266,371,572,855	₩ 465,410,926,287
<b>Adjustments</b>		
Income tax expense	182,314,072,819	90,249,533,808
Interest expense	115,091,314,042	149,281,104,580
Depreciation	182,123,705,140	160,759,533,463
Retirement benefits	55,966,602,210	50,051,847,951
Bad debts expense	6,195,790,444	450,032,815
Guarantee commission	63,100,000,000	-
Other bad debts expense	100,128,255,513	206,369,417,806
Transfer in provision for construction losses	71,277,204,213	27,739,870,947
Transfer in provision for construction warranties	53,061,275,685	24,453,901,931
Loss on foreign currency translation	140,972,472,080	199,979,678,740
Loss on disposal of investments	3,979,289,803	5,269,647,753
Impairment loss of investments	55,430,824,845	60,012,229,230
Loss on disposal of property, plant and equipment	8,063,027,599	4,672,490,000
Impairment loss of property, plant and equipment	10,778,912,096	-
Loss on disposal of intangible assets	893,640,408	67,139,990
Impairment loss of intangible assets	10,652,274,888	15,560,025,059
Loss on disposal of investment property	999,718,871	1,312,270,235
Loss on valuation of equity method investments	62,097,186,974	31,512,307,265
Others expenses	6,961,261,747	-
	<u>1,130,086,829,377</u>	<u>1,027,741,031,573</u>
<b>Deduction: income from transactions of non-cash nature and others</b>		
Interest income	43,426,344,561	53,176,204,148
Dividend income	85,000,501,023	154,593,957,435
Gain on foreign exchange translation	201,621,174,562	190,234,570,265
Transfer-out of provision for construction losses	20,168,102,611	35,932,336,803
Reversal of allowance for doubtful accounts	106,742,660,884	36,657,942,022
Gain on disposal of investments	85,435,489,700	197,247,568,682

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Gain on disposal of property, plant and equipment	14,204,263,548	6,401,334,123
Gain on disposal of intangible assets	589,821,445	-
Gain on disposal of investment property	1,013,696,163	7,235,976
Gain on valuation of equity method investments	118,234,288,276	85,491,876,947
Other income	2,803,921,720	8,130,252,608
	<u>(679,240,264,493)</u>	<u>(767,873,279,009)</u>
<b>Changes in operating assets and liabilities</b>		
Increase in trade receivables	(249,840,431,563)	(269,896,674,999)
Increase in other current assets	(39,384,277,925)	(801,611,805,894)
Increase in inventories	282,018,909,903	(118,125,021,832)
Increase(Decrease) in trade payables	(233,359,703,579)	258,227,046,038
Increase in other current payables	214,881,921,534	766,649,768,133
Decrease in provisions for construction warranty	(22,803,200,438)	(23,120,297,669)
Decrease in long-term unearned income	(248,859,078)	(519,874,737)
Increase(Decrease) in long-term non-trade payables	(12,738,295,742)	18,057,535,840
Payment of defined benefit liability	(42,217,396,769)	(38,525,315,317)
Increase in plan assets, net	(63,932,924,987)	(39,310,178,094)
Transfer in(out) defined benefit liability, net	(13,414,024,468)	1,156,696,325
Increase of cumulative effect of foreign currency translation from overseas operations	(38,852,485,863)	(19,294,914,185)
Others	13,444,525,278	(359,222,000)
	<u>(206,446,243,697)</u>	<u>(266,672,258,391)</u>
<b>Cash generated from operations</b>	<u>₩ 510,771,894,042</u>	<u>₩ 458,606,420,460</u>

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**33. Segment Information**

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance. Also, a summary of information on the Group's operations by business segment as of and for the years ended December 31, 2013 and 2012, is prepared after adjustment of intercompany transactions in operating profit, and liabilities of operating segments are not included as those are not reported to the Group's management periodically.

A summary of information on the Group's operations by business segment as of and for the years ended December 31, 2013 and 2012, follows:

<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Construction</b>	<b>Trading</b>	<b>Common interest</b>	<b>Total</b>
Total segment sales	₩ 13,486,438	₩ 18,103,382	₩ -	₩ 31,589,820
Inter-segment sales	(45,155)	(3,111,264)	-	(3,156,419)
External sales	13,441,283	14,992,118	-	28,433,401
Operating profit	347,557	85,745	-	433,302
Adjusted operating profit	280,407	200,725	-	481,132
Total assets <sup>1</sup>	₩ 9,211,999	₩ 5,337,473	₩ 10,916,438	₩ 25,465,910

<sup>1</sup>For total assets, common interests are separately presented.

<i>(in millions of Korean won)</i>	<b>2012</b>			
	<b>Construction</b>	<b>Trading</b>	<b>Common interest</b>	<b>Total</b>
Total segment sales	₩ 8,979,421	₩ 19,666,953	₩ -	₩ 28,646,374
Inter-segment sales	(36,234)	(3,284,215)	-	(3,320,449)
External sales	8,943,187	16,382,738	-	25,325,925
Operating profit	427,191	63,140	-	490,331
Adjusted operating profit	308,148	324,067	-	632,215
Total assets <sup>1</sup>	₩ 8,601,675	₩ 5,708,151	₩ 11,654,219	₩ 25,964,045

<sup>1</sup>For total assets, common interests are separately presented.

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A summary of information on the Group's operations by geographic areas for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>				
	<b>Domestic</b>	<b>Asia</b>	<b>Europe</b>	<b>The Americas</b>	<b>Total</b>
Total revenue	₩ 19,159,740	₩ 10,033,263	₩ 835,030	₩ 1,561,787	₩ 31,589,820
Intercompany revenue	<u>(2,102,088)</u>	<u>(763,291)</u>	<u>(77,403)</u>	<u>(213,637)</u>	<u>(3,156,419)</u>
Revenue from external customers	<u>₩ 17,057,652</u>	<u>₩ 9,269,972</u>	<u>₩ 757,627</u>	<u>₩ 1,348,150</u>	<u>₩ 28,433,401</u>
<i>(in millions of Korean won)</i>	<b>2012</b>				
	<b>Domestic</b>	<b>Asia</b>	<b>Europe</b>	<b>The Americas</b>	<b>Total</b>
Total revenue	₩ 17,550,859	₩ 8,729,662	₩ 889,626	₩ 1,476,227	₩ 28,646,374
Intercompany revenue	<u>(2,617,878)</u>	<u>(529,315)</u>	<u>(111,355)</u>	<u>(61,901)</u>	<u>(3,320,449)</u>
Revenue from external customers	<u>₩ 14,932,981</u>	<u>₩ 8,200,347</u>	<u>₩ 778,271</u>	<u>₩ 1,414,326</u>	<u>₩ 25,325,925</u>

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**34. Financial Risk Management**

**34.1 Financial Risk Management**

The Group is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investments and others. The Group has a risk management program in place to monitor and actively manage such risks.

The Group's financial assets that are under financial risk management are composed of cash and cash equivalents, short-term financial instruments, available-for-sale securities, accounts and notes receivable and other accounts receivable. The Group's financial liabilities under financial risk management are composed of accounts payable, other payable, borrowings, debt and others.

*(a) Market risk*

i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies. Most widely used foreign currencies are the US Dollar, Euro and Japanese Yen. Foreign exchange risk management is carried out by considering the nature of the businesses and using risk management tools. The Group operates a system to manage receivables and payables denominated in foreign currencies. The risks of foreign currency exposure to receivables and payables are periodically evaluated, managed and reported through the system.

Details of foreign assets and liabilities of the Group as of December 31, 2013, are as follows :

<i>(in millions of Korean won)</i>	<b>2013</b>			
	USD	EUR	JPY	Others
Financial assets	₩ 1,584,511	₩ 132,906	₩ 13,507	₩ 47,489
Financial liabilities	1,469,990	72,379	11,838	11,969

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As of December 31, 2013, foreign currency exposure to financial assets and liabilities of a 5% currency rate change against Korean won are as follows:

<i>(in millions of Korean won)</i>	<u>Appreciation</u>		<u>Depreciation</u>	
	<u>Impact of Profit(loss)</u>		<u>Impact of Profit(loss)</u>	
Financial assets	₩	(88,921)	₩	88,921
Financial liabilities		<u>78,309</u>		<u>(78,309)</u>
Net effect	₩	<u>(10,612)</u>	₩	<u>10,612</u>

ii) Equity price risk

The Group's investment portfolio consists of direct and indirect investments in listed and non-listed securities. The market values of the Group's equity investments as of December 31, 2013 and 2012, are ₩ 10,537,772 million and ₩ 11,262,950 million, respectively (Note 11).

As of December 31, 2013 and 2012, if listed share prices fluctuate by 1% without other variables changing, the effects on other comprehensive income and expenses are ₩ 68,429 million and ₩ 74,099 million.

iii) Interest rate risk

The Group is exposed to interest rate risk fluctuations since the value of financial statement line items and interest income or expenses changes as a result of investment risk. The Group's position with regard to interest rate risk exposure is mainly related to debt obligations such as bonds and interest-bearing deposits and investments. To mitigate interest rate risk, the Group manages interest rate risk proactively by establishing and operating policies for minimizing interest risks, monitoring periodically interest rate trends in domestic and international markets and preparing countermeasures.

As of December 31, 2013 and 2012, financial assets and liabilities exposed to interest rate risk are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>		<u>2012</u>	
Financial assets	₩	-	₩	-
Financial liabilities		<u>569,158</u>		<u>1,174,117</u>
	₩	<u>569,158</u>	₩	<u>1,174,117</u>

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Interest sensitivity of the Group is determined based on the following assumption:

- Changes in market interest rate which influence interest income and expense related to floating interest rate financial instruments.

As of December 31, 2013 and 2012, under the assumption above, if interest rates fluctuate by 1% without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>		<u>2012</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Increase(Decrease) of interest income	₩ -	₩ -	₩ -	₩ -
Decrease(Increase) of interest expense	<u>(5,692)</u>	<u>5,692</u>	<u>(11,741)</u>	<u>11,741</u>
	<u>₩ (5,692)</u>	<u>₩ 5,692</u>	<u>₩ (11,741)</u>	<u>₩ 11,741</u>

*(c) Credit risk*

Credit risk arises in connection with the normal course of transactions and investing activities, where clients or other parties fail to discharge an obligation. The Group monitors and sets the counterparty's credit limit on a periodic basis based on the counterparty's financial conditions, default history and other important factors.

Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To mitigate or eliminate certain of those exposures, the Group transacts only with highly rated financial institutions. The maximum amount exposed to credit risks by each financial instrument is its book value.

As of December 31, 2013 and 2012, aging analyses of trade receivables are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>		<u>2012</u>	
Receivables not overdue	₩	4,179,673	₩	4,019,967
Unimpaired overdue receivables :				
Less than 6 months		123,498		16,195
6 months ~ 1 year		8,600		8,097
1 year ~ 3 years		18,006		4,049
More than 3 years		136,928		405
Impaired receivables		249,619		410,755
Allowance for the impaired receivables		<u>(51,155)</u>		<u>(51,934)</u>
	₩	<u>4,665,169</u>	₩	<u>4,407,534</u>

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(d) *Liquidity risk*

The Group manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Group mitigates liquidity risk by factoring and contracting with financial institutions with respect to bank overdrafts and others. In addition, for efficient application of funds, the Group monitors its cash flows through medium and long-term management planning and short-term management strategy.

As of December 31, 2013 and 2012, the financial liabilities are classified according to the remaining period of time to the expiration date of the contract.

<i>(in millions of Korean won)</i>	<b>2013</b>					
	<b>Cash flows by</b>	<b>Cash flow schedule until the expiration date</b>				
		<b>terms of</b>	<b>1 year</b>	<b>1 year</b>	<b>2 years</b>	<b>More than 3</b>
<b>Book value</b>	<b>contract</b>	<b>or less</b>	<b>~ 2 years</b>	<b>~ 3 years</b>	<b>years</b>	
Borrowings	₩ 2,356,625	₩ 2,412,027	₩ 1,651,682	₩ 107,448	₩ 399,231	₩ 253,666
Bonds payable	2,195,141	2,406,361	524,538	380,025	625,909	875,889
Derivative liability <sup>1</sup>	28,986	29,286	29,034	252	-	-
Financial guarantee liability <sup>2</sup>	98,020	3,086,976	1,171,045	736,016	336,177	843,738
Trade payables	1,988,191	1,988,191	1,988,191	-	-	-
Other payables	1,045,418	1,045,418	1,002,698	9,517	12,590	20,613
	<u>₩ 7,712,381</u>	<u>₩ 10,968,259</u>	<u>₩ 6,367,188</u>	<u>₩1,233,258</u>	<u>₩ 1,373,907</u>	<u>₩ 1,993,906</u>

<sup>1</sup> The cash flow of derivative liability is estimated based on the net amount for payment.

<sup>2</sup> The cash flow presented is the principal amount of the borrowings for which the Group provides the financial guarantee.

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(in millions of Korean won)

	2012					
	Book value	Cash flows by terms of contract	Cash flow schedule until the expiration date			
			1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Borrowings	₩ 2,599,080	₩ 2,755,025	₩ 1,342,813	₩ 1,274,001	₩ 11,413	₩ 126,798
Bonds payable	1,796,244	1,990,104	366,993	501,105	356,744	765,262
Derivative liability <sup>1</sup>	126,038	126,983	115,892	11,066	25	-
Financial guarantee liability <sup>2</sup>	35,278	4,517,829	1,831,663	1,013,265	696,600	976,301
Trade payables	2,171,245	2,171,245	2,171,245	-	-	-
Other payables	1,122,591	1,122,591	1,041,245	16,269	24,404	40,673
	<u>₩ 7,850,476</u>	<u>₩ 12,683,777</u>	<u>₩ 6,869,851</u>	<u>₩ 2,815,706</u>	<u>₩ 1,089,186</u>	<u>₩ 1,909,034</u>

<sup>1</sup> The cash flow of derivative liability is estimated based on the net amount for payment.

<sup>2</sup> The cash flow presented is the principal amount of the borrowings for which the Group provides the financial guarantee.

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**34.2 Capital Risk Management**

The objective of capital management is to maintain sound capital structure. The Group's capital management considers the Group's debt ratio, computed by dividing total liabilities by total equity disclosed in the consolidated financial statements.

As of December 31, 2013 and 2012, debt-to-equity ratios are as follows:

<i>(in millions of Korean won, except for ratio)</i>	<u>2013</u>	<u>2012</u>
Liabilities (A)	₩ 14,046,356	₩ 14,274,773
Equity (B)	<u>11,419,553</u>	<u>11,689,272</u>
debt-to-equity ratio (A/B)	<u>123.00%</u>	<u>122.12%</u>

**34.3 Methods and Assumptions in Determining Fair Value**

The fair value of the financial instruments traded in wide market such as available-for-sale securities and others are estimated based on the publicly announced market price as of the reporting date. If there is no wide market for such financial instruments, the fair value is estimated by using certain valuation method. The Group uses various valuation methods, and establishes the assumptions based on the market condition as of the reporting date. For long-term liabilities, the official market price or dollar-asking price of the similar instruments is used. In addition, the Group uses various valuation methods such as estimated cash flows discount method to estimate fair value. Fair values of interest rate swap and currency swap are calculated by discounting future estimated cash flows. The fair values of metal futures and currency forward contract are estimated by using official price and official forward exchange rate of the reporting date, respectively. The Group records the net book value after deducting the allowance from the gross amount as the approximate value of the fair value of the trade receivables and trade payables. The fair value of the financial liabilities is the discounted amount of the future cash flow under the terms of the contract by using current market interest rate applied on similar financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

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

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The following table presents the Group's financial assets and liabilities that are measured at fair value as of December 31, 2013:

(In millions of Korean won)

	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets Measured at fair value</b>				
Available-for-sale financial assets:				
Equity securities	₩ 9,027,544	₩ -	₩ 1,310,386	₩ 10,337,930
Debentures	-	84,898	-	84,898
Derivative instruments for risk hedge:				
Derivative financial assets	-	11,035	-	11,035
Financial instruments measured at fair value through profit or loss:				
Derivative financial assets	-	20,049	-	20,049
	<u>₩ 9,027,544</u>	<u>₩ 115,982</u>	<u>₩ 1,310,386</u>	<u>₩ 10,453,912</u>
<b>Liabilities Measured at fair value</b>				
Derivative instruments for risk hedge:				
Derivative financial liabilities	₩ -	₩ 22,331	₩ -	₩ 22,331
Financial instruments measured at fair value through profit or loss:				
Derivative financial liabilities	-	6,653	-	6,653
	<u>₩ -</u>	<u>₩ 28,984</u>	<u>₩ -</u>	<u>₩ 28,984</u>

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The following table presents the Group's financial assets and liabilities that are measured at fair value as of December 31, 2012:

(In millions of Korean won)

	<b>2012</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets Measured at fair value</b>				
Available-for-sale financial assets:				
Equity securities	₩ 9,774,005	₩ -	₩ 1,270,422	₩ 11,044,427
Debentures	-	81,346	-	81,346
Derivative instruments for risk hedge:				
Derivative financial assets	-	20,298	-	20,298
Financial instruments measured at fair value through profit or loss:				
Derivative financial assets	-	4,090	-	4,090
Derivative financial assets(convertible bonds)			12,325	12,325
	<u>₩ 9,774,005</u>	<u>₩ 105,734</u>	<u>₩ 1,282,747</u>	<u>₩ 11,162,486</u>
<b>Liabilities Measured at fair value</b>				
Derivative instruments for risk hedge:				
Derivative financial liabilities	₩ -	₩ 35,972	₩ -	₩ 35,972
Financial instruments measured at fair value through profit or loss:				
Derivative financial liabilities	-	90,066	-	90,066
	<u>₩ -</u>	<u>₩ 126,038</u>	<u>₩ -</u>	<u>₩ 126,038</u>

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

There has been no reclassification of the financial assets during the year ended December 31, 2013.

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Valuation techniques and the inputs used in the fair value measurement related to recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy and disclosed fair value are as follows:

<i>(in millions of Korean won)</i>	<u>Fair value</u>	<u>Level</u>	<u>Fair value measurements</u>	<u>Level 3</u>
<b>Available-for-sale financial assets</b>				
Energy industry equities	140,662	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Cooperative contribution	38,129	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Shipping-Investment industry equities	8,296	3	Net asset value method	Growth rate, discount rate and others
SOC equities	90,690	3	Discounted cash flow method	Growth rate, discount rate and others
Others	1,032,690	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Investment bonds	84,898	2	Discounted cash flow method	Counterparty credit risk and others
<b>Derivatives (assets)</b>				
Currency forwards and others	31,084	2	Market approach	Currency forwards rate , discount rate and others
<b>Derivatives (liabilities)</b>				
Currency forwards and others	28,984	2	Market approach	Currency forwards rate , discount rate and others

*Valuation process of fair value measurements classified within level 3*

The finance department of the Group's divisions is responsible for fair value measurements which contain fair value measurement categorized within Level 3 for the purpose of financial report, and the said department reports periodically the fair value valuation process and its outcome on reporting schedule at the end of every year.

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

<i>(In millions of Korean won)</i>	<b>2013</b>							
	<u>Favorable changes</u>				<u>Adverse changes</u>			
	<u>Profit or loss</u>		<u>capital</u>		<u>Profit or loss</u>		<u>capital</u>	
Available-for-sale financial assets <sup>1</sup>	₩	-	₩	121,273	₩	-	₩	(99,052)

<sup>1</sup>For equity securities, changes in their fair value are calculated by increasing or decreasing the discount rate, which are significant unobservable inputs. Beneficiary certificates are excluded from sensitivity analysis, as sensitivity computation of parameters is impracticable.

**Samsung C&T Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

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**35. Business Combination**

On March 31, 2013, the Group acquired 100% of the share capital of Whessoe Project Limited for ₩ 13,049 million, and the subsidiary was included in the consolidation on the same date. As a result of the acquisition, the Group is expected to secure design competencies and increase its presence in the market.

The goodwill of ₩10,880 million arising from the acquisition is attributable to the customer base acquired and economies of scale expected from combining the operations of the Group and Whessoe Project Limited.

**Information of Merged Company**

Name of a merged company	Whessoe Project Limited
Location of headquarters	Durham, UK
Owner	Saudi Al-Rushaid Group
Relationship with a merger company	Subsidiary of the Group

**Accounting for Merger**

<i>(In millions of Korean won)</i>	<u>Amount</u>
Consideration at acquisition	₩ <u>13,049</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	26
Trade and other receivables	3,326
Property, plant and equipment	382
Intangible assets	897
Trade and other payables	<u>(2,462)</u>
	<u>2,169</u>
Goodwill	<u>₩ 10,880</u>

Had Whessoe Project Limited been consolidated on January 1, 2013, the consolidated statement of comprehensive income for the year ended December 31, 2013, would have shown a profit of ₩ 6,340 million, and revenue and profit generated from the business segment after consolidation of ₩8,859 million and ₩1,246 million, respectively.