

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED  
SEPTEMBER 30, 2013 AND 2012  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

# **Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and the Board of Directors of  
Hyundai Motor Company:

We have reviewed the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The consolidated financial statements consist of the consolidated statement of financial position as of September 30, 2013 and the related consolidated statements of income, comprehensive income for the three months and nine months ended September 30, 2013 and 2012, respectively, and the related consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2013 and 2012, respectively, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the consolidated financial statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Independent accountants' responsibility**

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews. We did not review the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 42.4% and 42.3% of the consolidated total assets as of September 30, 2013 and December 31, 2012, respectively, and 49.2% and 43.2% of the consolidated total sales for the nine months ended September 30, 2013 and 2012, respectively. Those statements were reviewed by other independent accountants whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for those entities, is based solely on the conclusions of the other independent accountants.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **Review conclusion**

Based on our reviews and review conclusions of the other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards 1034, *Interim Financial Reporting*.

## Others

We audited the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2012 (not presented in the accompanying consolidated financial statements), in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion in our independent auditors' report dated on March 7, 2013. The consolidated statement of financial position as of December 31, 2012, presented as a comparative purpose in the accompanying financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2012.

Accounting principles and review standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

DeLoitte Anjin LLC

November 14, 2013

## Notice to Readers

This report is effective as of November 14, 2013, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the independent accountants' review report.

**HYUNDAI MOTOR COMPANY (the “Company”)  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED  
SEPTEMBER 30, 2013 AND 2012**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

**Kim, Choong Ho**  
**Chief Executive Officer**  
**HYUNDAI MOTOR COMPANY**

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012

ASSETS	NOTES	September 30, 2013	December 31, 2012
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 7,226,482	₩ 6,759,338
Short-term financial instruments	19	14,436,500	12,384,057
Trade notes and accounts receivable	3,19	3,145,075	3,686,824
Other receivables	4,19	2,693,065	2,304,410
Other financial assets	5,19	488,014	109,299
Inventories	6	6,465,613	6,772,864
Current tax assets		50,566	34,575
Financial services receivables	13,19	20,442,236	20,867,467
Non-current assets classified as held for sale	8	-	23,307
Other assets	7,19	1,791,566	1,905,445
Total current assets		56,739,117	54,847,586
Non-current assets:			
Long-term financial instruments	19	24,776	1,359
Long-term trade notes and accounts receivable	3,19	41,690	43,801
Other receivables	4,19	1,117,511	1,036,609
Other financial assets	5,19	1,900,895	1,594,464
Property, plant and equipment	9,38	21,016,289	20,739,858
Investment property	10,38	267,284	282,832
Intangible assets	11,38	2,936,147	2,883,218
Investments in joint ventures and associates	12	14,591,141	13,117,731
Deferred tax assets		489,362	489,080
Financial services receivables	13,19	19,901,899	18,626,764
Operating lease assets	14	10,165,900	7,830,088
Other assets	7,19	36,682	44,424
Total non-current assets		72,489,576	66,690,228
Total assets		₩ 129,228,693	₩ 121,537,814

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	September 30, 2013	December 31, 2012
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,075,130	₩ 6,841,326
Other payables	19	3,448,188	4,542,007
Short-term borrowings	15,19	4,798,726	6,781,749
Current portion of long-term debt and debentures	15,19	8,521,561	7,912,341
Income tax payable		571,426	550,847
Provisions	16	1,871,651	1,768,014
Other financial liabilities	17,19	229,136	148,311
Other liabilities	18,19	4,979,434	4,291,104
Total current liabilities		30,495,252	32,835,699
Non-current liabilities:			
Long-term other payables	19	15,696	8,271
Debentures	15,19	29,187,046	26,370,689
Long-term debt	15,19	4,285,325	4,142,473
Net defined benefit liabilities	33	1,077,016	821,749
Provisions	16	5,358,266	5,240,744
Other financial liabilities	17,19	339,844	356,193
Deferred tax liabilities		2,940,149	2,362,063
Other liabilities	18,19	1,609,529	1,482,358
Total non-current liabilities		44,812,871	40,784,540
Total liabilities		75,308,123	73,620,239
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,105,389	4,158,988
Other capital items	22	(1,128,779)	(1,128,779)
Accumulated other comprehensive income	23	(597,651)	(473,373)
Retained earnings	24	45,959,947	39,993,230
Equity attributable to the owners of the Parent Company		49,827,899	44,039,059
Non-controlling interests		4,092,671	3,878,516
Total equity		53,920,570	47,917,575
Total liabilities and equity		₩ 129,228,693	₩ 121,537,814

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

		2013		2012	
		Three months ended	Nine months ended	Three months ended	Nine months ended
	NOTES	September 30,	September 30,	September 30,	September 30,
(In millions of Korean Won, except per share amounts)					
Sales	25,38	₩ 20,819,432	₩ 65,369,936	₩ 19,645,634	₩ 61,750,745
Cost of sales	30	16,215,078	50,742,648	15,200,534	47,256,221
Gross profit		4,604,354	14,627,288	4,445,100	14,494,524
Selling and administrative expenses	26,30	2,594,235	8,342,143	2,467,876	7,886,681
Operating income		2,010,119	6,285,145	1,977,224	6,607,843
Gain on investments in joint ventures and associates, net	27	714,464	2,127,657	601,841	2,006,486
Finance income	28	280,410	588,926	253,085	714,434
Finance expenses	28	181,640	442,521	129,617	486,475
Other income	29	340,810	894,624	316,438	861,514
Other expenses	29,30	349,595	699,908	236,940	625,844
Income before income tax		2,814,568	8,753,923	2,782,031	9,077,958
Income tax expense	32	562,198	1,890,213	615,217	1,910,512
Profit for the period		₩ 2,252,370	₩ 6,863,710	₩ 2,166,814	₩ 7,167,446
Profit attributable to:					
Owners of the Parent Company		2,139,830	6,485,982	2,026,403	6,775,120
Non-controlling interests		112,540	377,728	140,411	392,326
Earnings per share attributable to the owners of the Parent Company:	31				
Basic earnings per common share		₩ 7,876	₩ 23,874	₩ 7,459	₩ 24,939
Diluted earnings per common share		₩ 7,876	₩ 23,874	₩ 7,459	₩ 24,939

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Profit for the period	₩ 2,252,370	₩ 6,863,710	₩ 2,166,814	₩ 7,167,446
Other comprehensive income (expenses):				
Items not to be reclassified subsequently to profit or loss:				
Effect of changes in accounting policies	-	-	(1,205)	(3,652)
Remeasurements of defined benefit plans	7,113	17,849	(3,163)	(4,744)
Changes in retained earnings of equity-accounted investees, net	2,563	(215)	(15,222)	(15,942)
	<u>9,676</u>	<u>17,634</u>	<u>(19,590)</u>	<u>(24,338)</u>
Items to be reclassified subsequently to profit or loss:				
Gain (loss) on valuation of Available-for-sale ("AFS") financial assets, net	132,256	27,605	22,000	(16,124)
Gain (loss) on valuation of cash flow hedge derivatives, net	63,212	4,762	(21,705)	36,154
Changes in valuation of equity-accounted investees, net	(202,339)	40,027	(12,987)	(39,271)
Loss on foreign operations translation, net	(615,971)	(202,423)	(56,131)	(266,940)
	<u>(622,842)</u>	<u>(130,029)</u>	<u>(68,823)</u>	<u>(286,181)</u>
Total other comprehensive income	<u>(613,166)</u>	<u>(112,395)</u>	<u>(88,413)</u>	<u>(310,519)</u>
Total comprehensive income	<u>₩ 1,639,204</u>	<u>₩ 6,751,315</u>	<u>₩ 2,078,401</u>	<u>₩ 6,856,927</u>
Comprehensive income attributable to:				
Owners of the Parent Company	1,532,068	6,381,754	1,954,425	6,461,806
Non-controlling interests	107,136	369,561	123,976	395,121
Total comprehensive income	<u>₩ 1,639,204</u>	<u>₩ 6,751,315</u>	<u>₩ 2,078,401</u>	<u>₩ 6,856,927</u>

See accompanying notes to consolidated financial statements.



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (In millions of Korean Won)	Retained earnings	Total equity attributable to the owners of the Parent Company	Non- controlling interests	Total equity
Balance at January 1, 2012	₩ 1,488,993	₩ 4,114,010	₩ (1,128,779)	₩ 375,281	₩ 32,263,528	₩ 37,113,033	₩ 3,214,669	₩ 40,327,702
Comprehensive income:								
Effect of changes in accounting policies	-	-	-	-	(3,573)	(3,573)	(79)	(3,652)
Profit for the period	-	-	-	-	6,775,120	6,775,120	392,326	7,167,446
Gain (loss) on valuation of AFS financial assets, net	-	-	-	(16,402)	-	(16,402)	278	(16,124)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	19,831	-	19,831	16,323	36,154
Changes in valuation of equity-accounted investees, net	-	-	-	(38,976)	(15,942)	(54,918)	(295)	(55,213)
Remeasurements of defined benefit plans	-	-	-	-	(2,668)	(2,668)	(2,076)	(4,744)
Loss on foreign operations translation, net	-	-	-	(255,584)	-	(255,584)	(11,356)	(266,940)
Total comprehensive income	-	-	-	(291,131)	6,752,937	6,461,806	395,121	6,856,927
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(480,105)	(480,105)	(38)	(480,143)
Increase in subsidiaries' stock	-	43,148	-	-	-	43,148	232,050	275,198
Other	-	-	-	-	(16,749)	(16,749)	-	(16,749)
Total transactions with owners, recorded directly in equity	-	43,148	-	-	(496,854)	(453,706)	232,012	(221,694)
Balance at September 30, 2012	₩ 1,488,993	₩ 4,157,158	₩ (1,128,779)	₩ 84,150	₩ 38,519,611	₩ 43,121,133	₩ 3,841,802	₩ 46,962,935

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total equity attributable to the owners of the Parent Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2013	₩ 1,488,993	₩ 4,158,988	₩ (1,128,779)	₩ (473,373)	₩ 39,993,230	₩ 44,039,059	₩ 3,878,516	₩ 47,917,575
Comprehensive income:								
Profit for the period	-	-	-	-	6,485,982	6,485,982	377,728	6,863,710
Gain on valuation of AFS financial assets, net	-	-	-	26,555	-	26,555	1,050	27,605
Gain on valuation of cash flow hedge derivatives, net	-	-	-	1,534	-	1,534	3,228	4,762
Changes in valuation of equity-accounted investees, net	-	-	-	39,648	(215)	39,433	379	39,812
Remeasurements of defined benefit plans	-	-	-	-	20,265	20,265	(2,416)	17,849
Loss on foreign operations translation, net	-	-	-	(192,015)	-	(192,015)	(10,408)	(202,423)
Total comprehensive income	-	-	-	(124,278)	6,506,032	6,381,754	369,561	6,751,315
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(520,832)	(520,832)	(33,177)	(554,009)
Purchase of subsidiaries' stock	-	(53,599)	-	-	-	(53,599)	(121,676)	(175,275)
Other	-	-	-	-	(18,483)	(18,483)	(553)	(19,036)
Total transactions with owners, recorded directly in equity	-	(53,599)	-	-	(539,315)	(592,914)	(155,406)	(748,320)
Balance at September 30, 2013	₩ 1,488,993	₩ 4,105,389	₩ (1,128,779)	₩ (597,651)	₩ 45,959,947	₩ 49,827,899	₩ 4,092,671	₩ 53,920,570

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	NOTES	Nine months ended September 30,	
		2013	2012
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 6,863,710	₩ 7,167,446
Adjustments		5,615,832	5,068,261
Changes in operating assets and liabilities		(7,200,362)	(5,665,099)
		5,279,180	6,570,608
Interest received		545,291	454,672
Interest paid		(1,032,301)	(1,252,482)
Dividend received		786,201	743,192
Income tax paid		(1,338,020)	(1,653,270)
Net cash provided by operating activities		4,240,351	4,862,720
Cash flows from investing activities:			
Purchase of short-term financial instruments, net		(374,438)	(881,260)
Proceeds from disposals of other financial assets		14,524	36,387
Proceeds from disposals of other receivables		66,437	65,865
Proceeds from disposals of property, plant and equipment		289,950	63,637
Proceeds from disposals of intangible assets		11,815	1,687
Proceeds from disposals of investments in joint ventures and associates		-	220,871
Acquisitions of other financial assets		(85,103)	(78,527)
Increases in other receivables		(70,428)	(74,335)
Purchases of long-term financial instruments		(1,785,827)	(1,160,000)
Acquisitions of property, plant and equipment		(2,021,760)	(1,821,443)
Acquisitions of intangible assets		(635,452)	(534,242)
Acquisitions of investments in subsidiaries		-	(290,911)
Acquisitions of investments in joint ventures and associates		(77,430)	(184,340)
Other cash receipts (payments) from investing activities, net		34,195	(8,542)
Net cash used in investing activities		(4,633,517)	(4,645,153)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (CONTINUED)

	NOTES	Nine months ended September 30,	
		2013	2012
		(In millions of Korean Won)	
Cash flows from financing activities:			
Repayment of short-term borrowings, net	₩	(1,061,956)	₩ (454,704)
Proceeds from long-term debt and debentures		20,481,356	12,734,409
Paid-in capital increase of subsidiaries		-	277,476
Purchases of subsidiaries' stock		(175,275)	-
Repayment of long-term debt and debentures		(17,670,458)	(10,812,073)
Repayment of other financial liabilities		-	(173,001)
Dividends paid		(554,009)	(480,143)
Other cash payments from financing activities, net		(51,653)	(18,813)
Net cash provided by financing activities		<u>968,005</u>	<u>1,073,151</u>
Effect of exchange rate changes on cash and cash equivalents		(107,695)	(50,990)
Net increase in cash and cash equivalents		467,144	1,239,728
Cash and cash equivalents, beginning of the period		<u>6,759,338</u>	<u>6,231,946</u>
Cash and cash equivalents, end of the period	₩	<u><u>7,226,482</u></u>	₩ <u><u>7,471,674</u></u>

(Concluded)

See accompanying notes to consolidated financial statements.

# HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

### 1. GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

The shares of the Company have been listed on the Korea Exchange since 1974 and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of September 30, 2013, the major shareholders of the Company are Hyundai MOBIS (20.78%) and Chung, Mong Koo (5.17%).

(1) The Company’s consolidated subsidiaries as of September 30, 2013, are as follows:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd. (*)	“	“	36.96%	
Hyundai Rotem Company	Manufacturing	“	57.64%	
Hyundai KEFICO Corporation	“	“	100.00%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Hyundai Autron Co., Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	53.66%	
Maintrans Co., Ltd.	Services	“	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	“	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	85.00%	HMA 85.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	“	“	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	“	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
Rotem USA Corporation	Manufacturing	“	100.00%	Hyundai Rotem 100.00%
Hyundai Auto Canada Corp. (HAC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	“	100.00%	HAC 100.00%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	“	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	“	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	“	“	100.00%	BJMSS 100.00%
Beijing Xinhuaixiaqiyuetong Motor Chain Co., Ltd.	“	“	100.00%	“
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	“	99.00%	CMEs 99.00%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	China	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	"	"	100.00%	Hyundai KEFICO 100.00%
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	"
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	"	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	"	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	"	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	"	100.00%	HME 100.00%
Hyundai Capital Europe GmbH	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.40%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Capital Services Limited Liability Company	Financing	"	100.00%	Hyundai Capital Europe 100.00%
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	89.29%	
Hyundai Eurotem Demiryolu Araclarive Ticaret A.S	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCi)	"	Italy	100.00%	
Hyundai Motor Espana. S.L (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	Poland	100.00%	
Hyundai Motor Norway AS (HMN)	"	Norway	100.00%	
Hyundai Motor De Mexico (HMM)	"	Mexico	100.00%	HT 0.03%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
ING Lion Private Equity Security Investment Trust Security No.45	Investment	Korea	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.27	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.13	"	"	100.00%	
IBK Panorama Private Equity Security Investment Trust No.50	"	"	100.00%	
Woori Frontier Private Equity Security Investment Trust No.5	"	"	100.00%	
KTb Safe Private Equity Security Investment Trust No.78	"	"	100.00%	
Autopia Thirty-Fifth ~ Thirty-Sixth Asset Securitization Specialty Company (*)	Financing	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Second ~ Forty-Seventh Asset Securitization Specialty Company (*)	"	"	0.90%	"

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Autopia Forty-Ninth ~ Fifty-First Asset Securitization Specialty Company (*)	Financing	Korea	0.50%	Hyundai Capital Services 0.50%
HB the Third Securitization Specialty Company (*)	"	"	0.90%	Hyundai Capital Services 0.90%
Privia the Second ~ Third Securitization Specialty Co., Ltd. (*)	"	"	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	"	USA	100.00%	HCA 100.00%
Hyundai CHA Funding Corporation	"	"	100.00%	"
Hyundai Lease Titling Trust	"	"	100.00%	"
Hyundai HK Funding, LLC	"	"	100.00%	"
Hyundai HK Funding One, LLC	"	"	100.00%	"
Hyundai HK Funding Two, LLC	"	"	100.00%	"
Hyundai Auto Lease Funding, LLC	"	"	100.00%	"
Hyundai ABS Funding Corporation	"	"	100.00%	"
Hyundai Capital Insurance Services, LLC	"	"	100.00%	"
HK Real Properties, LLC	"	"	100.00%	"
Hyundai Auto Lease Offering, LLC	"	"	100.00%	"
Hyundai HK Lease, LLC	"	"	100.00%	"
Hyundai Protection Plan, Inc.	Insurance	"	100.00%	"
Hyundai Protection Plan Florida, Inc.	"	"	100.00%	"
Hyundai Capital Insurance Company	"	"	100.00%	"
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	Financing	Brazil	100.00%	Hyundai Capital Services 100.00%

(\*) The Group is considered to have substantial control over the entities by virtue of an agreement with other investors or relationship with structured entities.

(2) Condensed financial information of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2013, is as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Net income
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 21,965,125	₩ 18,564,680	₩ 2,368,530	₩ 356,917
Hyundai Card Co., Ltd. (*)	10,939,628	8,614,817	1,875,911	127,203
Hyundai Rotem Company (*)	4,547,671	3,278,020	2,315,607	86,918
Hyundai KEFICO Corporation (*)	852,555	466,633	1,222,725	70,365
HCA (*)	24,393,586	22,371,162	3,299,325	245,058
HMA	6,403,733	3,808,264	12,705,746	422,380
HMMA	3,279,996	1,614,228	5,677,342	377,583
HMMC	3,067,580	1,566,740	4,083,855	311,335
HMI (*)	1,997,824	1,096,515	3,703,081	179,879
HMMR	1,264,435	610,403	2,039,758	162,738
HME (*)	1,158,220	1,116,825	3,993,054	(1,162)
HMCIS	855,003	497,952	2,846,494	102,500
HAC (*)	849,080	444,648	2,540,802	45,729
HMCA	694,963	534,623	1,755,364	47,066

(\*) Based on the subsidiary's consolidated financial statements.

(3) The financial statements of all subsidiaries, which are used in the preparation of the consolidated financial statements, are prepared for the same reporting periods as the Company's.

(4) Changes in consolidated subsidiaries

Subsidiaries newly included in and excluded from consolidation for the nine months ended September 30, 2013, are as follows:

Changes	Name of subsidiaries	Description
Included	ING Lion Private Equity Security Investment Trust Security No.45	Acquisition
"	Shinhan BNPP Private Corporate Security Investment Trust No.27	"
"	Miraeasset Triumph Private Equity Security Investment Trust No.13	"
"	IBK Panorama Private Equity Security Investment Trust No.50	"
"	Woori Frontier Private Equity Security Investment Trust No.5	"
"	KTB Safe Private Equity Security Investment Trust No.78	"
"	Autopia Fiftieth Asset Securitization Specialty Company	"
"	Autopia Fifty-first Asset Securitization Specialty Company	"
"	Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	"
"	Hyundai Motor De Mexico	"
Excluded	Autopia Thirty-Seventh Asset Securitization Specialty Company	Dissolution
"	Autopia Thirty-Ninth Asset Securitization Specialty Company	"
"	Autopia Fortieth Asset Securitization Specialty Company	"

(5) Increases in the Company's ownership interests in its subsidiaries and the consequent effects on the equity attributable to the owners of the Parent Company for the nine months ended September 30, 2013, are as follows:

Description	Hyundai Card (*)
	(In millions of Korean Won)
Ownership percentage before transaction	31.52%
Ownership percentage after transaction	36.96%
Purchase consideration	₩ 175,275
Changes in non-controlling interests	(121,676)
Changes in capital surplus	(53,599)

(\*) The Company acquired 5.44% of shares of Hyundai Card Co., Ltd., a subsidiary of the Company, from Hyundai Steel Company, an affiliate by Monopoly Regulation And Fair Trade Act of the Republic of Korea for the nine months ended September 30, 2013.

(6) In 2013, HAOSVT, a subsidiary of the Company, changed its functional currency from USD to EUR since it considered that the currency in the primary economic environment in which the entity operates has changed.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean Won and prepares its consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards (“K-IFRS”), in Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from Korean language consolidated financial statements. Certain information included in Korean language consolidated financial statements, but not required for a fair presentation of the Group’s consolidated statements of financial position, income, comprehensive income, changes in equity or cash flows, is not presented in the accompanying consolidated financial statements.

### (1) Basis of consolidated financial statements presentation

The Group’s condensed consolidated financial statements for the nine months ended September 30, 2013 and 2012, respectively, are prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with K-IFRS.

The significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements for the year ended December 31, 2012, except for the adoption effect of the new accounting standards and interpretations described below.

#### 1) New and revised standards that have been applied from the year beginning on January 1, 2013, are as follows:

##### - K-IFRS 1001 (Amendment): ‘Presentation of Financial Statements’

The amendments to K-IFRS 1001 require that other comprehensive income shall be presented and classified by “items not to be reclassified subsequently to profit or loss” and “items to be reclassified subsequently to profit or loss”. The amendments have an effect on only presentation of consolidated financial statements and no effect on the financial position and results of operations. The consolidated financial statements for the nine months ended September 30, 2012, are restated to apply the impact of the amendment.

##### - K-IFRS 1019 (Amendment): ‘Employee Benefits’

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. Interest income on plan assets is calculated using the rate used to discount the defined benefit obligation. The Group was required to apply the impact of the amendment retrospectively, and hence the consolidated financial statements for the nine months ended September 30, 2012, are restated accordingly. As a result of the change in accounting policies, for the nine months ended September 30, 2012, cost of sales decreased by ₩3,654 million and selling and administrative expenses, gain on investments in joint ventures and associates and income tax expense increased by ₩901 million, ₩1,244 million, and ₩345 million, respectively. In addition, for the three months ended September 30, 2012, cost of sales decreased by ₩1,217 million and selling and administrative expenses, gain on investments in joint ventures and associates and income tax expense increased by ₩316 million, ₩415 million, and ₩111 million, respectively.

##### - K-IFRS 1107 (Amendment): ‘Financial Instruments: Disclosures’

The amendments to K-IFRS 1107 require the disclosures about offsetting of financial assets and financial liabilities, and require to disclose the information related to the offsetting arrangements or similar agreements, irrespective of whether they are set off in accordance with K-IFRS 1032. The effect of the amendments is not significant on the Group’s interim consolidated financial statements.

##### - K-IFRS 1110 (Enactment): ‘Consolidated Financial Statements’

K-IFRS 1110 provides a single basis to determine control with three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s return. The effect of the amendments is not significant on the Group’s interim consolidated financial statements.

- K-IFRS 1111 (Enactment): 'Joint Arrangements'

K-IFRS 1111 classifies joint arrangements of which two or more parties have joint control into two types, joint operations and joint ventures depending on the rights and obligations of the parties to the arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Group is a joint venturer, the Group is to account for that investment using the equity method accounting. The effect of the amendments is not significant on the Group's interim consolidated financial statements.

- K-IFRS 1112 (Enactment): 'Disclosure of Interests in Other Entities'

K-IFRS 1112 is the standard which requires disclosures of entities that have an interest in a subsidiary, an associate, a joint arrangement or an unconsolidated structured entity. The effect of the amendments is not significant on the Group's interim consolidated financial statements.

- K-IFRS 1113 (Enactment): 'Fair Value Measurement'

K-IFRS 1113 provides a single source of guidance for fair value measurements and defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability under current market conditions. For fair value measurements according to K-IFRS 1113, the Group is required to determine the particular asset or liability being measured, the market in which an orderly transaction would take place for the asset or liability and the appropriate valuation techniques to use when measuring fair value. In addition, K-IFRS 1113 provides extensive disclosures regarding fair value measurements. The effect of the amendments is not significant on the Group's interim consolidated financial statements.

- 2) New and revised standards that have been issued but are not yet effective for the year beginning on January 1, 2013, and that have not been applied earlier by the Group are as follows:

- K-IFRS 1032 (Amendment): 'Financial Instruments: Presentation'

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. The Group's right of set-off must not be contingent upon any future events, but enforceable anytime during the contract period in all of the circumstances; in the event of default, insolvency or bankruptcy of the entity or the counterparties, as well as in the ordinary course of business. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014. The Group does not anticipate that amendments will have any significant effect on the Group's interim consolidated financial statements.

(2) Significant accounting judgments and key sources of estimation uncertainties

In the preparation of the Group's interim consolidated financial statements, management is required to apply accounting policies and make judgments, estimation and assumptions affecting the carrying amounts of assets and liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgments about the application of the Group's accounting policies and the main resources of the uncertainty are consistent with those of the annual consolidated financial statements for the year ended December 31, 2012.

### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,183,837	₩ 45,932	₩ 3,716,367	₩ 48,513
Allowance for doubtful accounts	(38,762)	-	(29,543)	-
Present value discount accounts	-	(4,242)	-	(4,712)
	<u>₩ 3,145,075</u>	<u>₩ 41,690</u>	<u>₩ 3,686,824</u>	<u>₩ 43,801</u>

(2) Aging analysis of trade receivables

As of September 30, 2013 and December 31, 2012, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩206,586 million and ₩390,632 million, respectively; of which ₩153,597 million and ₩335,898 million, respectively, are past due less than 90 days, but not impaired. As of September 30, 2013 and December 31, 2012, the impaired trade notes and accounts receivable amount to ₩38,762 million and ₩29,543 million, respectively.

(3) The changes in allowance for doubtful accounts for the three months and nine months ended September 30, 2013 and 2012, are as follows:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 35,928	₩ 29,543	₩ 30,011	₩ 40,346
Impairment loss	1,710	7,530	2,266	9,443
Write-off	(177)	(337)	(1,418)	(23,719)
Effect of foreign exchange differences and others	1,301	2,026	(24)	(592)
Changes in the scope of consolidation	-	-	-	5,357
End of the period	<u>₩ 38,762</u>	<u>₩ 38,762</u>	<u>₩ 30,835</u>	<u>₩ 30,835</u>

### 4. OTHER RECEIVABLES:

Other receivables as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivables – others	₩ 1,324,950	₩ 823,420	₩ 1,458,809	₩ 761,943
Due from customers for contract work	1,312,540	-	781,136	-
Lease and rental deposits	43,337	276,219	54,924	259,040
Deposits	12,708	23,714	11,293	23,594
Others	3,058	-	3,489	-
Allowance for doubtful accounts	(3,528)	-	(5,241)	-
Present value discount accounts	-	(5,842)	-	(7,968)
	<u>₩ 2,693,065</u>	<u>₩ 1,117,511</u>	<u>₩ 2,304,410</u>	<u>₩ 1,036,609</u>

## 5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial assets at fair value through profit or loss ("FVTPL"):				
Held for trading non-derivative financial assets	₩ 416,556	₩ -	₩ -	₩ -
Derivative assets	35,919	8,098	67,666	19,486
Financial assets designated as at FVTPL	639	-	-	-
	453,114	8,098	67,666	19,486
Derivative assets that are effective hedging instruments	1,381	25,582	15,060	20,745
Available-for-sale financial assets	21,427	1,644,247	12,394	1,544,141
Held-to-maturity ("HTM") financial assets	-	-	27	35
Loans	12,092	222,968	14,152	10,057
	₩ 488,014	₩ 1,900,895	₩ 109,299	₩ 1,594,464

(2) Available-for-sale ("AFS") financial assets that are measured at fair value as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013			December 31, 2012
	Acquisition cost	Valuation difference	Book value	Book value
(In millions of Korean Won)				
Debt instruments	₩ 78,228	₩ (18)	₩ 78,210	₩ 15,074
Equity instruments	682,958	904,506	1,587,464	1,541,461
	₩ 761,186	₩ 904,488	₩ 1,665,674	₩ 1,556,535

(3) Equity instruments classified into AFS financial assets as of September 30, 2013 and December 31, 2012, consist of the following:

Name of the company	Ownership percentage	September 30, 2013			December 31, 2012
		Acquisition cost	Valuation difference	Book value	Book value
		(In millions of Korean Won)			
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 521,236	₩ 578,160	₩ 529,980
Hyundai Glovis Co., Ltd.	4.88	210,688	174,725	385,413	405,553
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	110,147	261,233	251,973
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	83,756	137,490	137,490
Seoul Metro Line Nine Corporation (*)	25.00	41,779	-	41,779	41,779
Hyundai Green Food Co., Ltd.	2.36	15,005	24,687	39,692	39,231
Doosan Capital Co., Ltd.	7.14	10,000	3,508	13,508	13,508
Hyundai Merchant Marine Co., Ltd.	0.45	9,161	3,105	12,266	16,355
Hyundai Development Company	0.60	9,025	1,798	10,823	9,743
Hyundai Finance Corporation	9.29	9,888	518	10,406	11,065
KT Corporation	0.09	8,655	(24)	8,631	8,523
NICE Holdings Co., Ltd.	1.30	3,491	2,998	6,489	3,127
Ubivelo Co., Ltd.	5.19	1,710	3,842	5,552	7,860
NICE Information Service Co., Ltd.	2.25	3,312	834	4,146	3,729
Hyundai Asan Corporation	2.07	22,500	(20,383)	2,117	2,117
NESSCAP, Inc.	4.53	1,997	(1,573)	424	1,199
Others		74,003	(4,668)	69,335	58,229
		₩ 682,958	₩ 904,506	₩ 1,587,464	₩ 1,541,461

(\*) Investments are not accounted for using the equity method, as the Group is considered not to have significant influence over the investee, despite the fact that its ownership percentage exceeds 20 percent.

As of September 30, 2013, the valuation difference between the book value and the acquisition cost of AFS equity instruments includes the cumulative impairment loss of ₩25,368 million.

## 6. INVENTORIES:

Inventories as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Finished goods	₩ 3,139,329	₩ 3,476,869
Merchandise	105,180	294,875
Semi-finished goods	447,358	382,434
Work in progress	368,644	367,896
Raw materials	1,239,543	1,110,764
Supplies	194,957	170,736
Materials in transit	519,058	544,688
Others	451,544	424,602
	<u>₩ 6,465,613</u>	<u>₩ 6,772,864</u>

## 7. OTHER ASSETS:

Other assets as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 347,999	₩ 565	₩ 403,645	₩ 329
Advanced payments	810,449	-	517,543	-
Prepaid expenses	305,711	17,061	247,320	44,095
Prepaid value added tax and other	327,407	19,056	736,937	-
	<u>₩ 1,791,566</u>	<u>₩ 36,682</u>	<u>₩ 1,905,445</u>	<u>₩ 44,424</u>

## 8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE:

Non-current assets classified as held for sale as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Land	₩ -	₩ 19,995
Buildings	-	3,312
	<u>₩ -</u>	<u>₩ 23,307</u>

The land and buildings classified as held for sale were disposed of for ₩25,739 million, and ₩4,530 million of other income and ₩1,179 million of other expenses were recognized as gain (loss) on disposals of non-current assets classified as held for sale during the nine months ended September 30, 2013.

## 9. PROPERTY, PLANT AND EQUIPMENT:

The changes in property, plant and equipment for the nine months ended September 30, 2013 and 2012, are as follows:

Description	Nine months ended September 30,	
	2013	2012
	(In millions of Korean Won)	
Beginning of the period	₩ 20,739,858	₩ 19,548,048
Acquisitions	2,021,760	1,821,443
Acquisitions from business combinations	-	299,966
Disposals	(213,338)	(76,277)
Depreciation	(1,309,703)	(1,231,733)
Others (*)	(222,288)	(89,114)
End of the period	₩ 21,016,289	₩ 20,272,333

(\*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

## 10. INVESTMENT PROPERTY:

(1) The changes in investment property for the nine months ended September 30, 2013 and 2012, are as follows:

Description	Nine months ended September 30,	
	2013	2012
	(In millions of Korean Won)	
Beginning of the period	₩ 282,832	₩ 282,427
Transfers	(7,891)	-
Disposals	(582)	-
Depreciation	(8,765)	(8,771)
Effect of foreign exchange differences	1,690	(1,964)
End of the period	₩ 267,284	₩ 271,692

(2) Income and expenses related to investment property for the three months and nine months ended September 30, 2013 and 2012, are as follows:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Rental income	₩ 9,858	₩ 27,202	₩ 8,671	₩ 23,919
Operating and maintenance expenses	3,541	10,221	3,402	9,544

# 11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the nine months ended September 30, 2013 and 2012, are as follows:

Description	Nine months ended September 30,			
	2013		2012	
	(In millions of Korean Won)			
Beginning of the period	₩	2,883,218	₩	2,660,109
Internal developments and separate acquisitions		635,452		534,242
Acquisitions through business combinations		-		195,935
Disposals		(3,099)		(1,603)
Amortization		(606,432)		(625,872)
Impairment loss		(16,340)		-
Others (*)		43,348		24,649
End of the period	₩	2,936,147	₩	2,787,460

(\*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

(2) Research and development expenditure for the three months and nine months ended September 30, 2013 and 2012, are as follows:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Development costs	₩ 195,245	₩ 481,409	₩ 170,609	₩ 414,038
Ordinary developments (manufacturing cost)	115,611	235,070	81,921	191,499
Research costs (administrative expenses)	182,891	486,471	167,720	459,738
	₩ 493,747	₩ 1,202,950	₩ 420,250	₩ 1,065,275

(3) Impairment test of goodwill

The recoverable amount of the Group's cash-generating unit ("CGU") is being measured at its value in use based on cash flow projections of financial budgets for the next five years approved by management. Cash flows projection beyond the next five-year period is extrapolated by using the estimated growth rate, which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. The Group performs an impairment test of goodwill annually and each time there is any indication that the goodwill may be impaired.

## 12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

- (1) Investments in joint ventures and associates as of September 30, 2013 and December 31, 2012, consist of the following:

Name of the company	Nature of the business	Location	September 30, 2013		December 31, 2012
			Ownership Percentage (%)	Book value (In millions of Korean Won)	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 1,817,917	₩ 1,657,185
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	140,609	103,450
Sichuan Hyundai Motor Company (CHMC) (*1)	Manufacturing	China	50.00	135,317	77,346
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	124,911	107,253
Kia Motors Corporation	Manufacturing	Korea	33.88	6,491,474	5,638,238
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,055,890	3,023,813
Hyundai HYSCO Co., Ltd.	Manufacturing	Korea	29.37	687,556	615,271
Hyundai WIA Corporation	Manufacturing	Korea	26.79	579,891	484,518
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	350,617	299,075
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	265,161	233,660
HMC Investment Securities Co., Ltd.	Securities brokerage				
		Korea	26.27	218,253	217,187
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	144,804	127,881
Hyundai Commercial Inc.	Financing	Korea	50.00	129,225	121,597
Others				449,516	411,257
				₩ 14,591,141	₩ 13,117,731

(\*1) Joint ventures.

(\*2) As the Group is considered to be able to exercise significant influence by representation in the board of directors of the investee and for other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

- (2) The changes in investments in joint ventures and associates for the nine months ended September 30, 2013, are as follows:

Name of the company	Beginning of the period	Acquisitions (Dispositions)	Gain on valuation	Others (*)	End of the period
	(In millions of Korean Won)				
BHMC	₩ 1,657,185	₩ -	₩ 740,852	₩ (580,120)	₩ 1,817,917
HMGC	103,450	17,432	16,963	2,764	140,609
CHMC	77,346	56,592	1,427	(48)	135,317
WAE	107,253	-	22,492	(4,834)	124,911
Kia Motors Corporation	5,638,238	-	943,021	(89,785)	6,491,474
Hyundai Engineering & Construction Co., Ltd.	3,023,813	-	51,630	(19,553)	3,055,890
Hyundai HYSCO Co., Ltd.	615,271	-	78,610	(6,325)	687,556
Hyundai WIA Corporation	484,518	-	94,820	553	579,891
Hyundai Powertech Co., Ltd.	299,075	-	50,684	858	350,617
Hyundai Dymos Inc.	233,660	-	32,233	(732)	265,161
HMC Investment Securities Co., Ltd.	217,187	-	3,251	(2,185)	218,253
Eukor Car Carriers Inc.	127,881	-	24,932	(8,009)	144,804
Hyundai Commercial Inc.	121,597	-	12,390	(4,762)	129,225
Others	411,257	3,406	54,352	(19,499)	449,516
	₩ 13,117,731	₩ 77,430	₩ 2,127,657	₩ (731,677)	₩ 14,591,141

(\*) Others consist of changes in accumulated other comprehensive income, decrease due to declaration of the dividends and others.



The changes in investments in joint ventures and associates for the nine months ended September 30, 2012, are as follows:

Name of the company	Beginning of the period	Acquisitions (Dispositions)	Gain on valuation	Others (*)	End of the period
(In millions of Korean Won)					
BHMC	₩ 1,553,871	₩ -	₩ 430,104	₩ (515,761)	₩ 1,468,214
HMGC	128,318	-	54,115	(81,462)	100,971
WAE	81,260	14,606	7,020	(2,602)	100,284
Kia Motors Corporation	4,565,683	-	1,035,190	(96,008)	5,504,865
Hyundai Engineering & Construction Co., Ltd.	3,011,421	-	35,477	(13,974)	3,032,924
Hyundai HYSCO Co., Ltd.	449,438	101,711	73,254	(6,317)	618,086
Hyundai WIA Corporation	482,996	(98,597)	83,388	(7,864)	459,923
Hyundai Powertech Co., Ltd.	254,066	-	41,602	(285)	295,383
Hyundai Dymos Inc.	194,332	-	19,407	2,112	215,851
HMC Investment Securities Co., Ltd.	210,511	-	7,176	(317)	217,370
Eukor Car Carriers Inc.	111,312	-	21,895	(10,550)	122,657
Hyundai Commercial Inc.	122,364	-	19,150	(25,762)	115,752
Others	543,666	68,023	39,613	(242,819)	408,483
	<u>₩ 11,709,238</u>	<u>₩ 85,743</u>	<u>₩ 1,867,391</u>	<u>₩ (1,001,609)</u>	<u>₩ 12,660,763</u>

(\*) Others consist of changes in accumulated other comprehensive income, decrease due to declaration of the dividends, changes in ownership percentage and others.

(3) Condensed financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2013, is as follows:

Name of the company	Assets	Liabilities	Sales	Net income
(In millions of Korean Won)				
BHMC	₩ 7,816,961	₩ 4,128,509	₩ 14,362,193	₩ 1,490,584
HMGC	494,128	176,401	1,371,112	54,613
CHMC	586,572	315,938	358,315	5,456
WAE	1,427,951	855,863	1,185,380	102,237
Kia Motors Corporation	34,547,209	15,100,846	35,831,296	2,868,071
Hyundai Engineering & Construction Co., Ltd.	14,140,177	8,981,814	9,866,837	448,809
Hyundai HYSCO Co., Ltd.	5,640,600	3,536,629	5,809,297	268,435
Hyundai WIA Corporation	4,728,536	2,541,468	5,318,740	308,857
Hyundai Powertech Co., Ltd.	2,082,150	1,122,299	2,350,861	136,938
Hyundai Dymos Inc.	1,588,263	1,024,067	1,555,878	59,650
HMC Investment Securities Co., Ltd. (*)	6,902,587	6,224,165	634,003	12,378
Eukor Car Carriers Inc.	2,721,308	1,516,789	1,953,485	204,640
Hyundai Commercial Inc.	4,139,745	3,786,559	255,101	29,199

(\*) Although the closing date of the fiscal year of HMC Investment Securities Co., Ltd. is March 31, the financial statements, used for applying the equity method are prepared for the same reporting periods as the Company's.

Condensed financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2012, is as follows:

Name of the company	Assets	Liabilities	Sales	Net income
	(In millions of Korean Won)			
BHMC	₩ 6,671,804	₩ 3,695,014	₩ 9,404,738	₩ 858,570
HMGC	380,529	169,273	1,552,161	85,677
WAE	1,251,026	775,988	777,584	50,539
Kia Motors Corporation	33,148,266	16,752,860	35,965,900	3,131,403
Hyundai Engineering & Construction Co., Ltd.	12,582,347	7,877,624	9,206,197	414,678
Hyundai HYSCO Co., Ltd.	5,276,933	3,427,880	6,397,296	245,292
Hyundai WIA Corporation	4,289,707	2,523,844	5,078,083	293,232
Hyundai Powertech Co., Ltd.	2,094,348	1,275,381	2,199,591	109,879
Hyundai Dymos Inc.	965,588	504,540	1,013,150	38,829
HMC Investment Securities Co., Ltd. (*)	5,351,375	4,676,315	1,108,540	27,320
Eukor Car Carriers Inc.	2,436,622	1,415,428	2,222,156	238,033
Hyundai Commercial Inc.	3,866,092	3,527,068	257,578	39,232

(\*) Although the closing date of the fiscal year of HMC Investment Securities Co., Ltd. is March 31, the financial statements, used for applying the equity method are prepared for the same reporting periods as the Company's.

(4) The market price of listed equity securities as of September 30, 2013, is as follows:

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Motors Corporation	₩ 65,300	137,318,251	₩ 8,966,882
Hyundai Engineering & Construction Co., Ltd.	61,800	23,327,400	1,441,633
Hyundai HYSCO Co., Ltd.	46,050	23,554,188	1,084,670
Hyundai WIA Corporation	169,500	6,893,596	1,168,465
HMC Investment Securities Co., Ltd.	10,900	7,705,980	83,995

### 13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Loans	₩ 28,927,069	₩ 27,922,539
Card receivables	9,261,979	9,744,711
Financial lease receivables	3,012,650	2,836,499
Others	64,424	6,951
	41,266,122	40,510,700
Allowance of doubtful accounts	(775,084)	(749,166)
Loan origination fee	(141,117)	(259,716)
Present value discount accounts	(5,786)	(7,587)
	₩ 40,344,135	₩ 39,494,231

(2) Aging analysis of financial services receivables

As of September 30, 2013 and December 31, 2012, total financial services receivables that are past due, but not impaired, amount to ₩1,608,410 million and ₩1,384,125 million, respectively; all of them are past due less than 90 days. As of September 30, 2013 and December 31, 2012, the impaired financial services receivables amount to ₩401,480 million and ₩631,406 million, respectively.

- (3) The changes in allowance for doubtful accounts of financial services receivables for the three months and nine months ended September 30, 2013 and 2012, are as follows:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 792,637	₩ 749,166	₩ 710,538	₩ 729,047
Impairment loss	162,268	470,968	111,585	334,032
Write-off	(143,457)	(349,891)	(83,349)	(281,717)
Effect of foreign exchange differences	(12,698)	697	(5,893)	(6,012)
Transfers and others	(23,666)	(95,856)	(17,117)	(59,586)
Changes in the scope of consolidation	-	-	11,720	11,720
End of the period	₩ 775,084	₩ 775,084	₩ 727,484	₩ 727,484

- (4) Gross investments in financial lease and their present value of minimum lease receipts as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013		December 31, 2012	
	Gross investments in financial lease	Present value of minimum lease receipts	Gross investments in financial lease	Present value of minimum lease receipts
	(In millions of Korean Won)			
Not later than one year	₩ 1,429,581	₩ 1,231,654	₩ 1,366,499	₩ 1,093,879
Later than one year and not later than five years	1,945,804	1,775,534	1,812,227	1,742,481
Later than five years	216	215	140	139
	₩ 3,375,601	₩ 3,007,403	₩ 3,178,866	₩ 2,836,499

- (5) Unearned interest income of financial leases as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 3,375,601	₩ 3,178,866
Net lease investments:		
Present value of minimum lease receipts	3,007,403	2,836,499
Present value of unguaranteed residual value	5,247	-
	3,012,650	2,836,499
Unearned interest income	₩ 362,951	₩ 342,367

#### 14. OPERATING LEASE ASSETS:

- (1) Operating lease assets as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Acquisition cost	₩ 11,658,476	₩ 9,008,006
Accumulated depreciation	(1,417,483)	(1,121,592)
Accumulated impairment loss	(75,093)	(56,326)
	₩ 10,165,900	₩ 7,830,088

- (2) Future minimum lease receipts related to operating lease assets as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Not later than one year	₩ 1,992,890	₩ 1,643,559
Later than one year and not later than five years	2,290,754	1,842,246
Later than five years	2	2
	₩ 4,283,646	₩ 3,485,807

# 15. BORROWINGS AND DEBENTURES:

- (1) Short-term borrowings as of September 30, 2013 and December 31, 2012, consist of the following:

Description	Lender	Annual interest rate	September 30, 2013	September 30, 2013	December 31, 2012
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.50~3.53	₩ 150,514	₩ 198,630	
General loans	Kookmin Bank and others	0.28~4.17	2,320,139	2,361,415	
Loans on trade receivables collateral	Korea Exchange Bank and others	LIBOR+0.23~0.40	649,208	1,889,307	
Banker's usance	Kookmin Bank and others	LIBOR+0.31~0.40	447,953	596,229	
Short-term debentures	BS Securities	2.91	39,996	879,630	
Commercial paper	Shinhan Bank and others	0.21~3.62	695,065	730,000	
Asset-backed securities and others	HSBC	0.64	495,851	126,538	
			₩ 4,798,726	₩ 6,781,749	

- (2) Long-term debt as of September 30, 2013 and December 31, 2012, consists of the following:

Description	Lender	Annual interest rate	September 30, 2013	September 30, 2013	December 31, 2012
		(%)	(In millions of Korean Won)		
General loans	Shinhan Bank and others	0.97~5.63	₩ 3,359,561	₩ 2,265,859	
Facility loan	Shinhan Bank and others	0.92~4.45	530,217	796,486	
Commercial paper	SC Securities and others	3.07~4.15	343,000	343,000	
Asset-backed securities	JP Morgan and others	0.47~0.69	2,336,956	3,369,345	
Others	Kookmin Bank and others	0.10~3.00	255,465	290,324	
			6,825,199	7,065,014	
Less: present value discounts			141,539	158,398	
Less: current maturities			2,398,335	2,764,143	
			₩ 4,285,325	₩ 4,142,473	

(3) Debentures as of September 30, 2013 and December 31, 2012, consist of the following:

Description	Latest maturity date	Annual interest rate	September 30, 2013	September 30, 2013	December 31, 2012
		(%)			
(In millions of Korean Won)					
Guaranteed public debentures	June 8, 2017	3.75~4.50	₩	1,609,981	₩ 1,604,827
Guaranteed private debentures	April 25, 2015	5.68		80,670	80,333
Non-guaranteed public debentures	September 25, 2020	2.61~7.47		19,098,676	17,434,701
Non-guaranteed private debentures	August 9, 2018	1.63~3.63		2,434,126	2,613,559
Asset-backed securities	January 15, 2020	0.22~7.04		12,181,945	9,880,999
				35,405,398	31,614,419
Less: discount on debentures				95,126	95,532
Less: current maturities				6,123,226	5,148,198
			₩	29,187,046	₩ 26,370,689

#### 16. PROVISIONS:

The changes in provisions for the nine months ended September 30, 2013, are as follows:

Description	Warranty	Other long-term employee benefits	Others
		(In millions of Korean Won)	
Beginning of the period	₩ 5,908,719	₩ 609,589	₩ 490,450
Charged	786,377	50,785	73,142
Utilized	(744,982)	(34,863)	(67,117)
Amortization of present value discounts	106,521	-	3,412
Changes in expected reimbursements by third parties	60,550	-	-
Effect of foreign exchange differences	(6,995)	-	(5,671)
End of the period	₩ 6,110,190	₩ 625,511	₩ 494,216

The changes in provisions for the nine months ended September 30, 2012, are as follows:

Description	Warranty	Other long-term employee benefits	Others
		(In millions of Korean Won)	
Beginning of the period	₩ 5,850,285	₩ 586,628	₩ 210,240
Charged	593,115	47,964	203,978
Utilized	(589,843)	(33,790)	(64,031)
Amortization of present value discounts	125,316	-	-
Changes in expected reimbursements by third parties	24,800	-	-
Effect of foreign exchange differences	(25,944)	(3)	(7,371)
Changes in the scope of consolidation	66,842	3,187	10,176
End of the period	₩ 6,044,571	₩ 603,986	₩ 352,992

# 17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL	₩ 1	₩ 993	₩ 1	₩ 4,161
Derivative liabilities that are effective				
hedging instruments	104,925	325,670	24,604	331,699
Financial lease liabilities	8,962	13,181	8,458	20,333
Others	115,248	-	115,248	-
	₩ 229,136	₩ 339,844	₩ 148,311	₩ 356,193

# 18. OTHER LIABILITIES:

Other liabilities as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advance received	₩ 454,342	₩ 45,322	₩ 412,792	₩ 51,549
Withholdings	1,157,382	503,773	1,402,652	554,677
Accrued expenses	2,250,505	-	1,288,105	-
Unearned income	471,112	358,640	482,160	339,549
Accrued dividends	67	-	77	-
Due to customers for contract work	543,252	-	497,948	-
Others	102,774	701,794	207,370	536,583
	₩ 4,979,434	₩ 1,609,529	₩ 4,291,104	₩ 1,482,358

# 19. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of September 30, 2013, consist of the following:

Description	Financial assets at FVTPL		Loans and receivables		AFS financial assets		Derivatives designated as hedging instruments		Book value		Fair value	
	(In millions of Korean Won)											
Cash and cash equivalents	₩	-	₩	7,226,482	₩	-	₩	-	₩	7,226,482	₩	7,226,482
Short-term and long-term financial instruments		-		14,461,276		-		-		14,461,276		14,461,276
Trade notes and accounts receivable		-		3,186,765		-		-		3,186,765		3,186,765
Other receivables		-		2,498,036		-		-		2,498,036		2,498,036
Other financial assets		461,212		235,060		1,665,674		26,963		2,388,909		2,388,909
Other assets		-		348,564		-		-		348,564		348,564
Financial services receivables		-		40,289,850		-		-		40,289,850		40,788,081
	₩	461,212	₩	68,246,033	₩	1,665,674	₩	26,963	₩	70,399,882	₩	70,898,113

Categories of financial assets as of December 31, 2012, consist of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	HTM financial assets	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)							
Cash and cash equivalents	₩ -	₩ 6,759,338	₩ -	₩ -	₩ -	₩ 6,759,338	₩ 6,759,338
Short-term and long-term financial instruments	-	12,385,416	-	-	-	12,385,416	12,385,416
Trade notes and accounts receivable	-	3,730,625	-	-	-	3,730,625	3,730,625
Other receivables	-	2,559,883	-	-	-	2,559,883	2,559,883
Other financial assets	87,152	24,209	1,556,535	62	35,805	1,703,763	1,703,763
Other assets	-	403,974	-	-	-	403,974	403,974
Financial services receivables	-	39,494,231	-	-	-	39,494,231	39,894,670
	₩ 87,152	₩ 65,357,676	₩ 1,556,535	₩ 62	₩ 35,805	₩ 67,037,230	₩ 67,437,669

(2) Categories of financial liabilities as of September 30, 2013, consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,075,130	₩ -	₩ 6,075,130	₩ 6,075,130
Other payables	-	3,463,884	-	3,463,884	3,463,884
Borrowings and debentures	-	46,792,658	-	46,792,658	47,523,513
Other financial liabilities	994	137,391	430,595	568,980	568,980
Other liabilities	-	2,250,572	-	2,250,572	2,250,572
	₩ 994	₩ 58,719,635	₩ 430,595	₩ 59,151,224	₩ 59,882,079

Categories of financial liabilities as of December 31, 2012, consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,841,326	₩ -	₩ 6,841,326	₩ 6,841,326
Other payables	-	4,550,278	-	4,550,278	4,550,278
Borrowings and debentures	-	45,207,252	-	45,207,252	46,237,968
Other financial liabilities	4,162	144,039	356,303	504,504	504,504
Other liabilities	-	1,288,182	-	1,288,182	1,288,182
	₩ 4,162	₩ 58,031,077	₩ 356,303	₩ 58,391,542	₩ 59,422,258

(3) Fair value estimation

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3, based on the degree to which the fair value is observable, as described below:

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

Fair value measurements of financial instruments by fair-value hierarchy levels as of September 30, 2013, are as follows:

Description	September 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 27,354	₩ 433,858	₩ -	₩ 461,212
Derivatives designated as hedging instruments	-	26,963	-	26,963
AFS financial assets	1,343,186	57,220	265,268	1,665,674
	<u>₩ 1,370,540</u>	<u>₩ 518,041</u>	<u>₩ 265,268</u>	<u>₩ 2,153,849</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 994	₩ -	₩ 994
Derivatives designated as hedging instruments	-	430,595	-	430,595
	<u>₩ -</u>	<u>₩ 431,589</u>	<u>₩ -</u>	<u>₩ 431,589</u>

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2012, are as follows:

Description	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 87,152	₩ -	₩ 87,152
Derivatives designated as hedging instruments	-	35,805	-	35,805
AFS financial assets	1,287,409	5,023	264,103	1,556,535
HTM financial assets	-	62	-	62
	<u>₩ 1,287,409</u>	<u>₩ 128,042</u>	<u>₩ 264,103</u>	<u>₩ 1,679,554</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 4,162	₩ -	₩ 4,162
Derivatives designated as hedging instruments	-	356,303	-	356,303
	<u>₩ -</u>	<u>₩ 360,465</u>	<u>₩ -</u>	<u>₩ 360,465</u>



The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2013, are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfer	End of the period
(In millions of Korean Won)						
AFS financial assets	₩ 264,103	₩ 2,107	₩ (285)	₩ (657)	₩ -	₩ 265,268

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2012, are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfer	End of the period
(In millions of Korean Won)						
AFS financial assets	₩ 273,070	₩ 7,544	₩ (21,162)	₩ (1,459)	₩ -	₩ 257,993

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the nine months ended September 30, 2013 and 2012, consist of the following:

Description	Nine months ended September 30,					
	2013			2012		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)						
Non-financial services:						
Loans and receivables	₩ 426,371	₩ -	₩ -	₩ 430,876	₩ -	₩ -
AFS financial assets	646	11,096	-	3,770	14,844	-
Financial liabilities carried at amortized cost	-	-	178,765	-	-	222,776
	<u>₩ 427,017</u>	<u>₩ 11,096</u>	<u>₩ 178,765</u>	<u>₩ 434,646</u>	<u>₩ 14,844</u>	<u>₩ 222,776</u>
Financial services:						
Loans and receivables	₩ 1,989,856	₩ -	₩ -	₩ 2,067,264	₩ -	₩ -
Financial assets at FVTPL	3,650	-	-	-	-	-
Financial liabilities at FVTPL	-	-	-	-	-	13,571
Financial liabilities carried at amortized cost	-	-	1,005,469	-	-	1,081,325
	<u>₩ 1,993,506</u>	<u>₩ -</u>	<u>₩ 1,005,469</u>	<u>₩ 2,067,264</u>	<u>₩ -</u>	<u>₩ 1,094,896</u>

(5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2013 and 2012, amounts to ₩1,216,672 million and ₩1,206,064 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2013 and 2012, amount to ₩676,680 million and ₩585,638 million, respectively.

(6) The Group recognizes transfers between levels of the fair-value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2013.

- (7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair-value hierarchy are as follows:

- Currency forwards and options

Fair value of currency forwards and options is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same period with remaining period of derivatives to be measured. If the forward exchange rate, which has the same period with remaining period of currency forward and option, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rate.

As the inputs used to measure fair value of currency forwards and options are supported by observable market data, such as forward exchange rate, the Group classified the estimates of fair value measurements of the currency forwards and options as Level 2 of the fair-value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection, and certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and the weighted-average cost of capital based on business plan and circumstance of industry are used to estimate the future cash flow. The weighted-average cost of capital used to discount the future cash flows, is calculated by applying the Capital Asset Pricing Model, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair-value hierarchy.

- (8) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair-value hierarchy and the description of interrelationships between significant unobservable inputs and the fair value measurement are as follows :

Description	Fair value at September 30, 2013 (In millions of Korean Won)	Valuation Techniques	Unobservable inputs	Description of interrelationship
Unlisted equity securities	₩ 265,268	Discounted cash flow	Sales growth rate, pre-tax operating income ratio, weighted- average cost of capital	If the sales growth rate and the pre-tax operating income ratio rise or the weighted-average cost of capital declines, the fair value increases.

The Group believes that there have been no significant changes in the fair value of financial instruments categorized within Level 3 fair value measurements of the fair-value hierarchy since December 31, 2012.

## 20. CAPITAL STOCK:

The Company's number of authorized shares is 600,000,000 shares. Common stock and preferred stock as of September 30, 2013 and December 31, 2012, consist of the following:

### (1) Common stock

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won, except par value)	
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

The Company completed stock retirement of 10,000,000 common shares and 1,320,000 common shares as of March 5, 2001 and May 4, 2004, respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

### (2) Preferred stock

Description	Par value	Issued	Korean Won	Dividend rate
			(In millions of Korean Won)	
1 <sup>st</sup> preferred stock	₩ 5,000	25,109,982 shares	₩ 125,550	Dividend rate of common stock + 1%
2 <sup>nd</sup> preferred stock	"	37,613,865 shares	193,069	Dividend rate of common stock + 2%
3 <sup>rd</sup> preferred stock	"	2,478,299 shares	12,392	Dividend rate of common stock + 1%
Total		65,202,146 shares	₩ 331,011	

As of March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to this stock retirement, the total face value of outstanding stock differs from the capital stock amount.

## 21. CAPITAL SURPLUS:

Capital surplus as of September 30, 2013 and December 31, 2012, consists of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	784,055	837,654
	₩ 4,105,389	₩ 4,158,988

## 22. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013	December 31, 2012
	(Number of shares)	
Common stock	11,006,710	11,006,710
1 <sup>st</sup> preferred stock	1,950,960	1,950,960
2 <sup>nd</sup> preferred stock	1,000,000	1,000,000

### 23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of September 30, 2013 and December 31, 2012, consists of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 704,522	₩ 678,559
Loss on valuation of AFS financial assets	(1,780)	(2,372)
Gain on valuation of cash flow hedge derivatives	3,506	4,614
Loss on valuation of cash flow hedge derivatives	(3,084)	(5,726)
Gain on valuation of equity-accounted investees	79,489	21,532
Loss on valuation of equity-accounted investees	(305,417)	(287,108)
Loss on foreign operations translation, net	(1,074,887)	(882,872)
	<u>₩ (597,651)</u>	<u>₩ (473,373)</u>

### 24. RETAINED EARNINGS:

Retained earnings as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Legal reserve (*)	₩ 475,207	₩ 423,124
Discretionary reserve	31,021,647	26,531,647
Unappropriated	14,463,093	13,038,459
	<u>₩ 45,959,947</u>	<u>₩ 39,993,230</u>

(\*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The 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.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation by the Asset Revaluation Law of Korea, are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

### 25. SALES:

Sales for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Sales of goods	₩ 18,612,207	₩ 57,998,474	₩ 17,294,374	₩ 54,865,884
Rendering of services	324,420	979,783	258,616	857,809
Royalties	55,376	168,334	46,038	112,799
Financial services revenue	1,755,775	6,064,125	1,941,971	5,669,300
Others	71,654	159,220	104,635	244,953
	<u>₩ 20,819,432</u>	<u>₩ 65,369,936</u>	<u>₩ 19,645,634</u>	<u>₩ 61,750,745</u>

## 26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Selling expenses :				
Export expenses	₩ 211,531	₩ 694,614	₩ 205,757	₩ 737,204
Overseas market expenses	45,716	168,822	69,286	324,658
Advertisements and sales promotion	499,457	1,532,927	531,065	1,550,311
Sales commissions	154,518	457,660	122,573	371,953
Expenses for warranties	164,080	972,291	184,173	762,397
Transportation expenses	65,479	239,330	57,777	204,637
	<u>1,140,781</u>	<u>4,065,644</u>	<u>1,170,631</u>	<u>3,951,160</u>
Administrative expenses :				
Payroll	550,362	1,673,012	518,252	1,562,698
Post-employment benefits	40,410	120,105	35,686	107,854
Welfare expenses	88,609	264,894	59,533	228,742
Service charges	301,597	826,698	289,393	814,617
Research	182,891	486,471	167,720	459,738
Others	289,585	905,319	226,661	761,872
	<u>1,453,454</u>	<u>4,276,499</u>	<u>1,297,245</u>	<u>3,935,521</u>
	<u>₩ 2,594,235</u>	<u>₩ 8,342,143</u>	<u>₩ 2,467,876</u>	<u>₩ 7,886,681</u>

## 27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain on valuation of equity-accounted investees, net	₩ 714,464	₩ 2,127,657	₩ 576,097	₩ 1,867,391
Gain on disposals of investments in associates, net	-	-	25,744	139,095
	<u>₩ 714,464</u>	<u>₩ 2,127,657</u>	<u>₩ 601,841</u>	<u>₩ 2,006,486</u>

**28. FINANCE INCOME AND EXPENSES:**

- (1) Finance income for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Interest income	₩ 152,299	₩ 430,969	₩ 164,211	₩ 434,646
Gain on foreign exchange transactions	24,009	41,281	9,994	44,344
Gain on foreign currency translation	59,177	69,067	40,119	132,279
Dividend income	-	11,096	36	14,844
Gain on valuation of financial liabilities at FVTPL	-	-	2	21,150
Gain on disposals of AFS financial assets	-	339	586	586
Gain on valuation of derivatives	39,475	28,733	36,137	63,709
Others	5,450	7,441	2,000	2,876
	<u>₩ 280,410</u>	<u>₩ 588,926</u>	<u>₩ 253,085</u>	<u>₩ 714,434</u>

- (2) Finance expenses for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Interest expenses	₩ 86,756	₩ 254,856	₩ 103,033	₩ 329,863
Loss on foreign exchange transactions	51,008	90,952	11,235	30,423
Loss on foreign currency translation	16,285	72,518	7,251	115,314
Loss on disposals of trade notes and accounts receivable	1,636	6,954	3,090	8,654
Loss on valuation of financial liabilities at FVTPL	-	-	4,915	-
Impairment loss on AFS financial assets	2,204	2,204	-	2,123
Loss on valuation of derivatives	21,949	12,360	-	-
Others	1,802	2,677	93	98
	<u>₩ 181,640</u>	<u>₩ 442,521</u>	<u>₩ 129,617</u>	<u>₩ 486,475</u>

**29. OTHER INCOME AND EXPENSES:**

- (1) Other income for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain on foreign exchange transactions	₩ 111,641	₩ 233,848	₩ 113,228	₩ 291,308
Gain on foreign currency translation	118,566	171,557	68,999	146,748
Gain on disposals of property, plant and equipment	6,160	102,464	3,813	27,721
Gain on disposals of intangible assets	6	9,240	-	-
Commission income	10,200	29,590	15,410	28,109
Rental income	9,190	56,793	22,089	64,473
Gain on disposals of non-current assets classified as held for sale	4,530	4,530	-	-
Others	80,517	286,602	92,899	303,155
	₩ 340,810	₩ 894,624	₩ 316,438	₩ 861,514

- (2) Other expenses for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Loss on foreign exchange transaction	₩ 175,408	₩ 263,871	₩ 139,404	₩ 260,214
Loss on foreign currency translation	83,138	183,263	11,452	131,377
Loss on disposal of property, plant and equipment	9,585	25,852	13,103	40,340
Impairment loss on intangible assets	-	16,340	-	-
Loss on disposals of non-current assets classified as held for sale	1,179	1,179	-	-
Donations	13,628	38,127	12,781	38,153
Others	66,657	171,276	60,200	155,760
	₩ 349,595	₩ 699,908	₩ 236,940	₩ 625,844

### 30. EXPENSES BY NATURE:

Expenses by nature for the three months and nine months ended September 30, 2013 and 2012, consist of the following:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Changes in inventories	₩ 245,230	₩ 271,868	₩ 244,065	₩ (213,032)
Raw materials and merchandise used	11,192,677	34,773,462	10,389,072	34,321,204
Employee benefits	2,063,320	6,056,333	1,781,147	5,383,020
Depreciation	443,708	1,318,468	416,944	1,240,504
Amortization	195,696	606,432	207,589	625,872
Others	5,018,277	16,758,136	4,866,533	14,411,178
Total (*)	₩ 19,158,908	₩ 59,784,699	₩ 17,905,350	₩ 55,768,746

(\*) Sum of cost of sales, selling and administrative expenses and other expenses in the consolidated statements of income.

### 31. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing profit available to common shares by the weighted-average number of common shares outstanding during the period. The Group did not compute diluted earnings per common share for the three months and nine months ended September 30, 2013 and 2012, since there were no dilutive items during the periods.

Basic earnings per common share for the three months and nine months ended September 30, 2013 and 2012, are computed as follows:

Description	2013		2012	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won, except per share amounts)				
Profit attributable to the owners of the Parent Company	₩ 2,139,830	₩ 6,485,982	₩ 2,026,403	₩ 6,775,120
Profit available to preferred stock	(491,548)	(1,489,889)	(465,543)	(1,556,179)
Profit available to common share	1,648,282	4,996,093	1,560,860	5,218,941
Weighted-average number of common shares outstanding	209,269,769 shares	209,269,769 shares	209,269,769 shares	209,269,769 shares
Basic earnings per common share	₩ 7,876	₩ 23,874	₩ 7,459	₩ 24,939

### 32. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the nine months ended September 30, 2013 and 2012, are 21.6% and 21.0%, respectively.



### 33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the nine months ended September 30, 2013 and 2012, are as follows:

Description	Nine months ended September 30,	
	2013	2012
	(In millions of Korean Won)	
Paid in cash	₩ 4,608	₩ 3,089
Recognized liability	369	291
	₩ 4,977	₩ 3,380

- (2) The main actuarial assumptions used by the Group as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013	December 31, 2012
Discount rate	3.95%	3.74%
Expected rate of salary increase	4.96%	4.74%

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 3,300,881	₩ 2,975,771
Fair value of plan assets	(2,223,865)	(2,154,022)
Net defined benefit liabilities	₩ 1,077,016	₩ 821,749

- (4) Changes in net defined benefit liabilities for the nine months ended September 30, 2013, are as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 2,975,771	₩ (2,154,022)	₩ 821,749
Current service cost	356,391	-	356,391
Interest expenses (income)	86,820	(62,278)	24,542
	3,418,982	(2,216,300)	1,202,682
Remeasurements:			
Return on plan assets	-	(6,154)	(6,154)
Actuarial gain from defined benefit obligations	(31,530)	-	(31,530)
	(31,530)	(6,154)	(37,684)
Contributions	-	(72,175)	(72,175)
Benefits paid	(95,015)	71,677	(23,338)
Transfers in (out)	3,404	(1,500)	1,904
Effect of foreign exchange differences and others	5,040	587	5,627
End of the period	₩ 3,300,881	₩ (2,223,865)	₩ 1,077,016

Changes in net defined benefit liabilities for the nine months ended September 30, 2012, are as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 2,249,240	₩ (1,600,601)	₩ 648,639
Current service cost	298,257	-	298,257
Interest expenses (income)	80,241	(57,648)	22,593
	2,627,738	(1,658,249)	969,489
Remeasurements:			
Return on plan assets	-	(8,738)	(8,738)
Actuarial loss from defined benefit obligations	16,828	-	16,828
Effect of changes in accounting policies	-	2,753	2,753
	16,828	(5,985)	10,843
Contributions	-	(81,126)	(81,126)
Benefits paid	(96,488)	54,156	(42,332)
Transfers in	533	129	662
Changes in the scope of consolidation	28,402	(16,945)	11,457
Effect of foreign exchange differences and others	(1,102)	4,141	3,039
End of the period	₩ 2,575,911	₩ (1,703,879)	₩ 872,032

(5) The fair value of the plan assets as of September 30, 2013 and December 31, 2012, consist of the following:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Insurance instruments	₩ 1,972,383	₩ 1,948,010
Debt instruments	47,827	50,859
Others	203,655	155,153
	₩ 2,223,865	₩ 2,154,022

#### 34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the nine months ended September 30, 2013 and 2012, is as follows:

Description	Nine months ended September 30,	
	2013	2012
	(In millions of Korean Won)	
Profit for the period	₩ 6,863,710	₩ 7,167,446
Adjustments:		
Post-employment benefits	380,933	320,850
Depreciation	1,318,468	1,240,504
Amortization of intangible assets	606,432	625,872
Provision for warranties	786,377	593,115
Income tax expense	1,890,213	1,910,512
Loss (gain) on foreign currency translation, net	15,157	(32,336)
Loss (gain) on disposals of property, plant and equipment, net	(76,612)	12,619
Interest income, net	(176,113)	(104,783)
Gain on valuation of equity-accounted investees, net	(2,127,657)	(1,867,391)
Gain on disposals of investments in associates, net	-	(139,095)
Cost of sales from financial services, net	2,853,463	2,372,323
Others	145,171	136,071
	5,615,832	5,068,261

Description	Nine months ended September 30,	
	2013	2012
	(In millions of Korean Won)	
Changes in operating assets and liabilities:		
Decrease in trade notes and accounts receivable	556,502	488,914
Decrease (increase) in other receivables	252,455	(374,950)
Decrease in other financial assets	61,577	90,828
Decrease (increase) in inventories	24,826	(219,961)
Decrease (increase) in other assets	110,515	(548,754)
Decrease in trade notes and accounts payable	(607,021)	(53,862)
Increase (decrease) in other payables	(1,922,101)	452,323
Increase in other liabilities	660,320	1,231,831
Decrease in other financial liabilities	(1,137)	(103,142)
Changes in net defined benefit liabilities	(70,271)	(80,464)
Payment of severance benefits	(23,338)	(42,332)
Decrease in provisions	(846,962)	(687,664)
Changes in financial services receivables	(1,611,584)	(2,600,171)
Increase in operating lease assets	(3,815,832)	(3,267,412)
Others	31,689	49,717
	(7,200,362)	(5,665,099)
Cash generated from operations	₩ 5,279,180	₩ 6,570,608

### 35. **RISK MANAGEMENT:**

#### (1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt-to-equity ratio, calculated as total liabilities divided by total equity, is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt-to-equity ratios as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013		December 31, 2012	
	(In millions of Korean Won)			
Total liabilities	₩	75,308,123	₩	73,620,239
Total equity		53,920,570		47,917,575
Debt-to-equity ratio		139.7%		153.6%

#### (2) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

##### 1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to hedge and to manage its interest rate risk and foreign currency risk.

##### a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR and JPY.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its exchange rate forecast. The Group uses foreign exchange derivatives, such as currency forward, currency swap and currency option, as hedging instruments. However, speculative foreign exchange trade on derivative financial instruments is basically prohibited.

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of September 30, 2013, would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (26,035)	₩ 26,035
EUR	(26,237)	26,237
JPY	(4,810)	4,810

The sensitivity analysis includes the Group's monetary assets and liabilities and derivative assets and liabilities, but excludes items of income statements, such as changes of sales and cost of sales due to exchange rate fluctuation.

#### b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of September 30, 2013, would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 13,419	₩ (13,419)
Short-term and long-term financial instruments	729	(729)
Borrowings and debentures	(51,844)	51,844

#### c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of September 30, 2013, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value is ₩27,354 million and ₩1,587,464 million, respectively.

#### 2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating, which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 37, the book value of financial assets on the consolidated financial statements represents the maximum amounts of exposure to credit risk.

### 3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

Due to the inherent nature of the industry, the Group requires continuous R&D investment and is sensitive to economic fluctuations. The Group minimizes its credit risk in cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. The Group, also, continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of September 30, 2013, is as follows:

Description	Remaining contract period				Total
	Not later than one year	Later than one year and not later than five years	Later than five years		
		(In millions of Korean Won)			
Non-interest-bearing liabilities	₩ 11,889,138	₩ 15,679	₩ 17	₩	11,904,834
Interest-bearing liabilities	14,370,110	34,441,634	989,178		49,800,922
Financial guarantee	1,044,233	77,721	148,033		1,269,987

The maturity analysis is based on the non-discounted cash flows and on the earliest maturity date at which payments, i.e. both principal and interest, should be made.

#### (3) Derivative instrument

The Group enters into derivative instrument contracts, such as forwards, options and swaps, to hedge its exposure to changes in foreign exchange rate.

As of September 30, 2013 and December 31, 2012, the Group deferred a net loss of ₩422 million and ₩1,112 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 60 months as of September 30, 2013.

For the nine months ended September 30, 2013 and 2012, the Group recognized a net gain of ₩66,186 million and a net loss of ₩98,426 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

### 36. RELATED-PARTY TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

- (1) Significant transactions arising from operations for the nine months ended September 30, 2013 and 2012, between the Group and related parties or affiliates by the Monopoly Regulation And Fair Trade Act of the Republic of Korea ("the Act"), are as follows:

Description	Nine months ended September 30,			
	2013		2012	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
(In millions of Korean Won)				
Related parties:				
Entity with significant influence over the Company	₩ 1,109,446	₩ 6,832,200	₩ 405,871	₩ 6,483,093
Joint ventures and associates	4,021,697	6,418,945	3,164,061	6,344,769
Other related parties	8,019	880,928	13,819	971,706
Affiliates by the Act	901,720	4,838,095	679,256	4,358,946

- (2) As of September 30, 2013 and December 31, 2012, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

Description	September 30, 2013		December 31, 2012	
	Receivables	Payables	Receivables	Payables
(In millions of Korean Won)				
Related parties:				
Entity with significant influence over the Company	₩ 444,458	₩ 1,158,086	₩ 227,839	₩ 1,370,080
Joint ventures and associates	1,058,097	1,172,127	1,044,898	1,394,439
Other related parties	2,409	216,633	4,415	368,329
Affiliates by the Act	364,553	815,838	383,874	923,755

- (3) Compensation of registered and unregistered directors, who are considered to be the key management personnel, for the nine months ended September 30, 2013 and 2012, are as follows:

Description	Nine months ended September 30,	
	2013	2012
(In millions of Korean Won)		
Short-term employee salaries	₩ 108,367	₩ 107,923
Post-employment benefits	22,854	20,431
Other long-term benefits	345	240
	₩ 131,566	₩ 128,594

### 37. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 2013, the debt guarantees provided by the Group, excluding the ones to Company's subsidiaries, are as follows:

Description	Domestic		Overseas (*)	
	(In millions of Korean Won)			
To associates	₩	-	₩	83,897
To others		166,726		1,050,409
	₩	166,726	₩	1,134,306

- (\*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd., as of September 30, 2013.

- (2) As of September 30, 2013, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurances for potential losses, which may result from product liabilities and other lawsuits. The Group is currently unable to estimate the outcome or the potential financial impact of such lawsuits, but expects it will not have any material effect on its consolidated financial statements.
- (3) As of September 30, 2013, a substantial portion of the Group's property, plant and equipment is pledged as collateral for various loans up to ₩882,033 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) In 2006, the Group sold 10,658,367 shares of Hyundai Rotem Company, a subsidiary of the Company, to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to a put option to sell those shares back to the Group in certain events (as defined) in accordance with the agreement. In relation to the agreement, the present value of exercise price of the put option is recognized as a liability (other financial liability) by the Group.
- (5) Hyundai Capital Services, Inc., a subsidiary of the Company, has a Revolving Credit Facility Agreement with the following financial institutions:

Financial institutions	Credit line
GE Capital European Funding & Co.	Euro worth of USD 700 million
Citi Bank, N.A.	USD 200 million
Mizuho Corporate Bank, Seoul Branch	KRW 65,000 million
JP Morgan, Seoul Branch	KRW 110,000 million
Citi Bank, Seoul	KRW 50,000 million
Standard Chartered, Seoul Branch	KRW 50,000 million
Société Générale, Seoul Branch	KRW 110,000 million
Bank of China, Seoul	KRW 50,000 million
DBS Bank, Seoul Branch	KRW 150,000 million
SMBC, Seoul Branch	KRW 50,000 million
BNP Paribas, Seoul Branch	KRW 100,000 million
Bank of America, N.A, Seoul Branch	KRW 20,000 million
Crédit Agricole, Seoul	KRW 100,000 million
RBS, Seoul	KRW 110,000 million
ING Bank, Seoul	KRW 100,000 million
Kookmin Bank	KRW 200,000 million
Korea Development Bank	KRW 60,000 million
Kyobo life insurance Co., Ltd.	KRW 50,000 million
Suhyeop Bank	KRW 20,000 million

- (6) Hyundai Card Co., Ltd., a subsidiary of the Company, has a Revolving Credit Facility Agreement with the following financial institutions:

Financial institutions	Credit line
GE Capital European Funding & Co.	Euro worth of USD 100 million
Kookmin Bank	KRW 190,000 million
Shinhan Bank	KRW 150,000 million
NH Bank	KRW 100,000 million
Citi Bank, Seoul	KRW 50,000 million
Hana Bank	KRW 100,000 million
SC Bank	KRW 30,000 million
Jeonbuk Bank	KRW 30,000 million
Suhyeop Bank	KRW 20,000 million
Korea Development Bank	KRW 40,000 million
Bank of Nova Scotia	KRW 50,000 million

- (7) Hyundai Card Co., Ltd., a subsidiary of the Company, has an asset-backed securitization agreement, which provides early redemption clauses when certain triggering events occur. Such clauses are in place to limit the risk that the investors may incur due to changes in asset quality of the subsidiary in the future. In the event the asset-backed securitization triggers such events, Hyundai Card Co., Ltd., is obligated to make early redemption of its asset-backed securities.

### 38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the nine months ended September 30, 2013 and 2012 are as follows:

For the nine months ended September 30, 2013					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 77,256,287	₩ 7,543,767	₩ 5,102,471	₩ (24,532,589)	₩ 65,369,936
Intercompany sales	(23,481,492)	(201,061)	(850,036)	24,532,589	-
Net sales	₩ 53,774,795	₩ 7,342,706	₩ 4,252,435	₩ -	₩ 65,369,936
Operating income	₩ 4,802,816	₩ 953,019	₩ 291,894	₩ 237,416	₩ 6,285,145
For the nine months ended September 30, 2012					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 77,233,470	₩ 6,291,399	₩ 3,483,780	₩ (25,257,904)	₩ 61,750,745
Intercompany sales	(24,680,105)	(93,775)	(484,024)	25,257,904	-
Net sales	₩ 52,553,365	₩ 6,197,624	₩ 2,999,756	₩ -	₩ 61,750,745
Operating income	₩ 5,356,215	₩ 964,353	₩ 165,333	₩ 121,942	₩ 6,607,843

- (3) Assets and liabilities by operating segments as of September 30, 2013 and December 31, 2012 are as follows:

As of September 30, 2013					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 78,822,562	₩ 57,757,327	₩ 6,741,139	₩ (14,092,335)	₩ 129,228,693
Total liabilities	29,089,961	49,554,757	4,508,607	(7,845,202)	75,308,123
Borrowings and debentures	3,808,466	43,386,505	2,481,048	(2,883,361)	46,792,658
As of December 31, 2012					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 77,264,305	₩ 53,424,342	₩ 5,742,620	₩ (14,893,453)	₩ 121,537,814
Total liabilities	31,596,447	46,410,502	3,729,628	(8,116,338)	73,620,239
Borrowings and debentures	5,424,506	40,721,836	1,875,225	(2,814,315)	45,207,252



- (4) Sales by region where the Group's entities are located in for the nine months ended September 30, 2013 and 2012 are as follows:

For the nine months ended September 30, 2013						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments
	(In millions of Korean Won)					
Total sales	₩ 38,788,304	₩ 25,149,594	₩ 5,566,603	₩ 18,582,276	₩ 1,815,748	₩ (24,532,589)
Inter-company sales	(10,428,805)	(5,447,120)	(601,869)	(8,054,795)	-	24,532,589
Net sales	₩ 28,359,499	₩ 19,702,474	₩ 4,964,734	₩ 10,527,481	₩ 1,815,748	₩ -
For the nine months ended September 30, 2012						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments
	(In millions of Korean Won)					
Total sales	₩ 38,406,896	₩ 23,606,289	₩ 5,739,666	₩ 19,235,965	₩ 19,833	₩ (25,257,904)
Inter-company sales	(10,860,560)	(5,073,690)	(559,462)	(8,764,192)	-	25,257,904
Net sales	₩ 27,546,336	₩ 18,532,599	₩ 5,180,204	₩ 10,471,773	₩ 19,833	₩ -

- (5) Non-current assets by region where the Group's entities are located in as of September 30, 2013 and December 31, 2012, are as follows:

	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Korea	₩ 18,800,408	₩ 18,596,981
North America	1,790,438	1,598,120
Asia	1,071,148	1,127,336
Europe	2,138,385	2,132,063
Others	466,003	491,205
	24,266,382	23,945,705
Consolidation adjustments	(46,662)	(39,797)
Total (*)	₩ 24,219,720	₩ 23,905,908

(\*) Sum of property, plant and equipment, intangible assets and investment property.

- (6) There is no single external customer who represents 10% or more of the Group's revenue for the nine months ended September 30, 2013 and 2012.

### 39. CONSTRUCTION CONTRACTS:

Cost, income and loss, and claimed construction from construction in progress as of September 30, 2013 and December 31, 2012, are as follows:

Description	September 30, 2013	December 31, 2012
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 5,729,786	₩ 5,980,499
Accumulated income	758,955	660,495
Accumulated construction in process	6,488,741	6,640,994
Progress billing	(5,719,453)	(6,357,806)
Due from customers	1,312,540	781,136
Due to customers	(543,252)	(497,948)

**40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:**

Hyundai Rotem Company, a subsidiary of the Company, listed its shares on the Korea Exchange at October 30, 2013. It raised ₩622,380 million in an initial public offering where its 27,060 thousands shares (new: 21,060 thousands, old: 6,000 thousands) were priced at ₩23,000 per share (par value: ₩5,000). After the listing, the Company owned a 43.4 percent of Hyundai Rotem Company, down from a 57.6 percent stake.