

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
AND INDEPENDENT AUDITORS' REPORT

## Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The financial statements consist of the consolidated statements of financial position as of December 31, 2013 and 2012, respectively, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, for the years then ended, respectively, all expressed in Korean won. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 42.3% and 42.3% of the consolidated total assets as of December 31, 2013 and 2012, respectively, and 49.0% and 49.9% of the consolidated total sales for the years then ended, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2013 and 2012, respectively, and the results of its operations and its cash flows for the years then ended, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

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Accounting principles and auditing 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 audit 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 auditing standards and their application in practice.

*Deloitte Anjin LLC*

March 6, 2014

#### Notice to Readers

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

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 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 DECEMBER 31, 2013 AND 2012

| ASSETS   | NOTES | December 31, 2013 | December 31, 2012 |
|--|-------|-------------------|-------------------|
| (In millions of Korean Won)                    |       |                   |                   |
| Current assets:                                |       |                   |                   |
| Cash and cash equivalents                      | 19    | ₩ 6,872,430       | ₩ 6,759,338       |
| Short-term financial instruments               | 19    | 14,875,288        | 12,384,057        |
| Trade notes and accounts receivable            | 3,19  | 3,485,345         | 3,686,824         |
| Other receivables                              | 4,19  | 3,118,386         | 2,304,410         |
| Other financial assets                         | 5,19  | 507,821           | 109,299           |
| Inventories                                    | 6     | 7,073,116         | 6,772,864         |
| Current tax assets                             |       | 54,845            | 34,575            |
| Financial services receivables                 | 13,19 | 21,178,591        | 20,867,467        |
| Non-current assets classified as held for sale | 8     | 22,347            | 23,307            |
| Other assets                                   | 7,19  | 1,667,936         | 1,905,445         |
| Total current assets                           |       | 58,856,105        | 54,847,586        |
| Non-current assets:                            |       |                   |                   |
| Long-term financial instruments                | 19    | 35,495            | 1,359             |
| Long-term trade notes and accounts receivable  | 3,19  | 43,309            | 43,801            |
| Other receivables                              | 4,19  | 1,127,839         | 1,036,609         |
| Other financial assets                         | 5,19  | 2,731,884         | 1,594,464         |
| Property, plant and equipment                  | 9     | 21,462,587        | 20,739,858        |
| Investment property                            | 10    | 263,984           | 282,832           |
| Intangible assets                              | 11    | 3,129,090         | 2,883,218         |
| Investments in joint ventures and associates   | 12    | 14,694,995        | 13,117,731        |
| Deferred tax assets                            | 32    | 521,399           | 489,080           |
| Financial services receivables                 | 13,19 | 19,835,016        | 18,626,764        |
| Operating lease assets                         | 14    | 10,564,876        | 7,830,088         |
| Other assets                                   | 7,19  | 154,900           | 44,424            |
| Total non-current assets                       |       | 74,565,374        | 66,690,228        |
| Total assets                                   |       | ₩ 133,421,479     | ₩ 121,537,814     |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 AND 2012 (CONTINUED)

| LIABILITIES AND EQUITY                                  | NOTES | December 31, 2013           | December 31, 2012    |
|---|-------|-----------------------------|----------------------|
|   |       | (In millions of Korean Won) |                      |
| Current liabilities:                                    |       |                             |                      |
| Trade notes and accounts payable                        | 19    | ₩ 6,722,740                 | ₩ 6,841,326          |
| Other payables  | 19    | 4,687,490                   | 4,542,007            |
| Short-term borrowings                                   | 15,19 | 5,292,798                   | 6,781,749            |
| Current portion of long-term debt and debentures        | 15,19 | 8,685,254                   | 7,912,341            |
| Income tax payable                                      |       | 605,280                     | 550,847              |
| Provisions  | 16    | 1,782,937                   | 1,768,014            |
| Other financial liabilities                             | 17,19 | 144,069                     | 148,311              |
| Other liabilities                                       | 18,19 | 3,999,114                   | 4,291,104            |
| Total current liabilities                               |       | <u>31,919,682</u>           | <u>32,835,699</u>    |
| Non-current liabilities:                                |       |                             |                      |
| Long-term other payables                                | 19    | 15,964                      | 8,271                |
| Debentures  | 15,19 | 29,322,780                  | 26,370,689           |
| Long-term debt  | 15,19 | 4,666,030                   | 4,142,473            |
| Net defined benefit liabilities                         | 33    | 389,306                     | 821,749              |
| Provisions  | 16    | 5,122,982                   | 5,240,744            |
| Other financial liabilities                             | 17,19 | 440,113                     | 356,193              |
| Deferred tax liabilities                                | 32    | 3,352,352                   | 2,362,063            |
| Other liabilities                                       | 18,19 | 1,609,481                   | 1,482,358            |
| Total non-current liabilities                           |       | <u>44,919,008</u>           | <u>40,784,540</u>    |
| Total liabilities                                       |       | <u>76,838,690</u>           | <u>73,620,239</u>    |
| Equity:   |       |                             |                      |
| Capital stock   | 20    | 1,488,993                   | 1,488,993            |
| Capital surplus   | 21    | 4,130,668                   | 4,158,988            |
| Other capital items                                     | 22    | (1,128,779)                 | (1,128,779)          |
| Accumulated other comprehensive income                  | 23    | (834,036)                   | (473,373)            |
| Retained earnings                                       | 24    | 48,274,239                  | 39,993,230           |
| Equity attributable to the owners of the Parent Company |       | <u>51,931,085</u>           | <u>44,039,059</u>    |
| Non-controlling interests                               |       | <u>4,651,704</u>            | <u>3,878,516</u>     |
| Total equity  |       | <u>56,582,789</u>           | <u>47,917,575</u>    |
| Total liabilities and equity                            |       | <u>₩ 133,421,479</u>        | <u>₩ 121,537,814</u> |

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

|  | NOTES  | 2013  | 2012         |
|--|--------|---|--------------|
|  |        | (In millions of Korean Won, except per share amounts) |              |
| Sales  | 25,38  | ₩ 87,307,636  | ₩ 84,469,721 |
| Cost of sales  | 30     | 67,859,491  | 64,967,273   |
| Gross profit   |        | 19,448,145  | 19,502,448   |
| Selling and administrative expenses                                  | 26,30  | 11,132,648  | 11,061,847   |
| Operating income   |        | 8,315,497   | 8,440,601    |
| Gain on investments in joint ventures and associates, net            | 27     | 3,057,109   | 2,581,564    |
| Finance income   | 28     | 805,261   | 969,726      |
| Finance expenses   | 28     | 552,709   | 624,473      |
| Other income   | 29     | 1,138,001   | 1,231,360    |
| Other expenses   | 29, 30 | 1,066,453   | 988,336      |
| Income before income tax   |        | 11,696,706  | 11,610,442   |
| Income tax expense   | 32     | 2,703,209   | 2,549,310    |
| Profit for the year  |        | ₩ 8,993,497   | ₩ 9,061,132  |
| Profit attributable to:  |        |   |              |
| Owners of the Parent Company   |        | 8,541,834   | 8,566,568    |
| Non-controlling interests  |        | 451,663   | 494,564      |
| Earnings per share attributable to the owners of the Parent Company: | 31     |   |              |
| Basic earnings per common share                                      |        | ₩ 31,441  | ₩ 31,532     |
| Diluted earnings per common share                                    |        | ₩ 31,441  | ₩ 31,532     |

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

|   | 2013                        | 2012               |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Profit for the year   | ₩ 8,993,497                 | ₩ 9,061,132        |
| Other comprehensive income (expenses):                              |                             |                    |
| Items that will not be reclassified subsequently to profit or loss: |                             |                    |
| Effect of changes in accounting policies                            | -                           | (4,855)            |
| Remeasurements of defined benefit plans                             | 249,790                     | (247,197)          |
| Changes in retained earnings of equity-accounted investees, net     | 13,206                      | (102,759)          |
|   | <u>262,996</u>              | <u>(354,811)</u>   |
| Items that may be reclassified subsequently to profit or loss:      |                             |                    |
| Gain (loss) on available-for-sale ("AFS") financial assets, net     | 59,155                      | (80,693)           |
| Gain on valuation of cash flow hedge derivatives, net               | 6,263                       | 55,471             |
| Changes in share of earnings of equity-accounted investees, net     | (60,746)                    | (190,728)          |
| Loss on foreign operations translation, net                         | (383,309)                   | (636,824)          |
|   | <u>(378,637)</u>            | <u>(852,774)</u>   |
| Total other comprehensive loss                                      | <u>(115,641)</u>            | <u>(1,207,585)</u> |
| Total comprehensive income  | <u>₩ 8,877,856</u>          | <u>₩ 7,853,547</u> |
| Comprehensive income attributable to:                               |                             |                    |
| Owners of the Parent Company  | 8,441,925                   | 7,378,454          |
| Non-controlling interests   | 435,931                     | 475,093            |
| Total comprehensive income  | <u>₩ 8,877,856</u>          | <u>₩ 7,853,547</u> |

See accompanying notes to consolidated financial statements.



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

|   | Capital<br>Stock | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income<br>(In millions of Korean Won) | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Parent<br>Company | Non-<br>controlling<br>interests | Total<br>equity |
|---|------------------|--------------------|---------------------------|--|----------------------|---|----------------------------------|-----------------|
| Balance at<br>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<br>income:  |                  |                    |                           |  |                      |   |                                  |                 |
| Effect of changes<br>in accounting<br>policies                    | -                | -                  | -                         | -  | (4,743)              | (4,743)   | (112)                            | (4,855)         |
| Profit for the year   | -                | -                  | -                         | -  | 8,566,568            | 8,566,568   | 494,564                          | 9,061,132       |
| Gain (loss) on<br>AFS financial<br>assets, net                    | -                | -                  | -                         | (81,330)   | -                    | (81,330)  | 637                              | (80,693)        |
| Gain on valuation of<br>cash flow hedge<br>derivatives, net       | -                | -                  | -                         | 29,746   | -                    | 29,746  | 25,725                           | 55,471          |
| Changes in valuation<br>of equity-accounted<br>investees, net     | -                | -                  | -                         | (189,602)  | (102,759)            | (292,361)   | (1,126)                          | (293,487)       |
| Remeasurements of<br>defined benefit plans                        | -                | -                  | -                         | -  | (231,958)            | (231,958)   | (15,239)                         | (247,197)       |
| Loss on foreign<br>operations<br>translation, net                 | -                | -                  | -                         | (607,468)  | -                    | (607,468)   | (29,356)                         | (636,824)       |
| Total comprehensive<br>income                                     | -                | -                  | -                         | (848,654)  | 8,227,108            | 7,378,454   | 475,093                          | 7,853,547       |
| Transactions with<br>owners, recorded<br>directly in equity:      |                  |                    |                           |  |                      |   |                                  |                 |
| Payment of cash<br>dividends                                      | -                | -                  | -                         | -  | (480,105)            | (480,105)   | (43,262)                         | (523,367)       |
| Increase in<br>subsidiaries' stock                                | -                | 42,866             | -                         | -  | -                    | 42,866  | 232,050                          | 274,916         |
| Disposals of<br>subsidiaries' stock                               | -                | 2,112              | -                         | -  | -                    | 2,112   | (10)                             | 2,102           |
| Others  | -                | -                  | -                         | -  | (17,301)             | (17,301)  | (24)                             | (17,325)        |
| Total transactions with<br>owners, recorded<br>directly in equity | -                | 44,978             | -                         | -  | (497,406)            | (452,428)   | 188,754                          | (263,674)       |
| Balance at<br>December 31, 2012                                   | ₩ 1,488,993      | ₩ 4,158,988        | ₩ (1,128,779)             | ₩ (473,373)  | ₩ 39,993,230         | ₩ 44,039,059  | ₩ 3,878,516                      | ₩ 47,917,575    |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (CONTINUED)

|   | Capital<br>stock            | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Parent<br>Company | Non-<br>controlling<br>interests | Total<br>equity |
|---|-----------------------------|--------------------|---------------------------|---|----------------------|---|----------------------------------|-----------------|
|   | (In millions of Korean Won) |                    |                           |   |                      |   |                                  |                 |
| Balance at<br>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<br>income:  |                             |                    |                           |   |                      |   |                                  |                 |
| Profit for the year   | -                           | -                  | -                         | -   | 8,541,834            | 8,541,834   | 451,663                          | 8,993,497       |
| Gain on AFS financial<br>assets, net                              | -                           | -                  | -                         | 58,197  | -                    | 58,197  | 958                              | 59,155          |
| Gain on valuation of<br>cash flow hedge<br>derivatives, net       | -                           | -                  | -                         | 2,319   | -                    | 2,319   | 3,944                            | 6,263           |
| Changes in valuation<br>of equity-accounted<br>investees, net     | -                           | -                  | -                         | (61,148)  | 13,206               | (47,942)  | 402                              | (47,540)        |
| Remeasurements of<br>defined benefit plans                        | -                           | -                  | -                         | -   | 247,548              | 247,548   | 2,242                            | 249,790         |
| Loss on foreign<br>operations<br>translation, net                 | -                           | -                  | -                         | (360,031)                                       | -                    | (360,031)   | (23,278)                         | (383,309)       |
| Total comprehensive<br>income                                     | -                           | -                  | -                         | (360,663)                                       | 8,802,588            | 8,441,925   | 435,931                          | 8,877,856       |
| Transactions with<br>owners, recorded<br>directly in equity:      |                             |                    |                           |   |                      |   |                                  |                 |
| Payment of cash<br>dividends                                      | -                           | -                  | -                         | -   | (520,832)            | (520,832)   | (111,697)                        | (632,529)       |
| Purchase of<br>subsidiaries' stock                                | -                           | (53,599)           | -                         | -   | -                    | (53,599)  | (121,676)                        | (175,275)       |
| Increase in<br>subsidiaries' stock                                | -                           | 25,279             | -                         | -   | -                    | 25,279  | 571,225                          | 596,504         |
| Others  | -                           | -                  | -                         | -   | (747)                | (747)   | (595)                            | (1,342)         |
| Total transactions with<br>owners, recorded<br>directly in equity | -                           | (28,320)           | -                         | -   | (521,579)            | (549,899)   | 337,257                          | (212,642)       |
| Balance at<br>December 31, 2013                                   | ₩ 1,488,993                 | ₩ 4,130,668        | ₩ (1,128,779)             | ₩ (834,036)                                     | ₩ 48,274,239         | ₩ 51,931,085  | ₩ 4,651,704                      | ₩ 56,582,789    |

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

|  | NOTES | 2013                        | 2012        |
|--|-------|-----------------------------|-------------|
|  |       | (In millions of Korean Won) |             |
| Cash flows from operating activities:  |       |                             |             |
| Cash generated from operations:  | 34    |                             |             |
| Profit for the year  |       | ₩ 8,993,497                 | ₩ 9,061,132 |
| Adjustments  |       | 7,332,779                   | 7,118,536   |
| Changes in operating assets and liabilities                                  |       | (13,217,233)                | (8,311,579) |
|  |       | 3,109,043                   | 7,868,089   |
| Interest received  |       | 703,243                     | 617,736     |
| Interest paid  |       | (1,444,092)                 | (1,660,401) |
| Dividend received  |       | 787,804                     | 744,132     |
| Income tax paid  |       | (1,947,532)                 | (2,229,870) |
| Net cash provided by operating activities                                    |       | 1,208,466                   | 5,339,686   |
| Cash flows from investing activities:  |       |                             |             |
| Proceeds from withdrawal (purchase) of short-term financial instruments, net |       | 224,284                     | (1,900,099) |
| Proceeds from disposals of other financial assets                            |       | 71,693                      | 448,109     |
| Receipts from other receivables  |       | 76,395                      | 93,261      |
| Proceeds from disposals of property, plant and equipment                     |       | 306,471                     | 69,230      |
| Proceeds from disposals of intangible assets                                 |       | 26,673                      | 1,935       |
| Proceeds from disposals of investments in joint ventures and associates      |       | 1,504                       | 241,806     |
| Acquisitions of other financial assets                                       |       | (107,515)                   | (539,551)   |
| Increases in other receivables   |       | (96,776)                    | (97,098)    |
| Purchases of long-term financial instruments                                 |       | (2,854,853)                 | (1,160,000) |
| Acquisitions of property, plant and equipment                                |       | (3,171,093)                 | (3,000,038) |
| Acquisitions of intangible assets  |       | (991,064)                   | (798,607)   |
| Acquisitions of investments in subsidiaries                                  |       | -                           | (290,989)   |
| Acquisitions of investments in joint ventures and associates                 |       | (131,088)                   | (275,104)   |
| Other cash receipts from investing activities, net                           |       | 24,637                      | 8,012       |
| Net cash used in investing activities  |       | (6,620,732)                 | (7,199,133) |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (CONTINUED)

|  | NOTES | 2013                        | 2012                      |
|--|-------|-----------------------------|---------------------------|
|  |       | (In millions of Korean Won) |                           |
| Cash flows from financing activities:                        |       |                             |                           |
| Repayment of short-term borrowings, net                      | ₩     | (864,251)                   | ₩ (1,363,213)             |
| Proceeds from long-term debt and debentures                  |       | 23,632,277                  | 23,448,538                |
| Paid-in capital increase of subsidiaries                     |       | 476,493                     | 277,476                   |
| Purchase of subsidiaries' stock                              |       | (175,275)                   | -                         |
| Repayment of long-term debt and debentures                   |       | (16,669,654)                | (18,890,467)              |
| Repayment of other financial liabilities                     |       | -                           | (341,484)                 |
| Dividends paid   |       | (632,529)                   | (523,367)                 |
| Other cash payments from financing activities, net           |       | (51,611)                    | (34,652)                  |
| Net cash provided by financing activities                    |       | <u>5,715,450</u>            | <u>2,572,831</u>          |
| Effect of exchange rate changes on cash and cash equivalents |       | (190,092)                   | (185,992)                 |
| Net increase in cash and cash equivalents                    |       | 113,092                     | 527,392                   |
| Cash and cash equivalents, beginning of the year             |       | <u>6,759,338</u>            | <u>6,231,946</u>          |
| Cash and cash equivalents, end of the year                   | ₩     | <u><u>6,872,430</u></u>     | ₩ <u><u>6,759,338</u></u> |

(Concluded)

See accompanying notes to consolidated financial statements.

# HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 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 Luxembourg Stock Exchange.

As of December 31, 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 December 31, 2013, are as follows:

| Subsidiaries   | Nature of the business  | Location | Ownership percentage | Indirect ownership               |
|--|-------------------------|----------|----------------------|----------------------------------|
| Hyundai Capital Services, Inc.                                 | Financing               | Korea    | 56.47%               |                                  |
| Hyundai Card Co., Ltd. (*)                                     | “                       | “        | 36.96%               |                                  |
| Hyundai Rotem Company (Hyundai Rotem) (*)                      | Manufacturing           | “        | 43.36%               |                                  |
| Hyundai KEFICO Corporation (Hyundai KEFICO)                    | “                       | “        | 100.00%              |                                  |
| Green Air Co., Ltd.  | “                       | “        | 51.00%               | Hyundai Rotem 51.00%             |
| Hyundai Auto Electronics Company 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 the business  | Location       | Ownership percentage | Indirect ownership               |
|--|-------------------------|----------------|----------------------|----------------------------------|
| Rotem Equipments (Beijing) Co., Ltd.                                   | Sales                   | China          | 100.00%              | Hyundai Rotem 100.00%            |
| KEFICO Automotive Systems (Beijing) Co., Ltd.                          | Manufacturing           | "              | 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 Ve 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 0.01%                         |
| Hyundai de Mexico, SA DE C.V., (HYMEX)                                 | Manufacturing           | "              | 99.99%               | HT 99.99%                        |
| Hyundai Rio Vista, Inc.  | Real estate development | USA            | 100.00%              | HT 100.00%                       |
| Hyundai Motor Hungary (HMH)  | Sales                   | Hungary        | 100.00%              |                                  |
| Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)                | Manufacturing           | Brazil         | 100.00%              |                                  |
| Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda         | Financing               | "              | 100.00%              | Hyundai Capital Services 100.00% |
| China Millennium Corporations (CMEs)                                   | Holding company         | Cayman Islands | 59.60%               |                                  |
| Macquarie 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-Sixth Asset Securitization Specialty Company (*)        | Financing               | "              | 0.90%                | Hyundai Capital Services 0.90%   |

| Subsidiaries  | Nature of the business | Location | Ownership percentage | Indirect ownership             |
|---|------------------------|----------|----------------------|--------------------------------|
| Autopia Forty-Second ~ Forty-Seventh Asset Securitization Specialty Company (*) | Financing              | Korea    | 0.90%                | Hyundai Capital Services 0.90% |
| Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)   | "                      | "        | 0.50%                | Hyundai Capital Services 0.50% |
| HB the Third Securitization Specialty Company (*)                               | "                      | "        | 0.90%                | Hyundai Capital Services 0.90% |
| HB the Fourth Securitization Specialty Company (*)                              | "                      | "        | 0.31%                | Hyundai Capital Services 0.31% |
| Privia the Second ~ Third Securitization Specialty Co., Ltd. (*)                | "                      | "        | 0.90%                | Hyundai Card 0.90%             |
| Hyundai CHA Funding Corporation   | "                      | USA      | 100.00%              | HCA 100.00%                    |
| Hyundai Lease Titling Trust   | "                      | "        | 100.00%              | "                              |
| Hyundai HK Funding, LLC   | "                      | "        | 100.00%              | "                              |
| Hyundai HK Funding Two, 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%              | "                              |

(\*) 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 position and results of operations of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2013, are as follows:

| Name of subsidiaries               | Assets       | Liabilities                 | Sales       | Net income |
|------------------------------------|--------------|-----------------------------|-------------|------------|
|                                    |              | (In millions of Korean Won) |             |            |
| Hyundai Capital Services, Inc. (*) | ₩ 22,389,046 | ₩ 19,136,092                | ₩ 3,222,235 | ₩ 391,427  |
| Hyundai Card Co., Ltd. (*)         | 11,520,878   | 9,154,730                   | 2,527,479   | 163,210    |
| Hyundai Rotem Company (*)          | 4,274,897    | 2,485,374                   | 3,299,370   | 126,076    |
| Hyundai KEFICO Corporation (*)     | 894,606      | 481,021                     | 1,666,971   | 98,432     |
| HCA (*)                            | 24,787,736   | 22,762,022                  | 4,403,250   | 285,406    |
| HMA                                | 6,382,182    | 3,756,767                   | 16,592,560  | 490,250    |
| HMMC                               | 3,050,239    | 1,480,611                   | 5,450,412   | 374,303    |
| HMMA                               | 3,031,145    | 1,294,805                   | 7,385,302   | 479,606    |
| HMI (*)                            | 1,904,660    | 968,802                     | 4,736,902   | 220,593    |
| HMMR                               | 1,285,326    | 606,948                     | 2,750,925   | 209,710    |
| HME (*)                            | 1,130,991    | 1,084,122                   | 5,531,337   | 4,164      |
| HMCIS                              | 923,966      | 583,367                     | 3,742,285   | 96,107     |
| HAC (*)                            | 908,415      | 497,106                     | 3,145,661   | 73,997     |
| HMCA                               | 687,001      | 541,674                     | 2,272,191   | 40,010     |

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

Condensed financial position and results of operations of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2012, were as follows:

| Name of subsidiaries               | Assets                      | Liabilities  | Sales       | Net income |
|------------------------------------|-----------------------------|--------------|-------------|------------|
|                                    | (In millions of Korean Won) |              |             |            |
| Hyundai Capital Services, Inc. (*) | ₩ 21,907,264                | ₩ 18,867,513 | ₩ 3,541,681 | ₩ 436,663  |
| Hyundai Card Co., Ltd. (*)         | 11,252,264                  | 9,059,973    | 2,525,635   | 194,299    |
| Hyundai Rotem Company (*)          | 3,670,360                   | 2,487,134    | 3,116,629   | 99,384     |
| Hyundai KEFICO Corporation (*)     | 946,741                     | 631,845      | 1,524,399   | 71,950     |
| HCA (*)                            | 20,262,576                  | 18,485,874   | 2,817,208   | 256,454    |
| HMA                                | 6,062,965                   | 3,478,837    | 17,106,517  | 469,676    |
| HMMC                               | 2,743,127                   | 1,548,297    | 5,310,664   | 399,834    |
| HMMA                               | 2,640,184                   | 1,186,305    | 6,992,135   | 420,798    |
| HMI (*)                            | 2,233,585                   | 1,253,787    | 5,096,544   | 226,660    |
| HMMR                               | 1,429,631                   | 790,793      | 2,854,886   | 263,061    |
| HME (*)                            | 1,165,291                   | 1,123,765    | 6,042,851   | 2,267      |
| HMCIS                              | 876,788                     | 601,754      | 3,900,218   | 219,958    |
| HAC (*)                            | 895,104                     | 468,638      | 3,426,476   | 87,167     |
| HMCA                               | 742,880                     | 590,751      | 2,325,213   | 28,334     |

(\*) 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) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group as of December 31, 2013, are as follows:

| Description  | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|--|--------------------------------|------------------------|-----------------------|
|  | (In millions of Korean Won)    |                        |                       |
| Cash flows from operating activities                         | ₩ (140,669)                    | ₩ 103,169              | ₩ (408,594)           |
| Cash flows from investing activities                         | 69,086                         | (105,453)              | (24,474)              |
| Cash flows from financing activities                         | 272,041                        | 176,192                | 440,503               |
| Effect of exchange rate changes on cash and cash equivalents | (20)                           | -                      | (4,183)               |
| Net increase in cash and cash equivalents                    | ₩ 200,438                      | ₩ 173,908              | ₩ 3,252               |

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group as of December 31, 2012, were as follows:

| Description  | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|--|--------------------------------|------------------------|-----------------------|
|  | (In millions of Korean Won)    |                        |                       |
| Cash flows from operating activities                         | ₩ 449,551                      | ₩ 57,047               | ₩ 24,706              |
| Cash flows from investing activities                         | (301,935)                      | (94,867)               | (124,698)             |
| Cash flows from financing activities                         | (300,881)                      | (655)                  | 24,212                |
| Effect of exchange rate changes on cash and cash equivalents | (6)                            | -                      | (4,227)               |
| Net increase in cash and cash equivalents                    | ₩ (153,271)                    | ₩ (38,475)             | ₩ (80,007)            |



- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of December 31, 2013, are as follows:

| Description                                       | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|---|--------------------------------|------------------------|-----------------------|
|   | (In millions of Korean Won)    |                        |                       |
| Ownership percentage of non-controlling interests | 43.53%                         | 63.04%                 | 56.64%                |
| Non-controlling interests                         | ₩ 1,415,812                    | ₩ 1,491,715            | ₩ 1,088,548           |
| Profit attributable to non-controlling interests  | 170,307                        | 105,461                | 62,686                |
| Dividends paid to non-controlling interests       | 78,365                         | -                      | 155                   |

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2012, were as follows:

| Description                                       | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|---|--------------------------------|------------------------|-----------------------|
|   | (In millions of Korean Won)    |                        |                       |
| Ownership percentage of non-controlling interests | 43.53%                         | 68.48%                 | 42.36%                |
| Non-controlling interests                         | ₩ 1,324,355                    | ₩ 1,502,917            | ₩ 452,698             |
| Profit attributable to non-controlling interests  | 190,783                        | 142,532                | 48,847                |
| Dividends paid to non-controlling interests       | 43,224                         | -                      | -                     |

- (6) Financial support provided to consolidated structured entities

As of December 31, 2013, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., subsidiaries of the Company, have agreements which provide counterparties with rights to claim themselves in the event of default on the derivatives relating to asset-backed securities issued by consolidated structured entities, Privia the Second and the Third Securitization Specialty Co., Ltd, Autopia Forty-Fourth, Forty-Fifth, Forty-Sixth, Forty-Ninth and Fifty-Second Asset Securitization Specialty Company.

- (7) The nature and the risks associated with interests in unconsolidated structured entities

- 1) Nature of interests in an unconsolidated structured entity, which belongs to Hyundai Capital Services, Inc., as of December 31, 2013, are as follows:

| Name of the company  | Nature                      | Purpose                                   | Nature of business | Method of funding         | Total assets |
|--|-----------------------------|---|--------------------|---------------------------|--------------|
|  | (In millions of Korean Won) |   |                    |                           |              |
| Autopia Fifty-Third Asset Securitization Specialty Company | Asset securitization SPC    | Fund raising through asset-securitization | Fund collection    | Corporate Bond and others | ₩ 396,497    |

- 2) Risks associated with interests in an unconsolidated structured entity, which belongs to Hyundai Capital Services, Inc., as of December 31, 2013, are as follows:

| Name of the company  | Account                     | Book value | method         | Financial support provided to the structured entity | Maximum amount of exposure to loss of the structured entity |
|--|-----------------------------|------------|----------------|---|---|
|  | (In millions of Korean Won) |            |                |   |   |
| Autopia Fifty-Third Asset Securitization Specialty Company | AFS financial assets        | ₩ 30,223   | Mezzanine debt | Credit facility                                     | ₩ 30,223  |

(8) Significant restrictions of the subsidiaries

- 1) As of December 31, 2013, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., subsidiaries of the Company have significant restrictions that require them to obtain consent from directors appointed by non-controlling shareholders in the event of merger, investment in stocks, transfer of the whole or a significant part of assets, borrowing, guarantee or disposal of assets beyond a certain amount, acquirement of treasury stock, payment of dividend and so on.
- 2) As of December 31, 2013, Hyundai Rotem Company, subsidiary of the Company, is required to obtain consent from directors appointed by non-controlling shareholders in the event of significant change in the capital structure of the entity, excluding transactions according to the business plan or the regulation of the Board of Directors, such as issue, disposal, repurchase or retirement of stocks or options, increase or decrease of capital, and so on.

(9) Changes in consolidated subsidiaries

Subsidiaries newly included in and excluded from consolidation for the year ended December 31, 2013, are as follows:

| Changes  | Name of subsidiaries   | Description |
|----------|--|-------------|
| Included | Hyundai Motor De Mexico (HMM)  | Acquisition |
| "        | Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda         | "           |
| "        | Macquarie Lion Private Equity Security Investment Trust Security No.45 | "           |
| "        | 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             | "           |
| "        | Autopia Fifty-Second Asset Securitization Specialty Company            | "           |
| "        | HB the Fourth Securitization Specialty Company                         | "           |
| Excluded | Autopia Thirty-Fifth Asset Securitization Specialty Company            | Dissolution |
| "        | Autopia Thirty-Seventh Asset Securitization Specialty Company          | "           |
| "        | Autopia Thirty-Ninth Securitization Specialty Company                  | "           |
| "        | Autopia Fortieth Asset Securitization Specialty Company                | "           |
| "        | Hyundai BC Funding Corporation   | "           |
| "        | Hyundai HK Funding One, LLC  | "           |
| "        | Hyundai Auto Lease Funding, LLC  | "           |

- (10) Increase in the Company's ownership interests in one of its subsidiary and the consequent effects on the equity attributable to the owners of the Parent Company for the year ended December 31, 2013, is 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, during the year ended December 31, 2013.

- (11) Decrease in the Company's ownership interests in one of its subsidiary and the consequent effects on the equity attributable to the owners of the Parent Company for the year ended December 31, 2013, is as follows:

| Description  | Hyundai Rotem Company (*)<br>(In millions of Korean Won) |
|--|--|
| Ownership percentage before transaction                        | 57.64%   |
| Ownership percentage after transaction                         | 43.36%   |
| Increase in paid-in capital by public offering                 | ₩ 476,493  |
| Decrease of financial liabilities by abandonment of put option | 120,011  |
| Changes in non-controlling interests                           | 571,225  |
| Changes in capital surplus                                     | 25,279   |

- (\*) The ownership percentage of the Company in its subsidiary decreased as a result of not participating in a public offering that occurred during the year ended December 31, 2013.

- (12) 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 preparation

The Group has prepared the consolidated financial statements in accordance with K-IFRS for the annual periods beginning on January 1, 2011.

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss. Other than this presentation change, the application of the amendments to K-IFRS 1001 does not result in any impact on the Group's financial position and financial performance. The amendments have been applied retrospectively for the comparative period, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

- 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. The interest cost and expected return on plan assets used in the previous version of K-IFRS 1019 are replaced with a 'net interest' amount under K-IFRS 1019 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liabilities or assets. The Group was required to apply the impact of the amendment retrospectively, and hence the consolidated financial statement for the year ended December 31, 2012, has been restated accordingly. As a result of the change in accounting policies, for the year ended December 31, 2012, cost of sales decreased by ₩4,872 million and selling and administrative expenses, gain on investments in joint ventures and associates and income tax expense increased by ₩1,218 million, ₩1,658 million, and ₩457 million, respectively.

- K-IFRS 1107 (Amendment): 'Financial Instruments: Disclosures'

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities and require the Group to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement, irrespective of whether they would meet the offsetting criteria under K-IFRS 1032. The amendments have been applied retrospectively for the comparative period, and hence the information about the offset between financial assets and financial liabilities has been disclosed to reflect the amendment.

- K-IFRS 1110 (Enactment): 'Consolidated Financial Statements'

K-IFRS 1110 establishes a single basis for consolidation. Under K-IFRS 1110, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The effect of the enactments is not significant on the Group's consolidated financial statements.

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

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified either as a joint operation or a joint venture. The classification of joint arrangements under K-IFRS 1111 is determined based on the rights and obligations of parties to the joint arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses in relation to its interest in a joint operation and if the Group is a joint venturers, the Group is to account for that investment using the equity method. The effect of the enactments is not significant on the Group's consolidated financial statements.

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

K-IFRS 1112 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. The effect of the enactments is not significant on the Group's consolidated financial statements.

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

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard 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 by taking into account the characteristics of the asset or liability that market participants would take when pricing the asset or liability at the measurement date. A fair value measurement under K-IFRS 1113 requires the Group to determine the particular asset or liability that is subject of the measurement, the principal or most advantageous market for the asset or liability, and the valuation techniques appropriate for the measurement. In addition, K-IFRS 1113 requires extensive disclosures about fair value measurements. The effect of the enactments is not significant on the Group's 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. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The Group's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014.

- K-IFRS 1039 (Amendment): 'Financial Instruments: Recognition and Measurement'

The amendments to K-IFRS 1039 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendment to K-IFRS 1039 is effective for annual periods beginning on or after January 1, 2014.

- K-IFRS interpretation 2121 (Enactment): 'Levies'

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretations are effective for annual periods beginning on or after January 1, 2014.

The Group does not anticipate that the above mentioned enactments and amendments will have any significant effect on the Group's consolidated financial statements.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except otherwise stated in the accounting policies below. Historical cost is usually measured at the fair value of the consideration given to acquire the assets.

(3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (or its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. The carrying amount of non-controlling interests consists of the amount of those non-controlling interests at the initial recognition and the changes in shares of the non-controlling interests in equity since the date of the acquisition. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if the non-controlling interest has a deficit balance.

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### (4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value.

Acquisition-related costs are recognized in profit or loss as incurred. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

#### (5) Revenue recognition

##### 1) Sale of goods

The Group recognizes revenue from sale of goods when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group

The Group grants award credits which the customers can redeem for awards such as free or discounted goods or services. The fair value of the award credits is estimated by considering the fair value of the goods granted, the expected rate and period of collection. The fair value of the consideration received or receivable from the customer is allocated to award credits and sales transaction. The consideration allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

2) Rendering of services

The Group recognizes revenue from rendering of services based on the percentage of completion when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

3) Royalties

The Group recognizes revenue from royalties on an accrual basis in accordance with the substance of the relevant agreement.

4) Dividend and interest income

Revenues arising from dividends are recognized when the right to receive payment is established. Interest income is recognized using the effective interest method as time passes.

5) Construction contracts

Where the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses, respectively by reference to the stage of completion of the contract activity at the end of reporting period.

The percentage of completion of a contract activity is reliably measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, by surveys of work performed or by completion of a physical proportion of the contract work. Variations in contract work, claim and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

(6) Foreign currency translation

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions occurring in currencies other than their functional currency (foreign currencies) are recorded using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

For the purpose of presenting the consolidated financial statements, assets and liabilities in the Group's foreign operations are translated into Won, using the exchange rates at the end of reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate during the period has significantly fluctuated, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising, if any, are recognized in equity as other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of reporting period.

Foreign exchange gains or losses are classified in finance income (expenses) or other income (expenses) by the nature of the transaction or event.

(7) Financial assets

The Group classifies financial assets into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) financial assets, loans and receivables and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL

FVTPL includes financial assets classified as held for trading and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as FVTPL, if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets, except for derivatives that are designated and effective hedging instruments, are classified as held for trading financial assets which are measured at fair value through profit or loss. Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) HTM financial assets

HTM financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. HTM financial assets are presented at amortized cost using the effective interest rate less accumulated impairment loss, and interest income is recognized using the effective interest rate method.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and measured at amortized cost. Interest income is recognized using the effective interest rate method except for short-term receivables for which the discount effect is not material.

4) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM financial assets nor financial assets at FVTPL. AFS financial assets are measured at fair value. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

A gain or loss on changes in fair value of AFS financial assets is recognized in other comprehensive income, except for impairment loss, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets. Accumulated other comprehensive income is reclassified to profit or loss from equity at the time of impairment recognition or elimination of related financial assets. Dividends on an AFS equity instrument are recognized in profit or loss when the Group’s right to receive payment is established.

(8) Impairment of financial assets

1) Financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset’s original effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of the loss is recognized in profit or loss.

Certain financial assets such as trade receivables and financial services receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

2) Financial assets carried at cost

The amount of the impairment loss on financial assets that are carried at cost because their fair value cannot be reliably measured is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

3) AFS financial assets

If there is objective evidence of impairment on AFS financial assets, the cumulative loss that has been recognized in other comprehensive income less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss. Impairment losses recognized in profit or loss for investments in equity instruments classified as AFS are not reversed through profit or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither retains substantially all the risks and rewards of ownership nor transfers and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(10) Inventory

Inventory is measured at the lower of cost or net realizable value. Inventory cost including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method except for the cost for inventory in transit which is determined by the identified cost method.

(11) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in an associate or a joint venture is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. The entire carrying amount of the investment including goodwill is tested for impairment and presented at the amount less accumulated impairment losses. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Unrealized gains from transactions between the Group and its associates or joint ventures are eliminated up to the shares in associate(joint venture) stocks. Unrealized losses are also eliminated unless evidence of impairment in assets transferred is produced. If the accounting policy of associates or joint ventures differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting. If the Group's ownership interest in an associate or a joint venture is reduced, but the significant influence is continued, the Group reclassifies to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

## (12) Property, plant and equipment

Property, plant and equipment is to be recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in case the recognition criteria are met, the subsequent costs will be added to the carrying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

|                          | <u>Estimated useful lives (years)</u> |
|--------------------------|---------------------------------------|
| Buildings and structures | 2 – 50                                |
| Machinery and equipment  | 2 – 25                                |
| Vehicles                 | 3 – 20                                |
| Dies, molds and tools    | 2 – 15                                |
| Office equipment         | 2 – 20                                |
| Other                    | 2 – 30                                |

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

#### (13) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized.

Land is not depreciated, and other investment properties are depreciated using the straight-line method over the period from 20 to 50 years. The Group reviews the depreciation method, the estimated useful lives and residual values at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

#### (14) Intangible assets

##### 1) Goodwill

Goodwill arising from a business combination is recognized as an asset at the time of obtaining control (the acquisition-date). Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash generating units ("CGU") of the Group expected to have synergy effect from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment. If recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated among other assets relative to its carrying value. Impairment recognized for goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

##### 2) Development costs

The expenditure on research is recognized as an expense when it is incurred. The expenditure on development is recognized as an intangible asset if, and only if, all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above and the carrying amount of intangible assets is presented as the acquisition cost less accumulated amortization and accumulated impairment losses.

### 3) Intangible assets acquired separately

Intangible assets that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method based on the estimated useful lives. The Group reviews the estimated useful life and amortization method at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Amortization is computed using the straight line method based on the estimated useful lives of the assets as follows:

|                            | <u>Estimated useful lives (years)</u> |
|----------------------------|---------------------------------------|
| Development costs          | 3 – 6                                 |
| Industrial property rights | 4 – 13                                |
| Software                   | 2 – 10                                |
| Other                      | 2 – 40                                |

Club membership included in other intangible assets is deemed to have an indefinite useful life as there is no foreseeable limit on the period over which the membership is expected to generate economic benefit for the Group, therefore the Group does not amortize it.

### (15) Impairment of tangible and intangible assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the cash inflow of individual asset occurs separately from other assets or group of assets, the recoverable amount is measured for that individual asset; otherwise, it is measured for each CGU to which the asset belongs. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are not amortized but tested for impairment at least annually.

### (16) Non-current assets classified as held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### (17) Lease

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect an effective interest rate on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense on a straight-line basis over the lease term.

## 2) The Group as lessee

Assets held under finance leases are initially recognized as assets and liabilities of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents for operating lease are recognized as expenses in the periods in which they are incurred.

## (18) Borrowing costs

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

## (19) Retirement benefit plans

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets. Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method.

The present value of the defined benefit obligations is measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds with similar maturity as the expected post-employment benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used.

The remeasurements of the net defined benefit liabilities (assets) comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, the effect of the changes to the asset ceiling and return on plan assets, excluding amounts included in net interest on the net defined benefit liabilities (assets) are recognized in other comprehensive income of the consolidated statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit or loss. Past service costs are recognized in profit and loss when the plan amendment occurs and net interest is calculated by applying the discount rate determined at the beginning of the annual reporting period to the net defined benefit liabilities (assets). Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on settlements), net interest expense (income), and remeasurements.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

## (20) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

The Group generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Group accrues probable expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations at the end of the reporting period. In addition, the Group recognizes provisions for the probable losses of unused loan commitment, construction contracts, pre-contract sale or service contract due to legal or constructive obligations.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## (21) Taxation

Income tax expense is composed of current and deferred tax.

### 1) Current tax

The current tax is computed based on the taxable profit for the current year. The taxable profit differs from the income before income tax as reported in the consolidated statements of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets shall be generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities shall not be recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority. Also, they are offset when different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

### (22) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs and net of tax effect are deducted from equity and recognized as other capital item deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

### (23) Financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract and the definitions of financial liability and equity instrument.

#### 1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at issuance amount net of direct issuance costs.

#### 2) Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 *Revenue*

#### 3) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. FVTPL is stated at fair value and the gains and losses arising on remeasurement and the interest expenses paid in financial liabilities are recognized in profit and loss.

#### 4) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective-yield basis.

## 5) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, cancelled or they expire.

### (24) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedges).

#### 1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

#### 2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the forecast transaction results in the recognition of a non-financial asset or liability, the related gain and loss recognized in other comprehensive income and accumulated in equity is transferred from equity to the initial cost of related non-financial asset or liability.

Cash flow hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity and is recognized as profit or loss when the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

### (25) Fair value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of K-IFRS 1017 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 19.



(26) Significant accounting judgements and key sources of estimation uncertainties

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. 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 estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The main accounting estimates and assumptions related to the significant risks that may make significant changes to the carrying amounts of assets and liabilities after the reporting period are as follows:

1) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

2) Warranty provision

The Group recognizes provisions for the warranties of its products as described in Note 2.(20). The amounts are recognized based on the best estimate of amounts necessary to settle the present and future warranty obligation.

3) Defined benefit plans

The Group operates defined retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, rates of expected future salary increases and mortality rates. The characteristic of post-employment benefit plan which serves for the long term period causes significant uncertainties when the post-employment benefit obligation is estimated.

4) Taxation

The Group recognizes current tax and deferred tax based on the best estimates of income tax effect to be charged in the future as the result of operating activities until the end of the reporting period. However, actual final income tax to be charged in the future may differ from the relevant assets and liabilities recognized at the end of the reporting period and the difference may affect income tax charged or credited, or deferred tax assets and liabilities in the period in which the final income tax determined.

5) Fair value of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The Group makes judgements on the choice of various valuation methods and assumptions based on the condition of the principal market at the end of the reporting period.

6) Measurement and useful lives of property, plant, equipment or intangible assets

If the Group acquires property, plant, equipment or intangible assets from business combination, it is required to estimate the fair value of the assets at the acquisition date and determine the useful lives of such assets for depreciation and amortization.

### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

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

| Description                         | December 31, 2013           |                 | December 31, 2012  |                 |
|-------------------------------------|-----------------------------|-----------------|--------------------|-----------------|
|                                     | Current                     | Non-current     | Current            | Non-current     |
|                                     | (In millions of Korean Won) |                 |                    |                 |
| Trade notes and accounts receivable | ₩ 3,531,279                 | ₩ 47,969        | ₩ 3,716,367        | ₩ 48,513        |
| Allowance for doubtful accounts     | (45,934)                    | -               | (29,543)           | -               |
| Present value discount accounts     | -                           | (4,660)         | -                  | (4,712)         |
|                                     | <u>₩ 3,485,345</u>          | <u>₩ 43,309</u> | <u>₩ 3,686,824</u> | <u>₩ 43,801</u> |

(2) Aging analysis of trade notes and accounts receivables

As of December 31, 2013 and 2012, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩310,984 million and ₩390,632 million, respectively; of which ₩264,159 million and ₩335,898 million, respectively, are past due less than 90 days, but not impaired.

(3) Transferred trade notes and accounts receivable that are not derecognized

As of December 31, 2013 and 2012, total trade notes and accounts receivable which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩997,519 million and ₩1,889,307 million, respectively. The Group recognize the carrying amount of the trade notes and accounts receivable continuously due to the fact that the risks and rewards were not transferred substantially, and cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings.

(4) The changes in allowance for doubtful accounts for the years ended December 31, 2013 and 2012, are as follows:

| Description                            | 2013                        |               | 2012     |               |
|--|-----------------------------|---------------|----------|---------------|
|  | (In millions of Korean Won) |               |          |               |
| Beginning of the year                  | ₩                           | 29,543        | ₩        | 40,346        |
| Impairment loss                        |                             | 14,959        |          | 10,161        |
| Write-off                              |                             | (539)         |          | (25,246)      |
| Effect of foreign exchange differences |                             | 1,971         |          | (1,075)       |
| Changes in the scope of consolidation  |                             | -             |          | 5,357         |
| End of the year                        | <u>₩</u>                    | <u>45,934</u> | <u>₩</u> | <u>29,543</u> |

### 4. OTHER RECEIVABLES:

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

| Description                          | December 31, 2013           |                    | December 31, 2012  |                    |
|--------------------------------------|-----------------------------|--------------------|--------------------|--------------------|
|                                      | Current                     | Non-current        | Current            | Non-current        |
|                                      | (In millions of Korean Won) |                    |                    |                    |
| Accounts receivable – others         | ₩ 1,672,402                 | ₩ 827,510          | ₩ 1,458,809        | ₩ 761,943          |
| Due from customers for contract work | 1,393,555                   | -                  | 781,136            | -                  |
| Lease and rental deposits            | 42,784                      | 274,832            | 54,924             | 259,040            |
| Deposits                             | 13,699                      | 23,154             | 11,293             | 23,594             |
| Others                               | 2,549                       | 7,283              | 3,489              | -                  |
| Allowance for doubtful accounts      | (6,603)                     | -                  | (5,241)            | -                  |
| Present value discount accounts      | -                           | (4,940)            | -                  | (7,968)            |
|                                      | <u>₩ 3,118,386</u>          | <u>₩ 1,127,839</u> | <u>₩ 2,304,410</u> | <u>₩ 1,036,609</u> |

## 5. OTHER FINANCIAL ASSETS:

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

| Description                                      | December 31, 2013 |             | December 31, 2012 |             |
|--|-------------------|-------------|-------------------|-------------|
|  | Current           | Non-current | Current           | Non-current |
| (In millions of Korean Won)                      |                   |             |                   |             |
| Financial assets at FVTPL:                       |                   |             |                   |             |
| Held for trading non-derivative financial assets | ₩ 414,255         | ₩ -         | ₩ -               | ₩ -         |
| Derivative assets                                | 33,045            | 1,592       | 67,666            | 19,486      |
|  | 447,300           | 1,592       | 67,666            | 19,486      |
| Derivative assets that are effective hedging     |                   |             |                   |             |
| Instruments                                      | 7,558             | 19,138      | 15,060            | 20,745      |
| AFS financial assets                             | 21,363            | 2,494,033   | 12,394            | 1,544,141   |
| HTM financial assets                             | -                 | -           | 27                | 35          |
| Loans  | 31,600            | 217,121     | 14,152            | 10,057      |
|  | ₩ 507,821         | ₩ 2,731,884 | ₩ 109,299         | ₩ 1,594,464 |

(2) AFS financial assets that are measured at fair value as of December 31, 2013 and 2012, consist of the following:

| Description                 | December 31, 2013 |                      |             | December 31, 2012 |
|-----------------------------|-------------------|----------------------|-------------|-------------------|
|                             | Acquisition Cost  | Valuation difference | Book value  | Book value        |
| (In millions of Korean Won) |                   |                      |             |                   |
| Debt instruments            | ₩ 123,906         | ₩ 334                | ₩ 124,240   | ₩ 15,074          |
| Equity instruments          | 1,445,018         | 946,138              | 2,391,156   | 1,541,461         |
|                             | ₩ 1,568,924       | ₩ 946,472            | ₩ 2,515,396 | ₩ 1,556,535       |

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

| Name of the company                   | Ownership<br>percentage<br><br>(%) | December 31,<br>2013 |                             |             | December 31,<br>2012 |
|---------------------------------------|------------------------------------|----------------------|-----------------------------|-------------|----------------------|
|                                       |                                    | Acquisition<br>cost  | Valuation<br>difference     | Book value  | Book value           |
|                                       |                                    |                      | (In millions of Korean Won) |             |                      |
| Hyundai Steel Company                 | 7.87                               | ₩ 791,681            | ₩ -                         | ₩ 791,681   | ₩ -                  |
| Hyundai Heavy Industries Co., Ltd.    | 2.88                               | 56,924               | 505,906                     | 562,830     | 529,980              |
| Hyundai Glovis Co., Ltd.              | 4.88                               | 210,688              | 212,259                     | 422,947     | 405,553              |
| Korea Aerospace Industries, Co., Ltd. | 10.00                              | 151,086              | 131,592                     | 282,678     | 251,973              |
| Hyundai Oil Refinery Co., Ltd.        | 4.35                               | 53,734               | 91,789                      | 145,523     | 137,490              |
| Hyundai Green Food Co., Ltd.          | 2.36                               | 15,005               | 23,764                      | 38,769      | 39,231               |
| Hyundai Finance Corporation           | 9.29                               | 9,888                | 778                         | 10,666      | 11,065               |
| Hyundai Development Company           | 0.60                               | 9,025                | 1,415                       | 10,440      | 9,743                |
| Doosan Capital Co., Ltd.              | 7.14                               | 10,000               | 348                         | 10,348      | 13,508               |
| Hyundai Merchant Marine Co., Ltd.     | 0.41                               | 9,161                | (1,261)                     | 7,900       | 16,355               |
| KT Corporation                        | 0.09                               | 8,655                | (1,080)                     | 7,575       | 8,523                |
| NICE Holdings Co., Ltd.               | 1.30                               | 3,491                | 2,310                       | 5,801       | 3,127                |
| Ubivelo Co., Ltd.                     | 5.19                               | 1,710                | 2,875                       | 4,585       | 7,860                |
| NICE Information Service Co., Ltd.    | 2.25                               | 3,312                | 868                         | 4,180       | 3,729                |
| Hyundai Asan Corporation              | 1.88                               | 22,500               | (20,383)                    | 2,117       | 2,117                |
| Nesscap, Inc.                         | 4.53                               | 1,997                | (893)                       | 1,104       | 1,199                |
| Others                                |                                    | 86,161               | (4,149)                     | 82,012      | 100,008              |
|                                       |                                    | ₩ 1,445,018          | ₩ 946,138                   | ₩ 2,391,156 | ₩ 1,541,461          |

As of December 31, 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 December 31, 2013 and 2012, consist of the following:

| Description          | December 31, 2013           |           | December 31, 2012 |           |
|----------------------|-----------------------------|-----------|-------------------|-----------|
|                      | (In millions of Korean Won) |           |                   |           |
| Finished goods       | ₩                           | 3,771,488 | ₩                 | 3,476,869 |
| Merchandise          |                             | 105,385   |                   | 294,875   |
| Semi-finished goods  |                             | 434,834   |                   | 382,434   |
| Work in progress     |                             | 410,024   |                   | 367,896   |
| Raw materials        |                             | 1,138,616 |                   | 1,110,764 |
| Supplies             |                             | 204,657   |                   | 170,736   |
| Materials in transit |                             | 540,666   |                   | 544,688   |
| Others               |                             | 467,446   |                   | 424,602   |
|                      | ₩                           | 7,073,116 | ₩                 | 6,772,864 |

## 7. OTHER ASSETS:

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

| Description                        | December 31, 2013           |             | December 31, 2012 |             |
|------------------------------------|-----------------------------|-------------|-------------------|-------------|
|                                    | Current                     | Non-current | Current           | Non-current |
|                                    | (In millions of Korean Won) |             |                   |             |
| Accrued income                     | ₩ 362,854                   | ₩ 498       | ₩ 403,645         | ₩ 329       |
| Advanced payments                  | 700,542                     | -           | 517,543           | -           |
| Prepaid expenses                   | 291,282                     | 90,589      | 247,320           | 44,095      |
| Prepaid value added tax and others | 313,258                     | 63,813      | 736,937           | -           |
|                                    | ₩ 1,667,936                 | ₩ 154,900   | ₩ 1,905,445       | ₩ 44,424    |

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

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

| Description | December 31, 2013           | December 31, 2012 |
|-------------|-----------------------------|-------------------|
|             | (In millions of Korean Won) |                   |
| Land        | ₩ 13,676                    | ₩ 19,995          |
| Buildings   | 8,671                       | 3,312             |
|             | ₩ 22,347                    | ₩ 23,307          |

All the land and buildings that were classified as held for sale as of December 31, 2012 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 year ended December 31, 2013.

As of December 31, 2013, the Group entered into a contract for disposal of other land and buildings, that have been classified as non-current assets held for sale, and the assets will be disposed within 12 months. No impairment loss on the non-current assets classified as held for sale is recognized for the year ended December 31, 2013.

## 9. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of December 31, 2013 and 2012, consist of the following:

| Description              | December 31, 2013           |                             |                     | December 31, 2012   |                             |                     |
|--------------------------|-----------------------------|-----------------------------|---------------------|---------------------|-----------------------------|---------------------|
|                          | Acquisition cost            | Accumulated depreciation(*) | Book value          | Acquisition cost    | Accumulated depreciation(*) | Book value          |
|                          | (In millions of Korean Won) |                             |                     |                     |                             |                     |
| Land                     | ₩ 5,770,486                 | ₩ -                         | ₩ 5,770,486         | ₩ 5,799,466         | ₩ -                         | ₩ 5,799,466         |
| Buildings                | 6,686,495                   | (1,991,035)                 | 4,695,460           | 6,407,132           | (1,819,636)                 | 4,587,496           |
| Structures               | 1,037,122                   | (448,432)                   | 588,690             | 945,595             | (401,122)                   | 544,473             |
| Machinery and equipment  | 12,243,086                  | (6,221,320)                 | 6,021,766           | 11,634,177          | (5,801,023)                 | 5,833,154           |
| Vehicles                 | 283,518                     | (133,686)                   | 149,832             | 301,304             | (119,340)                   | 181,964             |
| Dies, molds and tools    | 5,997,667                   | (4,568,511)                 | 1,429,156           | 5,625,044           | (4,139,372)                 | 1,485,672           |
| Office equipment         | 1,329,759                   | (967,490)                   | 362,269             | 1,434,032           | (1,063,004)                 | 371,028             |
| Others                   | 50,024                      | (19,388)                    | 30,636              | 55,519              | (21,226)                    | 34,293              |
| Construction in progress | 2,414,292                   | -                           | 2,414,292           | 1,902,312           | -                           | 1,902,312           |
|                          | <u>₩ 35,812,449</u>         | <u>₩ (14,349,862)</u>       | <u>₩ 21,462,587</u> | <u>₩ 34,104,581</u> | <u>₩ (13,364,723)</u>       | <u>₩ 20,739,858</u> |

(\*) Accumulated impairment is included.

The changes in property, plant and equipment("PP&E") for the year ended December 31, 2013, are as follows:

| Description              | Beginning of the year       | Acquisitions       | Transfers within PP&E | Disposals          | Depreciation         | Others (*)         | End of the year     |
|--------------------------|-----------------------------|--------------------|-----------------------|--------------------|----------------------|--------------------|---------------------|
|                          | (In millions of Korean Won) |                    |                       |                    |                      |                    |                     |
| Land                     | ₩ 5,799,466                 | ₩ 3,590            | ₩ 39,145              | ₩ (53,866)         | ₩ -                  | ₩ (17,849)         | ₩ 5,770,486         |
| Buildings                | 4,587,496                   | 47,711             | 400,638               | (54,997)           | (207,201)            | (78,187)           | 4,695,460           |
| Structures               | 544,473                     | 13,554             | 88,904                | (4,866)            | (52,226)             | (1,149)            | 588,690             |
| Machinery and equipment  | 5,833,154                   | 21,627             | 1,146,144             | (75,089)           | (789,330)            | (114,740)          | 6,021,766           |
| Vehicles                 | 181,964                     | 24,995             | 20,096                | (11,866)           | (37,775)             | (27,582)           | 149,832             |
| Dies, molds and tools    | 1,485,672                   | 8,476              | 488,754               | (5,510)            | (519,678)            | (28,558)           | 1,429,156           |
| Office equipment         | 371,028                     | 64,387             | 76,365                | (5,319)            | (144,820)            | 628                | 362,269             |
| Others                   | 34,293                      | 3,120              | 1,623                 | (569)              | (7,797)              | (34)               | 30,636              |
| Construction in progress | 1,902,312                   | 2,892,321          | (2,261,669)           | (24,026)           | -                    | (94,646)           | 2,414,292           |
|                          | <u>₩ 20,739,858</u>         | <u>₩ 3,079,781</u> | <u>₩ -</u>            | <u>₩ (236,108)</u> | <u>₩ (1,758,827)</u> | <u>₩ (362,117)</u> | <u>₩ 21,462,587</u> |

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

The changes in PP&E for the year ended December 31, 2012, were as follows:

| Description              | Beginning of the year       | Acquisitions       | Acquisitions from business combinations | Transfers within PP&E | Disposals          | Depreciation         | Others (*)         | End of the year     |
|--------------------------|-----------------------------|--------------------|---|-----------------------|--------------------|----------------------|--------------------|---------------------|
|                          | (In millions of Korean Won) |                    |   |                       |                    |                      |                    |                     |
| Land                     | ₩ 5,637,917                 | ₩ 68,809           | ₩ 36,189                                | ₩ 78,717              | ₩ (14,386)         | ₩ -                  | ₩ (7,780)          | ₩ 5,799,466         |
| Buildings                | 4,269,581                   | 51,471             | 46,892                                  | 528,634               | (8,207)            | (195,561)            | (105,314)          | 4,587,496           |
| Structures               | 543,372                     | 5,541              | 1,712                                   | 61,022                | (1,143)            | (54,579)             | (11,452)           | 544,473             |
| Machinery and equipment  | 5,442,619                   | 18,010             | 159,058                                 | 1,141,672             | (37,977)           | (734,094)            | (156,134)          | 5,833,154           |
| Vehicles                 | 163,287                     | 46,389             | 12,525                                  | 27,112                | (16,878)           | (38,500)             | (11,971)           | 181,964             |
| Dies, molds and tools    | 1,425,188                   | 8,278              | 7,421                                   | 607,580               | (8,813)            | (508,605)            | (45,377)           | 1,485,672           |
| Office equipment         | 354,913                     | 61,840             | 2,844                                   | 113,323               | (8,289)            | (148,294)            | (5,309)            | 371,028             |
| Others                   | 52,412                      | 3,858              | 4,112                                   | (10,817)              | (1,796)            | (9,489)              | (3,987)            | 34,293              |
| Construction in progress | 1,658,759                   | 2,735,842          | 29,213                                  | (2,547,243)           | (3,406)            | -                    | 29,147             | 1,902,312           |
|                          | <u>₩ 19,548,048</u>         | <u>₩ 3,000,038</u> | <u>₩ 299,966</u>                        | <u>₩ -</u>            | <u>₩ (100,895)</u> | <u>₩ (1,689,122)</u> | <u>₩ (318,177)</u> | <u>₩ 20,739,858</u> |

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

# 10. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2013 and 2012, consist of the following:

| Description | December 31, 2013           |                          |            | December 31, 2012 |                          |            |
|-------------|-----------------------------|--------------------------|------------|-------------------|--------------------------|------------|
|             | Acquisition cost            | Accumulated depreciation | Book value | Acquisition cost  | Accumulated depreciation | Book value |
|             | (In millions of Korean Won) |                          |            |                   |                          |            |
| Land        | ₩ 62,467                    | ₩ -                      | ₩ 62,467   | ₩ 62,874          | ₩ -                      | ₩ 62,874   |
| Buildings   | 320,904                     | (133,163)                | 187,741    | 330,853           | (124,830)                | 206,023    |
| Structures  | 18,630                      | (4,854)                  | 13,776     | 18,303            | (4,368)                  | 13,935     |
|             | ₩ 402,001                   | ₩ (138,017)              | ₩ 263,984  | ₩ 412,030         | ₩ (129,198)              | ₩ 282,832  |

(2) The changes in investment property for the year ended December 31, 2013, are as follows:

| Description |                             |           |           |              | Effect of foreign    | End of the year |  |
|-------------|-----------------------------|-----------|-----------|--------------|----------------------|-----------------|--|
|             | Beginning of the year       | Transfers | Disposals | Depreciation | exchange differences |                 |  |
|             | (In millions of Korean Won) |           |           |              |                      |                 |  |
| Land        | ₩ 62,874                    | ₩ 175     | ₩ (582)   | ₩ -          | ₩ -                  | ₩ 62,467        |  |
| Buildings   | 206,023                     | (9,666)   | -         | (9,751)      | 1,135                | 187,741         |  |
| Structures  | 13,935                      | 248       | -         | (407)        | -                    | 13,776          |  |
|             | ₩ 282,832                   | ₩ (9,243) | ₩ (582)   | ₩ (10,158)   | ₩ 1,135              | ₩ 263,984       |  |

The changes in investment property for the year ended December 31, 2012, were as follows:

| Description | Beginning of the year       |         | Transfers | Depreciation | Effect of foreign exchange differences |          | End of the year |         |   |         |
|-------------|-----------------------------|---------|-----------|--------------|--|----------|-----------------|---------|---|---------|
|             |                             |         |           |              |  |          |                 |         |   |         |
|             | (In millions of Korean Won) |         |           |              |  |          |                 |         |   |         |
| Land        | ₩                           | 46,757  | ₩         | 16,117       | ₩                                      | -        | ₩               | -       | ₩ | 62,874  |
| Buildings   |                             | 221,334 |           | -            |  | (11,252) |                 | (4,059) |   | 206,023 |
| Structures  |                             | 14,336  |           | -            |  | (401)    |                 | -       |   | 13,935  |
|             | ₩                           | 282,427 | ₩         | 16,117       | ₩                                      | (11,653) | ₩               | (4,059) | ₩ | 282,832 |

(3) The fair value of investment property as of December 31, 2013 and 2012, consist of the following:

| Description | December 31, 2013           |         | December 31, 2012 |         |
|-------------|-----------------------------|---------|-------------------|---------|
|             | (In millions of Korean Won) |         |                   |         |
| Land        | ₩                           | 62,467  | ₩                 | 62,874  |
| Buildings   |                             | 351,992 |                   | 367,472 |
| Structures  |                             | 15,496  |                   | 15,223  |
|             | ₩                           | 429,955 | ₩                 | 445,569 |

On January 1, 2010, the K-IFRS transition date, the Group remeasured the fair value of its investment property through an independent third party. As of December 31, 2013, no fair value remeasurement was performed, as the change in fair value is considered not to be material.

(4) Income and expenses related to investment property for the years ended December 31, 2013 and 2012, are as follows:

| Description                        | 2013                        |        | 2012 |        |
|------------------------------------|-----------------------------|--------|------|--------|
|                                    | (In millions of Korean Won) |        |      |        |
| Rental income                      | ₩                           | 35,495 | ₩    | 30,683 |
| Operating and maintenance expenses |                             | 13,632 |      | 12,862 |

## 11. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2013 and 2012, consist of the following:

| Description                | December 31, 2013           |                             |                    | December 31, 2012  |                             |                    |
|----------------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|--------------------|
|                            | Acquisition cost            | Accumulated amortization(*) | Book value         | Acquisition cost   | Accumulated amortization(*) | Book value         |
|                            | (In millions of Korean Won) |                             |                    |                    |                             |                    |
| Goodwill                   | ₩ 301,798                   | ₩ (2,446)                   | ₩ 299,352          | ₩ 303,444          | ₩ (2,433)                   | ₩ 301,011          |
| Development costs          | 5,426,534                   | (3,480,977)                 | 1,945,557          | 5,135,038          | (3,280,432)                 | 1,854,606          |
| Industrial property rights | 123,244                     | (78,877)                    | 44,367             | 104,100            | (71,659)                    | 32,441             |
| Software                   | 536,674                     | (263,253)                   | 273,421            | 419,119            | (188,446)                   | 230,673            |
| Others                     | 440,613                     | (148,710)                   | 291,903            | 447,223            | (131,356)                   | 315,867            |
| Construction in progress   | 274,490                     | -                           | 274,490            | 148,620            | -                           | 148,620            |
|                            | <u>₩ 7,103,353</u>          | <u>₩ (3,974,263)</u>        | <u>₩ 3,129,090</u> | <u>₩ 6,557,544</u> | <u>₩ (3,674,326)</u>        | <u>₩ 2,883,218</u> |

(\*) Accumulated impairment is included.

(2) The changes in intangible assets for the year ended December 31, 2013, are as follows:

| Description                | Beginning of the year | Internal developments and separate acquisitions | Transfers within intangible assets | Disposals                   |             | Amortization | Impairment loss | Others (*) | End of the year |
|----------------------------|-----------------------|---|------------------------------------|-----------------------------|-------------|--------------|-----------------|------------|-----------------|
|                            |                       |   |                                    | (In millions of Korean Won) |             |              |                 |            |                 |
| Goodwill                   | ₩ 301,011             | ₩ -   | ₩ -                                | ₩ -                         | ₩ -         | ₩ -          | ₩ -             | ₩ (1,659)  | ₩ 299,352       |
| Development costs          | 1,854,606             | 781,694   | 5,060                              | (15,198)                    | (658,684)   | (27,250)     |                 | 5,329      | 1,945,557       |
| Industrial property rights | 32,441                | 5,553   | 12,696                             | -                           | (7,220)     | -            |                 | 897        | 44,367          |
| Software                   | 230,673               | 34,650  | 30,826                             | (319)                       | (84,814)    | -            |                 | 62,405     | 273,421         |
| Others                     | 315,867               | 1,518   | 12,522                             | (2,282)                     | (31,635)    | (911)        |                 | (3,176)    | 291,903         |
| Construction in progress   | 148,620               | 196,495   | (61,104)                           | -                           | -           | -            |                 | (9,521)    | 274,490         |
|                            | ₩ 2,883,218           | ₩ 1,019,910                                     | ₩ -                                | ₩ (17,799)                  | ₩ (782,353) | ₩ (28,161)   | ₩               | 54,275     | ₩ 3,129,090     |

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

The changes in intangible assets for the year ended December 31, 2012, were as follows:

| Description                | Beginning of the year       |           | Internal developments and separate acquisitions |         | Acquisitions from business combinations |         | Transfers within intangible assets |          | Disposals |         | Amortization |           | Impairment loss |       | Others (*) |          | End of the year |           |
|----------------------------|-----------------------------|-----------|---|---------|---|---------|------------------------------------|----------|-----------|---------|--------------|-----------|-----------------|-------|------------|----------|-----------------|-----------|
|                            | (In millions of Korean Won) |           |   |         |   |         |                                    |          |           |         |              |           |                 |       |            |          |                 |           |
| Goodwill                   | ₩                           | 177,154   | ₩   | -       | ₩                                       | 125,721 | ₩                                  | -        | ₩         | -       | ₩            | -         | ₩               | -     | ₩          | (1,864)  | ₩               | 301,011   |
| Development costs          |                             | 1,848,032 |   | 632,776 |   | 74,776  |                                    | 23,555   |           | -       |              | (725,716) |                 | (153) |            | 1,336    |                 | 1,854,606 |
| Industrial property rights |                             | 22,777    |   | 292     |   | 455     |                                    | 9,638    |           | -       |              | (6,071)   |                 | -     |            | 5,350    |                 | 32,441    |
| Software                   |                             | 181,716   |   | 29,430  |   | 4,212   |                                    | 22,740   |           | (553)   |              | (60,837)  |                 | -     |            | 53,965   |                 | 230,673   |
| Others                     |                             | 290,099   |   | 38,512  |   | 1,940   |                                    | 22,024   |           | (1,549) |              | (30,520)  |                 | (513) |            | (4,126)  |                 | 315,867   |
| Construction in progress   |                             | 140,331   |   | 97,597  |   | -       |                                    | (77,957) |           | (32)    |              | -         |                 | -     |            | (11,319) |                 | 148,620   |
|                            | ₩                           | 2,660,109 | ₩   | 798,607 | ₩                                       | 207,104 | ₩                                  | -        | ₩         | (2,134) | ₩            | (823,144) | ₩               | (666) | ₩          | 43,342   | ₩               | 2,883,218 |

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

(3) Research and development expenditures for the years ended December 31, 2013 and 2012, are as follows:

| Description                               | 2013                        | 2012               |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Development costs                         | ₩ 781,694                   | ₩ 632,776          |
| Ordinary development (manufacturing cost) | 344,618                     | 312,288            |
| Research costs (administrative expenses)  | 722,732                     | 686,606            |
|   | <u>₩ 1,849,044</u>          | <u>₩ 1,631,670</u> |

(4) Impairment test of goodwill

The allocation of goodwill amongst the Group's cash-generating units as of December 31, 2013 and 2012, is as follows:

| Description | December 31,<br>2013        | December 31,<br>2012 |
|-------------|-----------------------------|----------------------|
|             | (In millions of Korean Won) |                      |
| Vehicle     | ₩ 197,471                   | ₩ 199,130            |
| Finance     | 1,911                       | 1,911                |
| Others      | 99,970                      | 99,970               |
|             | <u>₩ 299,352</u>            | <u>₩ 301,011</u>     |

The recoverable amounts of the Group's CGUs are measured at their value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management and the pre-tax discount rate applied to the cash flow projections is 17.6%. Cash flows projection beyond the next five-year period are 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. No impairment loss has been recognized based on the impairment tests for the years ended December 31, 2013 and 2012, respectively.

## 12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

| Name of the company                                       | Nature of<br>the business | Location | Ownership<br>Percentage | Book value                     |
|---|---------------------------|----------|-------------------------|--------------------------------|
|   |                           |          | (%)                     | (In millions of<br>Korean Won) |
| Beijing-Hyundai Motor Company (BHMC) (*1)                 | Manufacturing             | China    | 50.00                   | ₩ 2,026,337                    |
| Hyundai Motor Group China, Ltd. (HMGC) (*1)               | Investment                | China    | 50.00                   | 153,823                        |
| Sichuan Hyundai Motor Company (CHMC) (*1)                 | Manufacturing             | China    | 50.00                   | 132,014                        |
| Hyundai WIA Automotive Engine (Shandong)<br>Company (WAE) | Manufacturing             | China    | 22.00                   | 129,783                        |
| Kia Motors Corporation                                    | Manufacturing             | Korea    | 33.88                   | 6,748,127                      |
| Hyundai Engineering & Construction Co., Ltd.              | Construction              | Korea    | 20.95                   | 3,050,804                      |
| Hyundai WIA Corporation                                   | Manufacturing             | Korea    | 26.79                   | 600,284                        |
| Hyundai Powertech Co., Ltd.                               | Manufacturing             | Korea    | 37.58                   | 335,227                        |
| Hyundai Dymos Inc.  | Manufacturing             | Korea    | 47.27                   | 270,535                        |
| Hyundai HYSCO Co., Ltd.                                   | Manufacturing             | Korea    | 29.37                   | 236,732                        |
| HMC Investment Securities Co., Ltd.                       | Securities<br>brokerage   | Korea    | 26.27                   | 217,218                        |
| Eukor Car Carriers Inc. (*2)                              | Transportation            | Korea    | 12.00                   | 148,866                        |
| Hyundai Commercial Inc.                                   | Financing                 | Korea    | 50.00                   | 125,806                        |
| Others (*3)   |                           |          |                         | 519,439                        |
|   |                           |          |                         | <u>₩ 14,694,995</u>            |



- (\*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms which the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions which should obtain consent from the director who is designated by the other investors, for certain transactions such as payment of dividend.
- (\*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
- (\*3) As of December 31, 2013, amongst Others, investments in Beijing Hyundai Qiche Financing Company, with a book value of ₩88,760 million, is categorized as a joint venture although the Group's total ownership percentage is 53.0%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

Investments in joint ventures and associates as of December 31, 2012, consisted of the following:

| Name of the company                                    | Nature of the business | Location | Ownership Percentage | Book value                  |
|--|------------------------|----------|----------------------|-----------------------------|
|  |                        |          | (%)                  | (In millions of Korean Won) |
| Beijing-Hyundai Motor Company (BHMC) (*1)              | Manufacturing          | China    | 50.00                | ₩ 1,657,185                 |
| Hyundai Motor Group China, Ltd. (HMGC) (*1)            | Investment             | China    | 50.00                | 103,450                     |
| Hyundai WIA Automotive Engine (Shandong) Company (WAE) | Manufacturing          | China    | 22.00                | 107,253                     |
| Kia Motors Corporation                                 | Manufacturing          | Korea    | 33.88                | 5,638,238                   |
| Hyundai Engineering & Construction Co., Ltd.           | Construction           | Korea    | 20.95                | 3,023,813                   |
| Hyundai WIA Corporation                                | Manufacturing          | Korea    | 26.79                | 484,518                     |
| Hyundai Powertech Co., Ltd.                            | Manufacturing          | Korea    | 37.58                | 299,075                     |
| Hyundai Dymos Inc.                                     | Manufacturing          | Korea    | 47.27                | 233,660                     |
| Hyundai HYSCO Co., Ltd.                                | Manufacturing          | Korea    | 29.37                | 615,271                     |
| HMC Investment Securities Co., Ltd.                    | Securities brokerage   | Korea    | 26.27                | 217,187                     |
| Eukor Car Carriers Inc. (*2)                           | Transportation         | Korea    | 12.00                | 127,881                     |
| Hyundai Commercial Inc.                                | Financing              | Korea    | 50.00                | 121,597                     |
| Others (*3)  |                        |          |                      | 488,603                     |
|  |                        |          |                      | <u>₩ 13,117,731</u>         |

- (\*1) Each of the joint arrangements in which the Group retained joint control was structured through a separate entity and there were no contractual terms which the parties retained rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considered that the parties that retained joint control in the arrangement had rights to the net assets and classified the joint arrangements as joint ventures. Also, there are restrictions which obtain consent from the director who is designated by the other investors, for certain transactions such as payment of dividends.
- (\*2) As the Group was considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage was less than 20%, the investment was accounted for using the equity method.
- (\*3) As of December 31, 2012, amongst Others, investments in Beijing Hyundai Qiche Financing Company, with a book value of ₩46,174 million, was categorized as a joint venture although the Group's total ownership percentage was 60.0%, because the Group did not have control over the entity by virtue of an agreement with the other investors.

- (2) The changes in investments in joint ventures and associates for the year ended December 31, 2013, are as follows:

| Name of the company                          | Beginning of the year | Acquisitions / (disposals) | Share of profits for the year | Dividends          | Others (*)        | End of the year     |
|--|-----------------------|----------------------------|-------------------------------|--------------------|-------------------|---------------------|
| (In millions of Korean Won)                  |                       |                            |                               |                    |                   |                     |
| BHMC   | ₩ 1,657,185           | ₩ -                        | ₩ 966,555                     | ₩ (622,500)        | ₩ 25,097          | ₩ 2,026,337         |
| HMGC   | 103,450               | 17,432                     | 31,948                        | -                  | 993               | 153,823             |
| CHMC   | 77,346                | 56,592                     | (665)                         | -                  | (1,259)           | 132,014             |
| WAE  | 107,253               | -                          | 28,524                        | (7,070)            | 1,076             | 129,783             |
| Kia Motors Corporation                       | 5,638,238             | -                          | 1,249,062                     | (89,257)           | (49,916)          | 6,748,127           |
| Hyundai Engineering & Construction Co., Ltd. | 3,023,813             | -                          | 62,243                        | (11,664)           | (23,588)          | 3,050,804           |
| Hyundai WIA Corporation                      | 484,518               | -                          | 110,947                       | (3,447)            | 8,266             | 600,284             |
| Hyundai Powertech Co., Ltd.                  | 299,075               | -                          | 34,434                        | -                  | 1,718             | 335,227             |
| Hyundai Dymos Inc.                           | 233,660               | -                          | 44,005                        | -                  | (7,130)           | 270,535             |
| Hyundai HYSCO Co., Ltd.                      | 615,271               | (483,681)                  | 102,489                       | (5,889)            | 8,542             | 236,732             |
| HMC Investment Securities Co., Ltd.          | 217,187               | -                          | 2,517                         | (1,156)            | (1,330)           | 217,218             |
| Eukor Car Carriers Inc.                      | 127,881               | -                          | 31,336                        | (8,044)            | (2,307)           | 148,866             |
| Hyundai Commercial Inc.                      | 121,597               | -                          | 11,932                        | -                  | (7,723)           | 125,806             |
| Others                                       | 411,257               | 55,559                     | 73,320                        | (22,659)           | 1,962             | 519,439             |
|  | <u>₩ 13,117,731</u>   | <u>₩ (354,098)</u>         | <u>₩ 2,748,647</u>            | <u>₩ (771,686)</u> | <u>₩ (45,599)</u> | <u>₩ 14,694,995</u> |

(\*) Others consist of changes in accumulated other comprehensive income, changes in ownership percentage and others.

The changes in investments in joint ventures and associates for the year ended December 31, 2012, were as follows:

| Name of the company                          | Beginning of the year | Acquisitions / (disposals) | Share of profits for the year | Dividends          | Others (*)         | End of the year     |
|--|-----------------------|----------------------------|-------------------------------|--------------------|--------------------|---------------------|
| (In millions of Korean Won)                  |                       |                            |                               |                    |                    |                     |
| BHMC   | ₩ 1,553,871           | ₩ -                        | ₩ 672,287                     | ₩ (468,287)        | ₩ (100,686)        | ₩ 1,657,185         |
| HMGC   | 128,318               | -                          | 59,980                        | (79,895)           | (4,953)            | 103,450             |
| WAE  | 81,260                | 14,606                     | 17,448                        | -                  | (6,061)            | 107,253             |
| Kia Motors Corporation                       | 4,565,683             | -                          | 1,257,063                     | (82,390)           | (102,118)          | 5,638,238           |
| Hyundai Engineering & Construction Co., Ltd. | 3,011,421             | -                          | 46,573                        | (11,664)           | (22,517)           | 3,023,813           |
| Hyundai WIA Corporation                      | 482,996               | (98,597)                   | 112,265                       | (4,288)            | (7,858)            | 484,518             |
| Hyundai Powertech Co., Ltd.                  | 254,066               | -                          | 47,695                        | -                  | (2,686)            | 299,075             |
| Hyundai Dymos Inc.                           | 194,332               | -                          | 38,588                        | -                  | 740                | 233,660             |
| Hyundai HYSCO Co., Ltd.                      | 449,438               | 101,711                    | 73,648                        | (5,239)            | (4,287)            | 615,271             |
| HMC Investment Securities Co., Ltd.          | 210,511               | -                          | 7,298                         | (1,156)            | 534                | 217,187             |
| Eukor Car Carriers Inc.                      | 111,312               | -                          | 32,153                        | (8,085)            | (7,499)            | 127,881             |
| Hyundai Commercial Inc.                      | 122,364               | -                          | 23,271                        | (24,500)           | 462                | 121,597             |
| Others                                       | 543,666               | 139,927                    | 57,155                        | (38,238)           | (213,907)          | 488,603             |
|  | <u>₩ 11,709,238</u>   | <u>₩ 157,647</u>           | <u>₩ 2,445,424</u>            | <u>₩ (723,742)</u> | <u>₩ (470,836)</u> | <u>₩ 13,117,731</u> |

(\*) Others consisted of changes in accumulated other comprehensive income, changes in ownership percentage and others.

(3) Condensed financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2013, is as follows:

| Name of the company                          | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
|--|----------------|--------------------|---------------------|-------------------------|
| (In millions of Korean Won)                  |                |                    |                     |                         |
| BHMC   | ₩ 6,724,971    | ₩ 2,579,744        | ₩ 5,109,071         | ₩ 95,244                |
| HMGC   | 386,643        | 90,778             | 151,274             | -                       |
| CHMC   | 285,878        | 408,432            | 351,942             | 78,341                  |
| WAE  | 663,359        | 774,846            | 303,861             | 544,423                 |
| Kia Motors Corporation                       | 13,472,386     | 22,709,654         | 10,806,238          | 5,121,007               |
| Hyundai Engineering & Construction Co., Ltd. | 11,108,964     | 3,624,248          | 6,905,974           | 2,624,163               |
| Hyundai WIA Corporation                      | 2,769,033      | 2,091,422          | 1,535,457           | 1,013,737               |
| Hyundai Powertech Co., Ltd.                  | 841,587        | 1,240,856          | 785,041             | 374,060                 |
| Hyundai Dymos Inc.                           | 867,798        | 775,516            | 578,069             | 482,460                 |
| Hyundai HYSKO Co., Ltd.                      | 1,470,314      | 787,872            | 1,111,124           | 444,852                 |
| HMC Investment Securities Co., Ltd. (*1,2)   | 4,552,120      | -                  | 3,885,124           | -                       |
| Eukor Car Carriers Inc.                      | 563,589        | 1,984,373          | 341,512             | 1,194,435               |
| Hyundai Commercial Inc. (*2)                 | 4,154,667      | -                  | 3,800,298           | -                       |

  

| Name of the company                          | Sales        | Profit for the year from continuing operations | Profit for the year from discontinued operations | Other comprehensive Income (expense) | Total comprehensive income |
|--|--------------|--|--|--------------------------------------|----------------------------|
| (In millions of Korean Won)                  |              |  |  |                                      |                            |
| BHMC   | ₩ 19,432,536 | ₩ 1,937,099                                    | ₩ -  | ₩ -                                  | ₩ 1,937,099                |
| HMGC   | 1,830,188    | 66,577   | -  | -                                    | 66,577                     |
| CHMC   | 435,110      | 1,273  | -  | -                                    | 1,273                      |
| WAE  | 1,599,574    | 125,285  | -  | -                                    | 125,285                    |
| Kia Motors Corporation                       | 47,597,897   | 3,817,059                                      | -  | (147,086)                            | 3,669,973                  |
| Hyundai Engineering & Construction Co., Ltd. | 13,938,287   | 569,644  | -  | (102,351)                            | 467,293                    |
| Hyundai WIA Corporation                      | 7,091,994    | 425,007  | -  | 17,000                               | 442,007                    |
| Hyundai Powertech Co., Ltd.                  | 3,273,053    | 97,851   | -  | 4,318                                | 102,169                    |
| Hyundai Dymos Inc.                           | 2,185,540    | 84,835   | -  | 3,036                                | 87,871                     |
| Hyundai HYSKO Co., Ltd.                      | 4,046,137    | 53,597   | 1,555,167  | (2,849)                              | 1,605,915                  |
| HMC Investment Securities Co., Ltd. (*1,2)   | 750,633      | 2,096  | -  | (5,062)                              | (2,966)                    |
| Eukor Car Carriers Inc.                      | 2,598,281    | 255,829  | -  | (14,770)                             | 241,059                    |
| Hyundai Commercial Inc. (*2)                 | 346,231      | 36,617   | -  | (15,387)                             | 21,230                     |

(\*1) 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.

(\*2) Operating finance business of which total assets (liabilities) are included in current assets (liabilities) as they do not distinguish current and non-current portion in their separate financial statements.

Condensed financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2012, was as follows:

| Name of the company                          | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
|--|----------------|--------------------|---------------------|-------------------------|
| (In millions of Korean Won)                  |                |                    |                     |                         |
| BHMC   | ₩ 5,183,231    | ₩ 2,467,016        | ₩ 4,185,709         | ₩ 107,873               |
| HMGC   | 407,709        | 58,577             | 243,563             | -                       |
| WAE  | 680,161        | 602,595            | 389,771             | 405,473                 |
| Kia Motors Corporation                       | 11,139,430     | 21,258,884         | 10,000,239          | 5,550,013               |
| Hyundai Engineering & Construction Co., Ltd. | 9,610,665      | 3,136,164          | 6,149,756           | 1,841,137               |
| Hyundai WIA Corporation                      | 2,788,776      | 1,784,713          | 1,789,978           | 901,393                 |
| Hyundai Powertech Co., Ltd.                  | 806,416        | 1,206,600          | 684,464             | 503,784                 |
| Hyundai Dymos Inc.                           | 762,344        | 606,041            | 483,202             | 396,240                 |
| Hyundai HYSCO Co., Ltd.                      | 2,714,340      | 2,688,727          | 2,598,336           | 951,029                 |
| HMC Investment Securities Co., Ltd. (*1,2)   | 4,257,135      | -                  | 3,582,773           | -                       |
| Eukor Car Carriers Inc.                      | 482,011        | 2,015,125          | 310,254             | 1,122,152               |
| Hyundai Commercial Inc. (*2)                 | 3,932,124      | -                  | 3,583,222           | -                       |

  

| Name of the company                          | Sales        | Profit for the year from continuing operations | Other comprehensive income (expense) | Total comprehensive income |
|--|--------------|--|--------------------------------------|----------------------------|
| (In millions of Korean Won)                  |              |  |                                      |                            |
| BHMC   | ₩ 14,519,399 | ₩ 1,344,871                                    | ₩ -                                  | ₩ 1,344,871                |
| HMGC   | 2,024,745    | 103,915  | -                                    | 103,915                    |
| WAE  | 1,168,745    | 78,737   | -                                    | 78,737                     |
| Kia Motors Corporation                       | 47,242,933   | 3,864,704                                      | (293,434)                            | 3,571,270                  |
| Hyundai Engineering & Construction Co., Ltd. | 13,324,821   | 566,960  | (114,430)                            | 452,530                    |
| Hyundai WIA Corporation                      | 7,021,086    | 424,564  | (25,024)                             | 399,540                    |
| Hyundai Powertech Co., Ltd.                  | 2,954,852    | 121,410  | 314                                  | 121,724                    |
| Hyundai Dymos Inc.                           | 1,926,637    | 76,404   | (12,441)                             | 63,963                     |
| Hyundai HYSCO Co., Ltd.                      | 8,405,083    | 260,155  | (20,574)                             | 239,581                    |
| HMC Investment Securities Co., Ltd. (*1,2)   | 1,104,413    | 21,511   | 2,029                                | 23,540                     |
| Eukor Car Carriers Inc.                      | 2,867,224    | 323,517  | (71,643)                             | 251,874                    |
| Hyundai Commercial Inc. (*2)                 | 347,735      | 52,327   | (1,382)                              | 50,945                     |

(\*1) 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.

(\*2) Operating finance business of which total assets (liabilities) are included in current assets (liabilities) as they do not distinguish current and non-current portion in their separate financial statements.

- (4) Condensed additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2013, is as follows:

| Name of the company         | Cash and cash equivalents | Current financial liabilities | Non-current Financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|-----------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
| (In millions of Korean Won) |                           |                               |                                   |                               |                 |                   |                    |
| BHMC                        | ₩ 573,257                 | ₩ -                           | ₩ -                               | ₩ 1,546,058                   | ₩ 15,426        | ₩ 42,012          | ₩ 645,700          |
| HMGC                        | 136,091                   | -                             | -                                 | 5,191                         | 4,069           | 4,276             | 19,167             |
| CHMC                        | 73,834                    | 88,192                        | 78,341                            | 6,488                         | 2,505           | 746               | 1,135              |

- Condensed additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2012, was as follows:

| Name of the company         | Cash and cash equivalents | Current financial liabilities | Non-current Financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|-----------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
| (In millions of Korean Won) |                           |                               |                                   |                               |                 |                   |                    |
| BHMC                        | ₩ 312,796                 | ₩ -                           | ₩ -                               | ₩ 1,274,285                   | ₩ 14,689        | ₩ 23,923          | ₩ 449,174          |
| HMGC                        | 209,481                   | 21,607                        | -                                 | 3,972                         | 3,046           | 5,663             | 31,594             |

- (5) The aggregate amounts of the Group's share of the joint ventures' and associates', that are not individually material, profit and comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

| Description                           | December 31, 2013 | December 31, 2012 |
|---------------------------------------|-------------------|-------------------|
| (In millions of Korean Won)           |                   |                   |
| Profit for the year                   | ₩ 73,320          | ₩ 57,155          |
| Other comprehensive income (expenses) | 1,498             | (19,880)          |
| Total comprehensive income            | ₩ 74,818          | ₩ 37,275          |

- (6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2013, is as follows:

| Name of the company                             | Group's share of net assets | Goodwill  | Unrealized loss and others | Carrying amounts |
|---|-----------------------------|-----------|----------------------------|------------------|
| (In millions of Korean Won)                     |                             |           |                            |                  |
| BHMC  | ₩ 2,050,200                 | ₩ -       | ₩ (23,863)                 | ₩ 2,026,337      |
| HMGC  | 163,074                     | -         | (9,251)                    | 153,823          |
| CHMC  | 132,014                     | -         | -                          | 132,014          |
| WAE   | 129,783                     | -         | -                          | 129,783          |
| Kia Motors Corporation                          | 6,605,359                   | 197,089   | (54,321)                   | 6,748,127        |
| Hyundai Engineering & Construction Co., Ltd (*) | 1,913,447                   | 1,137,357 | -                          | 3,050,804        |
| Hyundai WIA Corporation                         | 604,486                     | -         | (4,202)                    | 600,284          |
| Hyundai Powertech Co., Ltd.                     | 345,223                     | -         | (9,996)                    | 335,227          |
| Hyundai Dymos Inc.                              | 272,312                     | -         | (1,777)                    | 270,535          |
| Hyundai HYSCO Co., Ltd.                         | 210,104                     | 27,172    | (544)                      | 236,732          |
| HMC Investment Securities Co., Ltd.             | 177,166                     | 40,052    | -                          | 217,218          |
| Eukor Car Carriers Inc.                         | 148,604                     | -         | 262                        | 148,866          |
| Hyundai Commercial Inc.                         | 125,806                     | -         | -                          | 125,806          |

- (\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date, is included in the amount of net assets.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2012, was as follows:

| Name of the company                             | Group's share of net assets | Goodwill  | Unrealized loss and others | Carrying amounts |
|---|-----------------------------|-----------|----------------------------|------------------|
| (In millions of Korean Won)                     |                             |           |                            |                  |
| BHMC  | ₩ 1,678,333                 | ₩ -       | ₩ (21,148)                 | ₩ 1,657,185      |
| HMGC  | 111,361                     | -         | (7,911)                    | 103,450          |
| WAE   | 107,253                     | -         | -                          | 107,253          |
| Kia Motors Corporation                          | 5,496,670                   | 197,089   | (55,521)                   | 5,638,238        |
| Hyundai Engineering & Construction Co., Ltd (*) | 1,886,456                   | 1,137,357 | -                          | 3,023,813        |
| Hyundai WIA Corporation                         | 489,542                     | -         | (5,024)                    | 484,518          |
| Hyundai Powertech Co., Ltd.                     | 310,230                     | -         | (11,155)                   | 299,075          |
| Hyundai Dymos Inc.                              | 235,409                     | -         | (1,749)                    | 233,660          |
| Hyundai HYSCO Co., Ltd.                         | 544,324                     | 72,788    | (1,841)                    | 615,271          |
| HMC Investment Securities Co., Ltd.             | 177,135                     | 40,052    | -                          | 217,187          |
| Eukor Car Carriers Inc.                         | 127,768                     | -         | 113                        | 127,881          |
| Hyundai Commercial Inc.                         | 121,637                     | -         | (40)                       | 121,597          |

(\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date, was included in the amount of net assets.

(7) The market price of listed equity securities as of December 31, 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                              | ₩ 56,100        | 137,318,251            | ₩ 7,703,554  |
| Hyundai Engineering & Construction Co., Ltd.        | 60,700          | 23,327,400             | 1,415,973    |
| Hyundai WIA Corporation                             | 190,000         | 6,893,596              | 1,309,783    |
| Hyundai HYSCO Co., Ltd.                             | 41,500          | 6,698,537              | 277,989      |
| HMC Investment Securities Co., Ltd.                 | 9,810           | 7,705,980              | 75,596       |

### 13. FINANCIAL SERVICES RECEIVABLES:

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

| Description                     | December 31, 2013 | December 31, 2012 |
|---------------------------------|-------------------|-------------------|
| (In millions of Korean Won)     |                   |                   |
| Loans                           | ₩ 29,078,336      | ₩ 27,922,539      |
| Card receivables                | 9,806,136         | 9,744,711         |
| Financial lease receivables     | 3,038,540         | 2,836,499         |
| Others                          | 11,348            | 6,951             |
|                                 | 41,934,360        | 40,510,700        |
| Allowance for doubtful accounts | (823,408)         | (749,166)         |
| Loan origination fee            | (89,881)          | (259,716)         |
| Present value discount accounts | (7,464)           | (7,587)           |
|                                 | ₩ 41,013,607      | ₩ 39,494,231      |

(2) Aging analysis of financial services receivables

As of December 31, 2013 and 2012, total financial services receivables that are past due but not impaired are ₩1,288,443 million and ₩1,384,125 million, respectively; all of them are past due less than 90 days. As of

December 31, 2013 and 2012, the impaired financial services receivables amount to ₩530,638 million and ₩631,406 million, respectively.

(3) Transferred financial services receivables that are not derecognized

As of December 31, 2013 and 2012, the Group issued asset backed securities, which have recourse to the underlying assets, based on loans, card receivables and others. As of December 31, 2013, the carrying amounts and fair values of the transferred financial assets that are not derecognized are ₩14,802,187 million and ₩14,709,639 million, respectively, the carrying amounts and fair values of the associated liabilities are ₩10,934,023 million and ₩11,101,945 million, respectively, and the net position is ₩3,607,694 million. As of December 31, 2012, the carrying amounts and fair values of the transferred financial assets that were not derecognized were ₩13,186,895 million and ₩13,156,258 million, respectively, the carrying amounts and fair values of the associated liabilities were ₩9,912,680 million and ₩10,007,119 million, respectively, and the net position was ₩3,149,139 million.

(4) The changes in allowance for doubtful accounts of financial services receivables for the years ended December 31, 2013 and 2012, are as follows:

| Description                            | December 31, 2013           | December 31, 2012 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Beginning of the year                  | ₩ 749,166                   | ₩ 729,047         |
| Impairment loss                        | 669,339                     | 498,823           |
| Write-off                              | (474,001)                   | (398,137)         |
| Effect of foreign exchange differences | (2,761)                     | (14,359)          |
| Transfers and others                   | (118,335)                   | (77,150)          |
| Changes in the scope of consolidation  | -                           | 10,942            |
| End of the year                        | ₩ 823,408                   | ₩ 749,166         |

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

| Description                                       | December 31, 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                           | ₩ 1,453,668                          | ₩ 1,257,942                             | ₩ 1,366,499                          | ₩ 1,093,879                             |
| Later than one year and not later than five years | 1,944,394                            | 1,776,643                               | 1,812,227                            | 1,742,481                               |
| Later than five years                             | 172                                  | 171                                     | 140                                  | 139                                     |
|   | ₩ 3,398,234                          | ₩ 3,034,756                             | ₩ 3,178,866                          | ₩ 2,836,499                             |

(6) Unearned interest income of financial lease as of December 31, 2013 and 2012, are as follows:

| Description                                  | December 31, 2013           | December 31, 2012 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Gross investments in financial lease         | ₩ 3,398,234                 | ₩ 3,178,866       |
| Net lease investments:                       |                             |                   |
| Present value of minimum lease receipts      | 3,034,756                   | 2,836,499         |
| Present value of unguaranteed residual value | 3,784                       | -                 |
|  | 3,038,540                   | 2,836,499         |
| Unearned interest income                     | ₩ 359,694                   | ₩ 342,367         |



#### 14. OPERATING LEASE ASSETS:

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

| Description                 | December 31, 2013           | December 31, 2012  |
|-----------------------------|-----------------------------|--------------------|
|                             | (In millions of Korean Won) |                    |
| Acquisition cost            | ₩ 12,030,614                | ₩ 9,008,006        |
| Accumulated depreciation    | (1,388,421)                 | (1,121,592)        |
| Accumulated impairment loss | (77,317)                    | (56,326)           |
|                             | <u>₩ 10,564,876</u>         | <u>₩ 7,830,088</u> |

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

| Description                                       | December 31, 2013           | December 31, 2012  |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Not later than one year                           | ₩ 2,018,610                 | ₩ 1,643,559        |
| Later than one year and not later than five years | 2,270,798                   | 1,842,246          |
| Later than five years                             | 1                           | 2                  |
|   | <u>₩ 4,289,409</u>          | <u>₩ 3,485,807</u> |

#### 15. BORROWINGS AND DEBENTURES:

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

| Description                           | Lender                         | Annual interest rate | December 31, 2013           | December 31, 2013 | December 31, 2012 |
|---------------------------------------|--------------------------------|----------------------|-----------------------------|-------------------|-------------------|
|                                       |                                | (%)                  | (In millions of Korean Won) |                   |                   |
| Overdrafts                            | Citi Bank and others           | 0.40~3.53            | ₩ 211,603                   | ₩                 | 198,630           |
| General loans                         | Kookmin Bank and others        | 0.28~7.00            | 2,468,175                   |                   | 2,361,415         |
| Loans on trade receivables collateral | Korea Exchange Bank and others | LIBOR+0.23~0.40      | 997,519                     |                   | 1,889,307         |
| Banker's Usance                       | Kookmin Bank and others        | LIBOR+0.31~0.40      | 439,579                     |                   | 596,229           |
| Commercial paper                      | Shinhan Bank and others        | 0.21~3.62            | 747,375                     |                   | 730,000           |
| Asset-backed securities               | HSBC                           | 0.64                 | 428,547                     |                   | 126,538           |
| Short-term debentures                 | Daewoo Securities and other    | -                    | -                           |                   | 879,630           |
|                                       |                                |                      | <u>₩ 5,292,798</u>          | <u>₩</u>          | <u>6,781,749</u>  |

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

| Description                   | Lender                               | Annual<br>interest rate | December 31,<br>2013 | December 31,<br>2013 | December 31,<br>2012 |           |
|-------------------------------|--------------------------------------|-------------------------|----------------------|----------------------|----------------------|-----------|
|                               |                                      | (%)                     |                      |                      |                      |           |
| (In millions of Korean Won)   |                                      |                         |                      |                      |                      |           |
| General loans                 | Shinhan Bank and others              | 0.98~5.50               | ₩                    | 3,127,981            | ₩                    | 2,265,859 |
| Facility loan                 | Korea Development Bank<br>and others | 0.92~7.30               |                      | 524,530              |                      | 796,486   |
| Commercial paper              | Meritz Securities<br>and others      | 3.07~4.15               |                      | 233,000              |                      | 343,000   |
| Asset-backed securities       | JP Morgan and others                 | 0.47~0.69               |                      | 3,535,460            |                      | 3,369,345 |
| Others                        | Woori Bank and others                | 0.10~2.94               |                      | 238,899              |                      | 290,324   |
|                               |                                      |                         |                      | 7,659,870            |                      | 7,065,014 |
| Less: present value discounts |                                      |                         |                      | 134,025              |                      | 158,398   |
| Less: current maturities      |                                      |                         |                      | 2,859,815            |                      | 2,764,143 |
|                               |                                      |                         | ₩                    | 4,666,030            | ₩                    | 4,142,473 |

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

| Description                       | Latest maturity date | Annual interest rate | December 31, 2013 | December 31, 2013 | December 31, 2012 |
|-----------------------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
|                                   |                      | (%)                  |                   |                   |                   |
| (In millions of Korean Won)       |                      |                      |                   |                   |                   |
| Guaranteed public debentures      | June 8, 2017         | 3.75~4.50            | ₩ 1,583,399       | ₩ 1,604,827       |                   |
| Guaranteed private debentures     | April 25, 2015       | 5.68                 | 79,148            | 80,333            |                   |
| Non-guaranteed public debentures  | September 25, 2020   | 2.61~7.47            | 20,298,628        | 17,434,701        |                   |
| Non-guaranteed private debentures | August 9, 2018       | 1.63~3.63            | 2,383,997         | 2,613,559         |                   |
| Asset-backed securities           | January 15, 2020     | 0.22~6.52            | 10,891,176        | 9,880,999         |                   |
|                                   |                      |                      | 35,236,348        | 31,614,419        |                   |
| Less: discount on debentures      |                      |                      | 88,129            | 95,532            |                   |
| Less: current maturities          |                      |                      | 5,825,439         | 5,148,198         |                   |
|                                   |                      |                      | ₩ 29,322,780      | ₩ 26,370,689      |                   |

## 16. PROVISIONS:

(1) Provisions as of December 31, 2013 and 2012, consist of the following:

| Description                       | December 31,<br>2013        | December 31,<br>2012 |
|-----------------------------------|-----------------------------|----------------------|
|                                   | (In millions of Korean Won) |                      |
| Warranty                          | ₩ 5,871,332                 | ₩ 5,908,719          |
| Other long-term employee benefits | 624,836                     | 609,589              |
| Others                            | 409,751                     | 490,450              |
|                                   | ₩ 6,905,919                 | ₩ 7,008,758          |

(2) The changes in provisions for the year ended December 31, 2013, are as follows:

| Description   | Warranty |           | Other long-term employee benefits |          | Others |           |
|---|----------|-----------|-----------------------------------|----------|--------|-----------|
|   |          |           | (In millions of Korean Won)       |          |        |           |
| Beginning of the year                               | ₩        | 5,908,719 | ₩                                 | 609,589  | ₩      | 490,450   |
| Charged   |          | 773,917   |                                   | 64,075   |        | 100,207   |
| Utilized  |          | (975,612) |                                   | (48,834) |        | (181,975) |
| Amortization of present value discounts             |          | 142,133   |                                   | -        |        | 13,268    |
| Changes in expected reimbursements by third parties |          | 44,819    |                                   | -        |        | -         |
| Effect of foreign exchange differences              |          | (22,644)  |                                   | 6        |        | (12,199)  |
| End of the year                                     | ₩        | 5,871,332 | ₩                                 | 624,836  | ₩      | 409,751   |

The changes in provisions for the year ended December 31, 2012, were as follows:

| Description   | Warranty |           | Other long-term employee benefits |          | Others |           |
|---|----------|-----------|-----------------------------------|----------|--------|-----------|
|   |          |           | (In millions of Korean Won)       |          |        |           |
| Beginning of the year                               | ₩        | 5,850,285 | ₩                                 | 586,628  | ₩      | 210,240   |
| Charged   |          | 712,587   |                                   | 66,354   |        | 452,907   |
| Utilized  |          | (795,880) |                                   | (46,574) |        | (154,684) |
| Amortization of present value discounts             |          | 144,566   |                                   | -        |        | -         |
| Changes in expected reimbursements by third parties |          | 2,343     |                                   | -        |        | -         |
| Effect of foreign exchange differences              |          | (72,024)  |                                   | (6)      |        | (28,189)  |
| Changes in the scope of consolidation               |          | 66,842    |                                   | 3,187    |        | 10,176    |
| End of the year                                     | ₩        | 5,908,719 | ₩                                 | 609,589  | ₩      | 490,450   |

#### 17. OTHER FINANCIAL LIABILITIES:

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

| Description   | December 31, 2013 |             | December 31, 2012 |             |
|---|-------------------|-------------|-------------------|-------------|
|   | Current           | Non-current | Current           | Non-current |
| (In millions of Korean Won)                                   |                   |             |                   |             |
| Financial liabilities at FVTPL                                | ₩ 2               | ₩ 3,061     | ₩ 1               | ₩ 4,161     |
| Derivative liabilities that are effective hedging instruments | 134,974           | 426,434     | 24,604            | 331,699     |
| Financial lease liabilities                                   | 9,093             | 10,618      | 8,458             | 20,333      |
| Others  | -                 | -           | 115,248           | -           |
|   | ₩ 144,069         | ₩ 440,113   | ₩ 148,311         | ₩ 356,193   |

# **18. OTHER LIABILITIES:**

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

| Description                        | December 31, 2013  |                    | December 31, 2012  |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | Current            | Non-current        | Current            | Non-current        |
| (In millions of Korean Won)        |                    |                    |                    |                    |
| Advance received                   | ₩ 250,886          | ₩ 48,426           | ₩ 412,792          | ₩ 51,549           |
| Withholdings                       | 1,105,380          | 491,180            | 1,402,652          | 554,677            |
| Accrued expenses                   | 1,663,951          | -                  | 1,288,105          | -                  |
| Unearned income                    | 442,495            | 458,707            | 482,160            | 339,549            |
| Accrued dividends                  | 68                 | -                  | 77                 | -                  |
| Due to customers for contract work | 445,292            | -                  | 497,948            | -                  |
| Others                             | 91,042             | 611,168            | 207,370            | 536,583            |
|                                    | <u>₩ 3,999,114</u> | <u>₩ 1,609,481</u> | <u>₩ 4,291,104</u> | <u>₩ 1,482,358</u> |

# **19. FINANCIAL INSTRUMENTS:**

(1) Categories of financial assets as of December 31, 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                      | ₩ -                       | ₩ 6,872,430           | ₩ -                  | ₩ -   | ₩ 6,872,430         | ₩ 6,872,430         |
| Short-term and long-term financial instruments | -                         | 14,910,783            | -                    | -   | 14,910,783          | 14,910,783          |
| Trade notes and accounts receivable            | -                         | 3,528,654             | -                    | -   | 3,528,654           | 3,528,654           |
| Other receivables                              | -                         | 2,845,387             | -                    | -   | 2,845,387           | 2,845,387           |
| Other financial assets                         | 448,892                   | 248,721               | 2,515,396            | 26,696  | 3,239,705           | 3,239,705           |
| Other assets                                   | -                         | 363,352               | -                    | -   | 363,352             | 363,352             |
| Financial services receivables                 | -                         | 41,013,607            | -                    | -   | 41,013,607          | 41,566,247          |
|  | <u>₩ 448,892</u>          | <u>₩ 69,782,934</u>   | <u>₩ 2,515,396</u>   | <u>₩ 26,696</u>                               | <u>₩ 72,773,918</u> | <u>₩ 73,326,558</u> |

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

| Description                                    | Financial assets<br>at FVTPL | Loans<br>and<br>receivables | AFS<br>financial<br>assets | HTM<br>financial<br>assets | Derivatives<br>designated as<br>hedging<br>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 December 31, 2013, consist of the following:

| Description                      | Financial liabilities<br>at FVTPL | Financial liabilities<br>carried at<br>amortized cost | Derivatives<br>designated as<br>hedging instruments | Book value   | Fair value   |
|----------------------------------|-----------------------------------|---|---|--------------|--------------|
| (In millions of Korean Won)      |                                   |   |   |              |              |
| Trade notes and accounts payable | ₩ -                               | ₩ 6,722,740   | ₩ -   | ₩ 6,722,740  | ₩ 6,722,740  |
| Other payables                   | -                                 | 4,703,454   | -   | 4,703,454    | 4,703,454    |
| Borrowings and debentures        | -                                 | 47,966,862  | -   | 47,966,862   | 48,636,232   |
| Other financial liabilities      | 3,063                             | 19,711  | 561,408   | 584,182      | 584,182      |
| Other liabilities                | -                                 | 1,664,019   | -   | 1,664,019    | 1,664,019    |
|                                  | ₩ 3,063                           | ₩ 61,076,786  | ₩ 561,408   | ₩ 61,641,257 | ₩ 62,310,627 |

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

| Description                      | Financial liabilities<br>at FVTPL | Financial liabilities<br>carried at<br>amortized cost | Derivatives<br>designated as<br>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 December 31, 2013, are as follows:

| Description                                   | December 31, 2013           |                  |                  |                    |
|---|-----------------------------|------------------|------------------|--------------------|
|   | Level 1                     | Level 2          | Level 3          | Total              |
|   | (In millions of Korean Won) |                  |                  |                    |
| Financial assets:                             |                             |                  |                  |                    |
| Financial assets at FVTPL                     | ₩ 38,927                    | ₩ 409,965        | ₩ -              | ₩ 448,892          |
| Derivatives designated as hedging instruments | -                           | 26,696           | -                | 26,696             |
| AFS financial assets                          | 2,187,434                   | 98,620           | 229,342          | 2,515,396          |
|   | <u>₩ 2,226,361</u>          | <u>₩ 535,281</u> | <u>₩ 229,342</u> | <u>₩ 2,990,984</u> |
| Financial liabilities:                        |                             |                  |                  |                    |
| Financial liabilities at FVTPL                | ₩ -                         | ₩ 3,063          | ₩ -              | ₩ 3,063            |
| Derivatives designated as hedging instruments | -                           | 561,408          | -                | 561,408            |
|   | <u>₩ -</u>                  | <u>₩ 564,471</u> | <u>₩ -</u>       | <u>₩ 564,471</u>   |

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2012, were 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 year ended December 31, 2013, are as follows:

| Description                 | Beginning<br>of the year | Purchases | Disposals  | Valuation | Transfers | End of<br>the year |
|-----------------------------|--------------------------|-----------|------------|-----------|-----------|--------------------|
| (In millions of Korean Won) |                          |           |            |           |           |                    |
| AFS financial assets        | ₩ 264,103                | ₩ 2,829   | ₩ (42,064) | ₩ 4,474   | ₩ -       | ₩ 229,342          |

The changes in financial instruments classified as Level 3 for the year ended December 31, 2012, were as follows:

| Description                 | Beginning<br>of the year | Purchases | Disposals  | Valuation | Transfers | End of<br>the year |
|-----------------------------|--------------------------|-----------|------------|-----------|-----------|--------------------|
| (In millions of Korean Won) |                          |           |            |           |           |                    |
| AFS financial assets        | ₩ 273,070                | ₩ 9,042   | ₩ (21,162) | ₩ 3,153   | ₩ -       | ₩ 264,103          |

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the years ended December 31, 2013 and 2012, consist of the following:

| Description  | 2013               |                    |                      | 2012               |                    |                      |
|--|--------------------|--------------------|----------------------|--------------------|--------------------|----------------------|
|  | Interest<br>income | Dividend<br>income | Interest<br>expenses | Interest<br>income | Dividend<br>Income | Interest<br>expenses |
| (In millions of Korean Won)                        |                    |                    |                      |                    |                    |                      |
| Non-financial services:                            |                    |                    |                      |                    |                    |                      |
| Loans and receivables                              | ₩ 573,439          | ₩ -                | ₩ -                  | ₩ 586,507          | ₩ -                | ₩ -                  |
| AFS financial assets                               | 961                | 11,096             | -                    | 3,769              | 15,024             | -                    |
| HTM financial assets                               | -                  | -                  | -                    | 1                  | -                  | -                    |
| Financial liabilities<br>carried at amortized cost | -                  | -                  | 229,750              | -                  | -                  | 311,113              |
|  | <u>₩ 574,400</u>   | <u>₩ 11,096</u>    | <u>₩ 229,750</u>     | <u>₩ 590,277</u>   | <u>₩ 15,024</u>    | <u>₩ 311,113</u>     |
| Financial services:                                |                    |                    |                      |                    |                    |                      |
| Loans and receivables                              | ₩ 2,640,111        | ₩ -                | ₩ -                  | ₩ 2,757,278        | ₩ -                | ₩ -                  |
| Financial assets at FVTPL                          | 6,141              | -                  | -                    | -                  | -                  | -                    |
| Financial liabilities<br>at FVTPL                  | -                  | -                  | -                    | -                  | -                  | 14,464               |
| Financial liabilities<br>carried at amortized cost | -                  | -                  | 1,351,481            | -                  | -                  | 1,430,910            |
|  | <u>₩ 2,646,252</u> | <u>₩ -</u>         | <u>₩ 1,351,481</u>   | <u>₩ 2,757,278</u> | <u>₩ -</u>         | <u>₩ 1,445,374</u>   |

- (5) Financial assets and liabilities subject to offsetting, financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2013, consist of the following:

| Description   | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position | Net amounts of financial assets and liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position - Financial instruments | Related amounts not set off in the statement of financial position - Collateral received (pledged) | Net amounts         |
|---|--|--|---|---|--|---------------------|
| (In millions of Korean Won)                                   |  |  |   |   |  |                     |
| Financial assets:   |  |  |   |   |  |                     |
| Trade notes and accounts receivable                           | ₩ 3,590,967  | ₩ 62,313   | ₩ 3,528,654   | ₩ -   | ₩ -  | ₩ 3,528,654         |
| Other receivables   | 3,160,005  | 314,618  | 2,845,387   | -   | -  | 2,845,387           |
| Financial assets at FVTPL (*)                                 | 34,637   | -  | 34,637  | -   | -  | 34,637              |
| Derivative assets that are effective hedging instruments      | 26,696   | -  | 26,696  | 24,438  | -  | 2,258               |
|   | <u>₩ 6,812,305</u>   | <u>₩ 376,931</u>   | <u>₩ 6,435,374</u>  | <u>₩ 24,438</u>   | <u>₩ -</u>   | <u>₩ 6,410,936</u>  |
| Financial liabilities:  |  |  |   |   |  |                     |
| Trade notes and accounts payable                              | ₩ 6,972,764  | ₩ 250,024  | ₩ 6,722,740   | ₩ -   | ₩ -  | ₩ 6,722,740         |
| Other payables  | 4,830,361  | 126,907  | 4,703,454   | -   | -  | 4,703,454           |
| Financial liabilities at FVTPL (*)                            | 3,063  | -  | 3,063   | -   | -  | 3,063               |
| Derivative liabilities that are effective hedging instruments | 561,408  | -  | 561,408   | 24,438  | -  | 536,970             |
|   | <u>₩ 12,367,596</u>  | <u>₩ 376,931</u>   | <u>₩ 11,990,665</u>   | <u>₩ 24,438</u>   | <u>₩ -</u>   | <u>₩ 11,966,227</u> |

- (\*) There are no derivative assets and liabilities that can be offset as of December 31, 2013. Therefore, derivative assets and liabilities do not meet the criteria for offsetting in K-IFRS 1032, but the Group has a right of offsetting them in the event of default, insolvency or bankruptcy of the counterparty.

Financial assets and liabilities subject to offsetting, financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2012, consisted of the following:

| Description   | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position | Net amounts of financial assets and liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position - Financial instruments | Related amounts not set off in the statement of financial position - Collateral received (pledged) | Net amounts         |
|---|--|--|---|---|--|---------------------|
| (In millions of Korean Won)                                   |  |  |   |   |  |                     |
| Financial assets:   |  |  |   |   |  |                     |
| Trade notes and accounts receivable                           | ₩ 3,850,475  | ₩ 119,850  | ₩ 3,730,625   | ₩ -   | ₩ -  | ₩ 3,730,625         |
| Other receivables   | 2,794,774  | 234,891  | 2,559,883   | -   | -  | 2,559,883           |
| Financial assets at FVTPL (*)                                 | 87,152   | -  | 87,152  | -   | -  | 87,152              |
| Derivative assets that are effective hedging instruments      | 35,805   | -  | 35,805  | 32,811  | -  | 2,994               |
|   | <u>₩ 6,768,206</u>   | <u>₩ 354,741</u>   | <u>₩ 6,413,465</u>  | <u>₩ 32,811</u>   | <u>₩ -</u>   | <u>₩ 6,380,654</u>  |
| Financial liabilities:  |  |  |   |   |  |                     |
| Trade notes and accounts payable                              | ₩ 7,139,826  | ₩ 298,500  | ₩ 6,841,326   | ₩ -   | ₩ -  | ₩ 6,841,326         |
| Other payables  | 4,606,519  | 56,241   | 4,550,278   | -   | -  | 4,550,278           |
| Financial liabilities at FVTPL (*)                            | 4,162  | -  | 4,162   | -   | -  | 4,162               |
| Derivative liabilities that are effective hedging instruments | 356,303  | -  | 356,303   | 32,811  | -  | 323,492             |
|   | <u>₩ 12,106,810</u>  | <u>₩ 354,741</u>   | <u>₩ 11,752,069</u>   | <u>₩ 32,811</u>   | <u>₩ -</u>   | <u>₩ 11,719,258</u> |



- (\*) There were no derivative assets and liabilities that can be offset as of December 31, 2012. Therefore, derivative assets and liabilities did not meet the criteria for offsetting in K-IFRS 1032, but the Group had a right of offsetting them in the event of default, insolvency or bankruptcy of the counterparty.
- (6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the years ended December 31, 2013 and 2012, are ₩1,646,100 million and ₩1,616,825 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 years ended December 31, 2013 and 2012, are ₩897,756 million and ₩808,147 million, respectively.
- (7) 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 year ended December 31, 2013.
- (8) 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 remaining period of derivatives to be measured. If the forward exchange rate, which has the same 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 rates.

As the inputs used to measure fair value of currency forwards and options are supported by observable market data, such as forward exchange rates, 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.

- (9) 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 relationships of significant unobservable inputs to the fair value are as follows:

| Description                   | Fair value at<br>December 31,<br>2013<br>(In millions of<br>Korean Won) | Valuation<br>Techniques | Unobservable<br>inputs  | Range                                       | Description of<br>relationship   |
|-------------------------------|---|-------------------------|---|---|--|
| Unlisted equity<br>securities | ₩ 229,342   | Discounted<br>cash flow | Sales growth rate<br>Pre-tax operating<br>income ratio<br>Discount rate | 0.5% ~ 7.0%<br>2.7% ~ 22.3%<br>6.1% ~ 14.2% | If the sales growth<br>rate and the pre-<br>tax operating<br>income ratio rise<br>or the discount rate<br>declines, the fair<br>value increases. |

The Group believes that the changes of unobservable inputs to reflect reasonably possible alternative assumptions would not have significant effects on the fair value measurements.

## 20. CAPITAL STOCK:

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

### (1) Common stock

| Description   | December 31, 2013<br>(In millions of Korean Won) | December 31, 2012<br>(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<br>(In millions of<br>Korean Won) | Dividend rate                      |
|---------------------------------|-----------|-------------------|--|------------------------------------|
| 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. The preferred shares are non-cumulative, participating and non-voting.

## 21. CAPITAL SURPLUS:

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

| Description                                  | December 31, 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                                       | 809,334                     | 837,654            |
|  | <u>₩ 4,130,668</u>          | <u>₩ 4,158,988</u> |

## 22. OTHER CAPITAL ITEMS:

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

| Description                     | December 31, 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 December 31, 2013 and 2012, consists of the following:

| Description   | December 31, 2013           | December 31, 2012  |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Gain on valuation of AFS financial assets                                     | ₩ 737,234                   | ₩ 678,559          |
| Loss on valuation of AFS financial assets                                     | (2,850)                     | (2,372)            |
| Gain on valuation of cash flow hedge derivatives                              | 2,589                       | 4,614              |
| Loss on valuation of cash flow hedge derivatives                              | (1,382)                     | (5,726)            |
| Gain on share of the other comprehensive income of equity-accounted investees | 59,833                      | 21,532             |
| Loss on share of the other comprehensive income of equity-accounted investees | (386,557)                   | (287,108)          |
| Loss on foreign operations translation, net                                   | (1,242,903)                 | (882,872)          |
|   | <u>₩ (834,036)</u>          | <u>₩ (473,373)</u> |

## 24. RETAINED EARNINGS AND DIVIDENDS:

(1) Retained earnings as of December 31, 2013 and 2012, consist of the following:

| Description           | December 31, 2013           | December 31, 2012   |
|-----------------------|-----------------------------|---------------------|
|                       | (In millions of Korean Won) |                     |
| Legal reserve (*)     | ₩ 475,707                   | ₩ 423,124           |
| Discretionary reserve | 31,021,647                  | 26,531,647          |
| Unappropriated        | 16,776,885                  | 13,038,459          |
|                       | <u>₩ 48,274,239</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.

(2) The computation of the proposed dividends for the year ended December 31, 2013, is as follows:

| Description   | Common stock | 1 <sup>st</sup> Preferred stock | 2 <sup>nd</sup> Preferred stock | 3 <sup>rd</sup> Preferred stock |
|---|--------------|---------------------------------|---------------------------------|---------------------------------|
| (In millions of Korean Won, except per share amounts) |              |                                 |                                 |                                 |
| Number of shares issued                               | 220,276,479  | 25,109,982                      | 37,613,865                      | 2,478,299                       |
| Treasury stocks                                       | (11,006,710) | (1,950,960)                     | (1,000,000)                     | -                               |
| Shares, net of treasury stocks                        | 209,269,769  | 23,159,022                      | 36,613,865                      | 2,478,299                       |
| Par value per share                                   | ₩ 5,000      | ₩ 5,000                         | ₩ 5,000                         | ₩ 5,000                         |
| Dividend rate   | 39%          | 40%                             | 41%                             | 40%                             |
| Dividends declared                                    | 408,076      | 46,318                          | 75,058                          | 4,957                           |
| Dividends per share                                   | ₩ 1,950      | ₩ 2,000                         | ₩ 2,050                         | ₩ 2,000                         |
| Market price per share                                | 236,500      | 125,000                         | 130,500                         | 114,500                         |
| Dividend yield ratio                                  | 0.8%         | 1.6%                            | 1.6%                            | 1.7%                            |

The computation of the dividends for the year ended December 31, 2012, was as follows:

| Description   | Common stock | 1 <sup>st</sup> Preferred stock | 2 <sup>nd</sup> Preferred stock | 3 <sup>rd</sup> Preferred stock |
|---|--------------|---------------------------------|---------------------------------|---------------------------------|
| (In millions of Korean Won, except per share amounts) |              |                                 |                                 |                                 |
| Number of shares issued                               | 220,276,479  | 25,109,982                      | 37,613,865                      | 2,478,299                       |
| Treasury stocks                                       | (11,006,710) | (1,950,960)                     | (1,000,000)                     | -                               |
| Shares, net of treasury stocks                        | 209,269,769  | 23,159,022                      | 36,613,865                      | 2,478,299                       |
| Par value per share                                   | ₩ 5,000      | ₩ 5,000                         | ₩ 5,000                         | ₩ 5,000                         |
| Dividend rate   | 38%          | 39%                             | 40%                             | 39%                             |
| Dividends declared                                    | 397,612      | 45,160                          | 73,228                          | 4,833                           |
| Dividends per share                                   | ₩ 1,900      | ₩ 1,950                         | ₩ 2,000                         | ₩ 1,950                         |
| Market price per share                                | 218,500      | 69,300                          | 75,600                          | 54,500                          |
| Dividend yield ratio                                  | 0.9%         | 2.8%                            | 2.6%                            | 3.6%                            |

## 25. SALES:

Sales for the years ended December 31, 2013 and 2012, consist of the following:

| Description                 | 2013                | 2012                |
|-----------------------------|---------------------|---------------------|
| (In millions of Korean Won) |                     |                     |
| Sales of goods              | ₩ 77,371,830        | ₩ 75,002,314        |
| Rendering of services       | 1,285,463           | 1,238,936           |
| Royalties                   | 230,642             | 151,770             |
| Financial services revenue  | 8,205,197           | 7,900,560           |
| Others                      | 214,504             | 176,141             |
|                             | <u>₩ 87,307,636</u> | <u>₩ 84,469,721</u> |

## 26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2013 and 2012, consist of the following:

| Description                        | 2013                        | 2012                |
|------------------------------------|-----------------------------|---------------------|
|                                    | (In millions of Korean Won) |                     |
| Selling expenses:                  |                             |                     |
| Export expenses                    | ₩ 951,362                   | ₩ 994,234           |
| Overseas market expenses           | 269,422                     | 385,112             |
| Advertisements and sales promotion | 2,087,172                   | 2,163,739           |
| Sales commissions                  | 602,845                     | 531,536             |
| Expenses for warranties            | 964,684                     | 954,764             |
| Transportation expenses            | 324,158                     | 283,515             |
|                                    | <u>5,199,643</u>            | <u>5,312,900</u>    |
| Administrative expenses:           |                             |                     |
| Payroll                            | 2,313,956                   | 2,163,291           |
| Post-employment benefits           | 168,825                     | 144,459             |
| Welfare expenses                   | 363,299                     | 313,181             |
| Service charges                    | 1,154,974                   | 1,116,815           |
| Research                           | 722,732                     | 686,606             |
| Others                             | 1,209,219                   | 1,324,595           |
|                                    | <u>5,933,005</u>            | <u>5,748,947</u>    |
|                                    | <u>₩ 11,132,648</u>         | <u>₩ 11,061,847</u> |

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

Gain on investments in joint ventures and associates for the years ended December 31, 2013 and 2012, consist of the following:

| Description  | 2013                        | 2012               |
|--|-----------------------------|--------------------|
|  | (In millions of Korean Won) |                    |
| Gain on share of earnings of equity-accounted investees, net | ₩ 2,748,647                 | ₩ 2,445,424        |
| Gain on disposals of investments in associates, net          | 308,462                     | 136,140            |
|  | <u>₩ 3,057,109</u>          | <u>₩ 2,581,564</u> |

## 28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2013 and 2012, consist of the following:

| Description   | 2013                        | 2012             |
|---|-----------------------------|------------------|
|   | (In millions of Korean Won) |                  |
| Interest income                                     | ₩ 581,388                   | ₩ 590,277        |
| Gain on foreign exchange transactions               | 78,825                      | 89,945           |
| Gain on foreign currency translation                | 83,042                      | 147,653          |
| Dividend income                                     | 11,096                      | 15,024           |
| Income on financial guarantee                       | 3,727                       | 3,673            |
| Gain on valuation of financial instruments at FVTPL | 2,452                       | 53,920           |
| Gain on disposals of AFS financial assets           | 8,601                       | -                |
| Gain on valuation of derivatives                    | 33,045                      | 67,655           |
| Others  | 3,085                       | 1,579            |
|   | <u>₩ 805,261</u>            | <u>₩ 969,726</u> |

(2) Finance expenses for the years ended December 31, 2013 and 2012, consist of the following:

| Description  | 2013                        | 2012      |
|--|-----------------------------|-----------|
|  | (In millions of Korean Won) |           |
| Interest expenses  | ₩ 341,192                   | ₩ 426,698 |
| Loss on foreign exchange transactions                    | 75,934                      | 45,809    |
| Loss on foreign currency translation                     | 95,407                      | 122,943   |
| Loss on disposals of trade notes and accounts receivable | 11,041                      | 15,330    |
| Loss on valuation of financial instruments at FVTPL      | 1,520                       | -         |
| Impairment loss on AFS financial assets                  | 2,204                       | 2,123     |
| Loss on valuation of derivatives                         | 22,260                      | 11,470    |
| Others   | 3,151                       | 100       |
|  | ₩ 552,709                   | ₩ 624,473 |

## 29. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2013 and 2012, consists of the following:

| Description   | 2013                        | 2012        |
|---|-----------------------------|-------------|
|   | (In millions of Korean Won) |             |
| Gain on foreign exchange transactions                               | ₩ 307,055                   | ₩ 420,252   |
| Gain on foreign currency translation                                | 195,810                     | 204,726     |
| Gain on disposals of PP&E   | 103,104                     | 31,366      |
| Gain on disposals of intangible assets                              | 16,649                      | 126         |
| Commission income   | 46,135                      | 36,586      |
| Rental income   | 70,931                      | 86,280      |
| Gain on disposals of non-current assets classified as held for sale | 4,530                       | -           |
| Others  | 393,787                     | 452,024     |
|   | ₩ 1,138,001                 | ₩ 1,231,360 |

(2) Other expenses for the years ended December 31, 2013 and 2012, consist of the following:

| Description   | 2013                        | 2012      |
|---|-----------------------------|-----------|
|   | (In millions of Korean Won) |           |
| Loss on foreign exchange transactions                               | ₩ 377,865                   | ₩ 394,426 |
| Loss on foreign currency translation                                | 236,842                     | 180,835   |
| Loss on disposals of PP&E   | 32,741                      | 62,983    |
| Impairment loss on intangible assets                                | 28,161                      | 666       |
| Loss on disposals of non-current assets classified as held for sale | 1,179                       | -         |
| Donations   | 75,124                      | 70,301    |
| Others  | 314,541                     | 279,125   |
|   | ₩ 1,066,453                 | ₩ 988,336 |

### 30. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2013 and 2012, consist of the following:

| Description                        | 2013                        | 2012         |
|------------------------------------|-----------------------------|--------------|
|                                    | (In millions of Korean Won) |              |
| Changes in inventories             | ₩ (389,147)                 | ₩ (296,076)  |
| Raw materials and merchandise used | 47,353,933                  | 47,306,979   |
| Employee benefits                  | 8,308,494                   | 7,393,900    |
| Depreciation                       | 1,768,985                   | 1,700,775    |
| Amortization                       | 782,353                     | 823,144      |
| Others                             | 22,233,974                  | 20,088,734   |
| Total (*)                          | ₩ 80,058,592                | ₩ 77,017,456 |

(\*) 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 year. The Group did not compute diluted earnings per common share for the years ended December 31, 2013 and 2012, since there were no dilutive items during the years.

Basic earnings per common share for the years ended December 31, 2013 and 2012, are computed as follows:

| Description   | 2013  | 2012               |
|---|---|--------------------|
|   | (In millions of Korean Won, except per share amounts) |                    |
| Profit attributable to the owners of the Parent Company | ₩ 8,541,834   | ₩ 8,566,568        |
| Profit available to preferred stock                     | (1,962,183)   | (1,967,854)        |
| Profit available to common share                        | 6,579,651   | 6,598,714          |
| Weighted-average number of common shares outstanding    | 209,269,769 shares                                    | 209,269,769 shares |
| Basic earnings per common share                         | ₩ 31,441  | ₩ 31,532           |

### 32. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2013 and 2012, consist of the following:

| Description   | 2013                        | 2012        |
|---|-----------------------------|-------------|
|   | (In millions of Korean Won) |             |
| Income tax currently payable  | ₩ 1,620,676                 | ₩ 1,576,461 |
| Adjustments recognized in the current year in relation to the prior years | 207,646                     | (39,836)    |
| Changes in deferred taxes due to:   |                             |             |
| Temporary differences   | 1,138,556                   | 694,868     |
| Tax credits and deficits  | (180,586)                   | 162,391     |
| Items directly charged to equity  | (113,430)                   | 97,414      |
| Effect of foreign exchange differences                                    | 30,347                      | 61,644      |
| Changes in the scope of consolidation                                     | -                           | (3,632)     |
| Income tax expense  | ₩ 2,703,209                 | ₩ 2,549,310 |

- (2) The reconciliation from income before income tax to income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2013 and 2012, are as follows:

| Description  | 2013                        | 2012             |
|--|-----------------------------|------------------|
|  | (In millions of Korean Won) |                  |
| Income before income tax   | ₩ 11,696,706                | ₩ 11,610,442     |
| Income tax expense calculated at current applicable tax rates of 27.0% in 2013 and 26.3% in 2012 | 3,163,781                   | 3,051,556        |
| Adjustments:   |                             |                  |
| Non-taxable income   | (109,720)                   | (82,407)         |
| Disallowed expenses  | 101,057                     | 91,613           |
| Tax credits  | (685,584)                   | (665,606)        |
| Others   | 233,675                     | 154,154          |
|  | <u>(460,572)</u>            | <u>(502,246)</u> |
| Income tax expense   | ₩ 2,703,209                 | ₩ 2,549,310      |
| Effective tax rate   | 23.1%                       | 22.0%            |

- (3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2013, are as follows:

| Description                                     | Beginning of the year       | Changes            | End of the year      |
|---|-----------------------------|--------------------|----------------------|
|   | (In millions of Korean Won) |                    |                      |
| Provisions                                      | ₩ 1,672,540                 | ₩ 64,812           | ₩ 1,737,352          |
| AFS financial assets                            | (229,971)                   | (17,392)           | (247,363)            |
| Subsidiaries, associates and joint ventures     | (854,175)                   | (318,614)          | (1,172,789)          |
| Reserve for research and manpower development   | (240,177)                   | (50,304)           | (290,481)            |
| Derivatives                                     | (56,428)                    | 4,307              | (52,121)             |
| PP&E  | (3,232,024)                 | (730,207)          | (3,962,231)          |
| Accrued income                                  | (32,434)                    | 24,925             | (7,509)              |
| Gain on foreign currency translation            | 615                         | 377                | 992                  |
| Others  | 294,834                     | (116,460)          | 178,374              |
|   | <u>(2,677,220)</u>          | <u>(1,138,556)</u> | <u>(3,815,776)</u>   |
| Accumulated deficit and tax credit carryforward | 804,237                     | 180,586            | 984,823              |
|   | <u>₩ (1,872,983)</u>        | <u>₩ (957,970)</u> | <u>₩ (2,830,953)</u> |

The changes in deferred tax assets (liabilities) for the year ended December 31, 2012, were as follows:

| Description                                     | Beginning of the year       | Changes            | End of the year      |
|---|-----------------------------|--------------------|----------------------|
|   | (In millions of Korean Won) |                    |                      |
| Provisions                                      | ₩ 1,569,408                 | ₩ 103,132          | ₩ 1,672,540          |
| AFS financial assets                            | (253,238)                   | 23,267             | (229,971)            |
| Subsidiaries, associates and joint ventures     | (521,821)                   | (332,354)          | (854,175)            |
| Reserve for research and manpower development   | (169,400)                   | (70,777)           | (240,177)            |
| Derivatives                                     | (75,379)                    | 18,951             | (56,428)             |
| PP&E  | (2,754,400)                 | (477,624)          | (3,232,024)          |
| Accrued income                                  | (50,970)                    | 18,536             | (32,434)             |
| Loss (gain) on foreign currency translation     | 41,275                      | (40,660)           | 615                  |
| Others  | 232,173                     | 62,661             | 294,834              |
|   | <u>(1,982,352)</u>          | <u>(694,868)</u>   | <u>(2,677,220)</u>   |
| Accumulated deficit and tax credit carryforward | 966,628                     | (162,391)          | 804,237              |
|   | <u>₩ (1,015,724)</u>        | <u>₩ (857,259)</u> | <u>₩ (1,872,983)</u> |



- (4) The components of items charged to equity for the years ended December 31, 2013 and 2012, are as follows:

| Description  | 2013                        | 2012     |
|--|-----------------------------|----------|
|  | (In millions of Korean Won) |          |
| Deferred tax charged or credited to:                       |                             |          |
| Loss (gain) on valuation of AFS financial assets, net      | ₩ (17,411)                  | ₩ 25,818 |
| Gain on valuation of derivatives, net                      | (2,216)                     | (7,599)  |
| Remeasurements of defined benefit plans                    | (91,818)                    | 69,330   |
| Changes in retained earnings of equity-accounted investees | (1,985)                     | 9,408    |
| Effect of changes in accounting policies                   | -                           | 457      |
|  | ₩ (113,430)                 | ₩ 97,414 |

- (5) The temporary differences not recognized as deferred tax liabilities related to subsidiaries, associates and joint ventures are ₩6,248,359 million and ₩4,793,848 million as of December 31, 2013 and 2012, respectively.

### 33. **RETIREMENT BENEFIT PLAN:**

- (1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2013 and 2012, are as follows:

| Description          | 2013                        | 2012    |
|----------------------|-----------------------------|---------|
|                      | (In millions of Korean Won) |         |
| Paid in cash         | ₩ 6,315                     | ₩ 6,049 |
| Recognized liability | 416                         | 957     |
|                      | ₩ 6,731                     | ₩ 7,006 |

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

| Description                             | December 31, 2013 | December 31, 2012 |
|---|-------------------|-------------------|
| Discount rate                           | 4.45%             | 3.74%             |
| Rate of expected future salary increase | 4.97%             | 4.74%             |

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

| Description                                  | December 31, 2013           | December 31, 2012 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Present value of defined benefit obligations | ₩ 3,131,966                 | ₩ 2,975,771       |
| Fair value of plan assets                    | (2,749,943)                 | (2,154,022)       |
|  | ₩ 382,023                   | ₩ 821,749         |
| Net defined benefit liabilities              | 389,306                     | 821,749           |
| Net defined benefit assets                   | (7,283)                     | -                 |

(4) Changes in net defined benefit assets and liabilities for the year ended December 31, 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 year   | ₩  | 2,975,771 | ₩                         | (2,154,022) | ₩                               | 821,749   |
| Current service cost  |  | 473,463   |                           | -           |                                 | 473,463   |
| Past service cost   |  | 21,337    |                           | -           |                                 | 21,337    |
| Interest expenses (income)                                      |  | 115,713   |                           | (82,893)    |                                 | 32,820    |
|   |  | 3,586,284 |                           | (2,236,915) |                                 | 1,349,369 |
| Remeasurements:   |  |           |                           |             |                                 |           |
| Return on plan assets   |  | -         |                           | (7,684)     |                                 | (7,684)   |
| Actuarial gains arising from changes in demographic assumptions |  | (85,942)  |                           | -           |                                 | (85,942)  |
| Actuarial gains arising from changes in financial assumptions   |  | (230,175) |                           | -           |                                 | (230,175) |
| Actuarial gains arising from experience adjustments and others  |  | (22,660)  |                           | -           |                                 | (22,660)  |
|   |  | (338,777) |                           | (7,684)     |                                 | (346,461) |
| Contributions   |  | -         |                           | (590,241)   |                                 | (590,241) |
| Benefits paid   |  | (120,090) |                           | 80,259      |                                 | (39,831)  |
| Transfers in (out)  |  | 1,105     |                           | 1,080       |                                 | 2,185     |
| Effect of foreign exchange differences and others               |  | 3,444     |                           | 3,558       |                                 | 7,002     |
| End of the year   | ₩  | 3,131,966 | ₩                         | (2,749,943) | ₩                               | 382,023   |

Changes in net defined benefit assets and liabilities for the year ended December 31, 2012, were 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 year  | ₩  | 2,249,240 | ₩                         | (1,600,601)                     | ₩ 648,639 |
| Current service cost   |  | 399,983   |                           | -                               | 399,983   |
| Interest expenses (income)                                       |  | 106,189   |                           | (76,560)                        | 29,629    |
|  |  | 2,755,412 |                           | (1,677,161)                     | 1,078,251 |
| Remeasurements:  |  |           |                           |                                 |           |
| Return on plan assets  |  | -         |                           | (12,333)                        | (12,333)  |
| Actuarial losses arising from changes in demographic assumptions |  | 2,548     |                           | -                               | 2,548     |
| Actuarial losses arising from changes in financial assumptions   |  | 281,013   |                           | -                               | 281,013   |
| Actuarial losses arising from experience adjustments and others  |  | 44,930    |                           | -                               | 44,930    |
| Effect of changes in accounting policies                         |  | -         |                           | 3,654                           | 3,654     |
|  |  | 328,491   |                           | (8,679)                         | 319,812   |
| Contributions  |  | -         |                           | (531,609)                       | (531,609) |
| Benefits paid  |  | (127,710) |                           | 68,292                          | (59,418)  |
| Transfers in (out)   |  | 979       |                           | 1,126                           | 2,105     |
| Changes in the scope of consolidation                            |  | 28,402    |                           | (16,945)                        | 11,457    |
| Effect of foreign exchange differences and others                |  | (9,803)   |                           | 10,954                          | 1,151     |
| End of the year  | ₩  | 2,975,771 | ₩                         | (2,154,022)                     | ₩ 821,749 |

- (5) The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumptions occurring as of December 31, 2013, while holding all other assumptions constant.

| Description                             | Effect on the net defined benefit liabilities<br>as of December 31, 2013 |                |
|---|--|----------------|
|   | Increase by 1%   | Decrease by 1% |
|   | (In millions of Korean Won)  |                |
| Discount rate                           | (326,031)  | 385,624        |
| Rate of expected future salary increase | 313,430  | (275,984)      |

- (6) The fair value of the plan assets as of December 31, 2013 and 2012, consist of the following:

| Description           | December 31, 2013           |           | December 31, 2012 |           |
|-----------------------|-----------------------------|-----------|-------------------|-----------|
|                       | (In millions of Korean Won) |           |                   |           |
| Insurance instruments | ₩                           | 2,415,575 | ₩                 | 1,948,010 |
| Debt instruments      |                             | 66,149    |                   | 50,859    |
| Others                |                             | 268,219   |                   | 155,153   |
|                       | ₩                           | 2,749,943 | ₩                 | 2,154,022 |

#### 34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the years ended December 31, 2013 and 2012, is as follows:

| Description  | 2013                        |                     | 2012 |                    |
|--|-----------------------------|---------------------|------|--------------------|
|  | (In millions of Korean Won) |                     |      |                    |
| Profit for the year  | ₩                           | 8,993,497           | ₩    | 9,061,132          |
| Adjustments:   |                             |                     |      |                    |
| Post-employment benefits                                     |                             | 527,620             |      | 429,612            |
| Depreciation   |                             | 1,768,985           |      | 1,700,775          |
| Amortization of intangible assets                            |                             | 782,353             |      | 823,144            |
| Provision for warranties                                     |                             | 773,917             |      | 712,587            |
| Income tax expense   |                             | 2,703,209           |      | 2,549,310          |
| Loss (gain) on foreign currency translation, net             |                             | 53,397              |      | (48,601)           |
| Loss (gain) on disposals of PP&E, net                        |                             | (70,363)            |      | 31,617             |
| Interest income, net   |                             | (240,196)           |      | (163,579)          |
| Gain on share of earnings of equity-accounted investees, net |                             | (2,748,647)         |      | (2,445,424)        |
| Gain on disposals of investments in associates, net          |                             | (308,462)           |      | (136,140)          |
| Cost of sales from financial services, net                   |                             | 3,849,325           |      | 3,300,405          |
| Others   |                             | 241,641             |      | 364,830            |
|  |                             | <u>7,332,779</u>    |      | <u>7,118,536</u>   |
| Changes in operating assets and liabilities:                 |                             |                     |      |                    |
| Decrease in trade notes and accounts receivable              |                             | 195,459             |      | 297,742            |
| Decrease (increase) in other receivables                     |                             | (376,285)           |      | 371,695            |
| Decrease (increase) in other financial assets                |                             | (364,928)           |      | 155,604            |
| Increase in inventories                                      |                             | (828,298)           |      | (538,355)          |
| Decrease (increase) in other assets                          |                             | 131,150             |      | (710,477)          |
| Increase in trade notes and accounts payable                 |                             | 150,460             |      | 16,971             |
| Increase (decrease) in other payables                        |                             | (455,914)           |      | 1,415,433          |
| Increase (decrease) in other liabilities                     |                             | (981,317)           |      | 945,772            |
| Decrease in other financial liabilities                      |                             | (15,784)            |      | (168,904)          |
| Changes in net defined benefit liabilities                   |                             | (588,056)           |      | (529,504)          |
| Payment of severance benefits                                |                             | (39,831)            |      | (59,418)           |
| Decrease in provisions                                       |                             | (1,206,421)         |      | (997,138)          |
| Changes in financial services receivables                    |                             | (4,034,164)         |      | (4,160,902)        |
| Increase in operating lease assets                           |                             | (4,737,714)         |      | (4,415,826)        |
| Others   |                             | (65,590)            |      | 65,728             |
|  |                             | <u>(13,217,233)</u> |      | <u>(8,311,579)</u> |
| Cash generated from operations                               | ₩                           | 3,109,043           | ₩    | 7,868,089          |

### 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 December 31, 2013 and 2012, are as follows:

| Description          | December 31, 2013           | December 31, 2012 |
|----------------------|-----------------------------|-------------------|
|                      | (In millions of Korean Won) |                   |
| Total liabilities    | ₩ 76,838,690                | ₩ 73,620,239      |
| Total equity         | 56,582,789                  | 47,917,575        |
| Debt-to-equity ratio | 135.8%                      | 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 December 31, 2013, would be as follows:

| Foreign Currency | Foreign Exchange Rate Sensitivity |                |
|------------------|-----------------------------------|----------------|
|                  | Increase by 5%                    | Decrease by 5% |
|                  | (In millions of Korean Won)       |                |
| USD              | ₩ 10,689                          | ₩ (10,689)     |
| EUR              | (27,184)                          | 27,184         |
| JPY              | (5,737)                           | 5,737          |

The sensitivity analysis includes the Group's monetary assets, liabilities and derivative assets, 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 markets 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 December 31, 2013, would be as follows:

| Accounts  | Interest Rate Sensitivity   |                |
|---|-----------------------------|----------------|
|   | Increase by 1%              | Decrease by 1% |
|   | (In millions of Korean Won) |                |
| Cash and cash equivalents                                   | ₩ 18,846                    | ₩ (18,846)     |
| Held for trading non-derivative financial assets            | (6,424)                     | 6,577          |
| Short-term financial instruments and other financial assets | 849                         | (849)          |
| Borrowings and debentures                                   | (77,840)                    | 77,840         |

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., operating financial business are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of December 31, 2013 and 2012, the amounts of interest rate risk measured at VaR are ₩65,863 million and ₩81,375 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2013, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value is ₩38,927 million and ₩2,391,156 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 in 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 December 31, 2013, is as follows:

| Description                         | Remaining contract period  |   |   |                          | Total |         |   |            |
|-------------------------------------|----------------------------|---|---|--------------------------|-------|---------|---|------------|
|                                     | Not later than<br>one year | Later than one year<br>and not later than<br>five years |   | Later than<br>five years |       |         |   |            |
|                                     |                            | (In millions of Korean Won)                             |   |                          |       |         |   |            |
| Non interest-bearing<br>Liabilities | ₩                          | 13,074,251  | ₩ | 15,666                   | ₩     | 298     | ₩ | 13,090,215 |
| Interest-bearing liabilities        |                            | 15,040,963  |   | 35,118,473               |       | 780,044 |   | 50,939,480 |
| Financial guarantee                 |                            | 986,266   |   | 76,255                   |       | 116,816 |   | 1,179,337  |

The maturity analysis is based on the non-discounted cash flows and 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 December 31, 2013 and 2012, the Group deferred a net income of ₩1,207 million and a net loss of ₩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 59 months as of December 31, 2013.

For the years ended December 31, 2013 and 2012, the Group recognized a net loss of ₩230,974 million and ₩410,510 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 year ended December 31, 2013, 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  |  | Sales/proceeds |         | Purchases/expenses |           |
|--|--|----------------|---------|--------------------|-----------|
|  |  | Sales          | Others  | Purchases          | Others    |
| (In millions of Korean Won)                        |  |                |         |                    |           |
| Entity with significant influence over the Company | Hyundai MOBIS Co., Ltd.                    | ₩ 784,889      | ₩ 9,171 | ₩ 4,677,717        | ₩ 39,636  |
|  | Mobis Alabama, LLC                         | 8,312          | 4,353   | 1,248,960          | -         |
|  | Mobis Automotive Czech s.r.o.              | 37             | 567     | 1,196,235          | 386       |
|  | Mobis India, Ltd.                          | 18,863         | 17,529  | 738,002            | 138       |
|  | Mobis Parts America, LLC                   | 27,328         | 219,153 | 518,339            | 1,058     |
|  | Mobis Parts Europe N.V.                    | 2,914          | 3,456   | 213,395            | 9,010     |
|  | Mobis Brasil Fabricacao De Auto Pecas Ltda | 8              | -       | 293,390            | -         |
|  | Mobis Module CIS, LLC                      | -              | 557     | 245,352            | 304       |
|  | Others                                     | 35,372         | 178,286 | 256,656            | 9,250     |
|  |  | 1,035,544      | 371,290 | 292,539            | 318,541   |
| Joint ventures and associates                      | Kia Motors Corporation                     |                |         |                    |           |
|  | Kia Motors Manufacturing Georgia, Inc.     | 681,292        | 1,274   | 2,426,147          | 440       |
|  | Kia Motors Russia LLC                      | 1,050,815      | -       | -                  | 3,201     |
|  | Kia Motors Slovakia s.r.o.                 | 121,271        | 20,605  | 612,391            | 1,077     |
|  | BHMC                                       | 1,035,584      | 19,851  | 750                | -         |
|  | HMGC                                       | 478,507        | -       | 10,888             | 6,341     |
|  | Hyundai WIA Corporation                    | 177,136        | 6,386   | 924,715            | 8,115     |
|  | Hyundai HYSCO Co., Ltd.                    | 67,664         | 1,930   | 235,109            | 377       |
| Other related parties                              | Others                                     | 442,986        | 13,211  | 2,694,149          | 1,359,617 |
|  |  | 8,598          | 304     | 779,660            | 456,128   |
| Affiliates by the Act                              |  | 809,390        | 79,639  | 4,151,199          | 2,315,890 |

Significant transactions arising from operations for the year ended December 31, 2012, between the Group and related parties or affiliates by the Act were as follows:

| Description  |  | Sales/proceeds |         | Purchases/expenses |           |
|--|--|----------------|---------|--------------------|-----------|
|  |  | Sales          | Others  | Purchases          | Others    |
| (In millions of Korean Won)                        |  |                |         |                    |           |
| Entity with significant influence over the Company | Hyundai MOBIS Co., Ltd.                    | ₩ 543,692      | ₩ 8,491 | ₩ 4,748,781        | ₩ 39,845  |
|  | Mobis Alabama, LLC                         | 8,826          | -       | 1,282,561          | -         |
|  | Mobis Automotive Czech s.r.o.              | 85             | 5,284   | 1,173,139          | 906       |
|  | Mobis India, Ltd.                          | 18,319         | 16,712  | 669,896            | -         |
|  | Mobis Parts America, LLC                   | 115            | -       | 154,591            | 75,636    |
|  | Mobis Parts Europe N.V.                    | 1,274          | 1,286   | 201,281            | 4,962     |
|  | Mobis Brasil Fabricacao De Auto Pecas Ltda | 1,107          | -       | 23,162             | -         |
|  | Mobis Module CIS, LLC                      | -              | 612     | 240,938            | -         |
|  | Others                                     | 23,858         | 785     | 170,090            | -         |
| Joint ventures and associates                      | Kia Motors Corporation                     | 758,784        | 288,152 | 233,292            | 361,259   |
|  | Kia Motors Manufacturing Georgia, Inc.     | 562,422        | 183     | 2,185,309          | 1,741     |
|  | Kia Motors Russia LLC                      | 1,123,563      | -       | -                  | 1,149     |
|  | Kia Motors Slovakia s.r.o.                 | 97,695         | 21,673  | 599,757            | -         |
|  | BHMC                                       | 885,785        | 13,715  | 1,140              | -         |
|  | HMGC                                       | 393,998        | 1,995   | 7,566              | 7,466     |
|  | Hyundai WIA Corporation                    | 151,619        | 419     | 834,422            | 1,833     |
|  | Hyundai HYSCO Co., Ltd.                    | 173,047        | 2,216   | 324,423            | 6         |
|  | Others                                     | 124,737        | 9,759   | 2,941,390          | 1,221,870 |
| Other related parties                              |  | 12,608         | 3,068   | 758,076            | 583,067   |
| Affiliates by the Act                              |  | 1,071,080      | 93,880  | 4,004,739          | 2,178,125 |

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

| Description  |  | Receivables                         |                              | Payables                         |                           |
|--|--|-------------------------------------|------------------------------|----------------------------------|---------------------------|
|  |  | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |
| (In millions of Korean Won)                        |  |                                     |                              |                                  |                           |
| Entity with significant influence over the Company | Hyundai MOBIS Co., Ltd.                | ₩ 145,178                           | ₩ 29,937                     | ₩ 816,009                        | ₩ 167,061                 |
|  | Hyundai Life Insurance Co., Ltd.       | 1,078                               | 38,369                       | 102                              | 1,398                     |
|  | Mobis Alabama, LLC                     | -                                   | 1,290                        | 78,629                           | -                         |
|  | Mobis Automotive Czech s.r.o.          | 45                                  | 546                          | 98,762                           | -                         |
|  | Mobis India, Ltd.                      | 543                                 | 10,496                       | 96,200                           | -                         |
|  | Mobis Parts America, LLC               | 2,280                               | 211,572                      | 36,595                           | -                         |
|  | Mobis Parts Europe N.V.                | 682                                 | 1,192                        | 22,824                           | -                         |
|  | Mobis Module CIS, LLC                  | -                                   | 51                           | 25,484                           | 1                         |
|  | Others                                 | 12,861                              | 3,699                        | 44,554                           | 149                       |
| Joint ventures and associates                      | Kia Motors Corporation                 | 229,225                             | 284,253                      | 51,676                           | 115,888                   |
|  | Kia Motors Manufacturing Georgia, Inc. | 39,286                              | 13,531                       | 145,327                          | 99                        |
|  | Kia Motors Russia LLC                  | 107,096                             | -                            | -                                | 339                       |
|  | Kia Motors Slovakia s.r.o.             | 7,181                               | 7,121                        | 42,431                           | 19,673                    |
|  | Kia Motors America, Inc.               | -                                   | 49,828                       | 72                               | 382                       |
|  | BHMC                                   | 172,422                             | 9,743                        | 386                              | 214                       |
|  | HMGC                                   | 16,300                              | 2,245                        | -                                | 1,676                     |
|  | Hyundai WIA Corporation                | 37,711                              | 28,591                       | 131,423                          | 43,575                    |
|  | Hyundai HYSCO Co., Ltd.                | 1,269                               | 2,354                        | 15,460                           | 4,025                     |
|  | Others                                 | 119,489                             | 40,330                       | 379,266                          | 349,067                   |
| Other related parties                              |  | 699                                 | 4,362                        | 158,542                          | 139,193                   |
| Affiliates by the Act                              |  | 148,752                             | 22,116                       | 488,217                          | 430,285                   |



As of December 31, 2012, significant balances related to the transactions between the Group and related parties or affiliates by the Act were as follows:

| Description  |  | Receivables                         |                              | Payables                         |                           |
|--|--|-------------------------------------|------------------------------|----------------------------------|---------------------------|
|  |  | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |
| (In millions of Korean Won)                        |  |                                     |                              |                                  |                           |
| Entity with significant influence over the Company | Hyundai MOBIS Co., Ltd.                | ₩ 172,545                           | ₩ 31,194                     | ₩ 877,744                        | ₩ 152,633                 |
|  | Hyundai Life Insurance Co., Ltd.       | 8,260                               | 77                           | -                                | 775                       |
|  | Mobis Alabama, LLC                     | 530                                 | -                            | 79,508                           | -                         |
|  | Mobis Automotive Czech s.r.o.          | 60                                  | 556                          | 74,967                           | -                         |
|  | Mobis India, Ltd.                      | 137                                 | 9,326                        | 94,344                           | -                         |
|  | Mobis Parts America, LLC               | 257                                 | -                            | 17,746                           | 5,538                     |
|  | Mobis Parts Europe N.V.                | 654                                 | 60                           | 24,344                           | -                         |
|  | Mobis Module CIS, LLC                  | -                                   | 56                           | 25,659                           | -                         |
|  | Others                                 | 4,118                               | 7                            | 16,751                           | 71                        |
| Joint ventures and associates                      | Kia Motors Corporation                 | 241,671                             | 148,783                      | 47,324                           | 145,301                   |
|  | Kia Motors Manufacturing Georgia, Inc. | 53,115                              | 2,781                        | 144,165                          | 54                        |
|  | Kia Motors Russia LLC                  | 113,591                             | -                            | -                                | 159                       |
|  | Kia Motors Slovakia s.r.o.             | 6,381                               | 7,017                        | 31,382                           | 27,350                    |
|  | Kia Motors America, Inc.               | 349                                 | 33,857                       | 10                               | 54,229                    |
|  | BHMC                                   | 192,185                             | 11,239                       | -                                | 23                        |
|  | HMGC                                   | 82,883                              | 598                          | 77                               | 2,155                     |
|  | Hyundai WIA Corporation                | 16,307                              | 8,635                        | 134,618                          | 98,192                    |
|  | Hyundai HYSCO Co., Ltd.                | 21,529                              | 3,260                        | 34,247                           | 11,204                    |
|  | Others                                 | 79,051                              | 21,666                       | 362,715                          | 301,232                   |
| Other related parties                              |  | 1,560                               | 2,856                        | 191,279                          | 177,052                   |
| Affiliates by the Act                              |  | 359,890                             | 23,985                       | 573,290                          | 350,465                   |

- (3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2013, between the Group and related parties are as follows:

| Description  | Loans      |            | Borrowings |           | Equity contribution         |
|--|------------|------------|------------|-----------|-----------------------------|
|  | Lending    | Collection | Borrowing  | Repayment |                             |
| (In thousands of U.S. Dollars)                     |            |            |            |           | (In millions of Korean won) |
| Entity with significant influence over the Company | \$ 200,000 | \$ -       | \$ -       | \$ -      | ₩ -                         |
| Joint ventures and associates                      | -          | 253        | -          | 50,265    | 131,088                     |

Significant fund transactions and equity contribution transactions for the year ended December 31, 2012, between the Group and related parties were as follows:

| Description                    | Loans   |            | Borrowings |           | Equity contribution         |
|--------------------------------|---------|------------|------------|-----------|-----------------------------|
|                                | Lending | Collection | Borrowing  | Repayment |                             |
| (In thousands of U.S. Dollars) |         |            |            |           | (In millions of Korean won) |
| Joint ventures and associates  | \$ -    | \$ 423     | \$ 50,000  | \$ 281    | ₩ 275,105                   |

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2013 and 2012, are as follows:

| Description                  | 2013                        |         | 2012                        |         |
|------------------------------|-----------------------------|---------|-----------------------------|---------|
|                              | (In millions of Korean Won) |         | (In millions of Korean Won) |         |
| Short-term employee salaries | ₩                           | 158,875 | ₩                           | 163,126 |
| Post-employment benefits     |                             | 30,329  |                             | 29,000  |
| Other long-term benefits     |                             | 413     |                             | 504     |
|                              | ₩                           | 189,617 | ₩                           | 192,630 |

### 37. COMMITMENTS AND CONTINGENCIES:

- (1) As of December 31, 2013, the debt guarantees provided by the Group, excluding the Company's subsidiaries, are as follows:

| Description   | Domestic                    | Overseas (*) |
|---------------|-----------------------------|--------------|
|               | (In millions of Korean Won) |              |
| To associates | ₩ -                         | ₩ 82,313     |
| To others     | 164,058                     | 963,339      |
|               | ₩ 164,058                   | ₩ 1,045,652  |

- (\*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2013.
- (2) As of December 31, 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 they will not have any material effect on its consolidated financial statements. Meanwhile, as of December 31, 2013, the Group is currently involved in lawsuits for the scope of ordinary wage and unable to estimate the outcome or the potential financial impact.
- (3) As of December 31, 2013, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩888,266 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) 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            |

- (\*) The agreement has been extended in January, 2014, and from then on the credit line has been changed to USD 600 million.

- (5) 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  |

(\*) The agreement expired in January, 2014.

- (6) 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 years ended December 31, 2013 and 2012, are as follows:

|                     | For the year ended December 31, 2013 |              |             |                           |              |
|---------------------|--------------------------------------|--------------|-------------|---------------------------|--------------|
|                     | Vehicle                              | Finance      | Others      | Consolidation adjustments | Total        |
|                     | (In millions of Korean Won)          |              |             |                           |              |
| Total sales         | ₩ 103,198,545                        | ₩ 10,146,973 | ₩ 7,077,614 | ₩ (33,115,496)            | ₩ 87,307,636 |
| Inter-company sales | (31,663,499)                         | (254,543)    | (1,197,454) | 33,115,496                | -            |
| Net sales           | 71,535,046                           | 9,892,430    | 5,880,160   | -                         | 87,307,636   |
| Operating income    | 6,412,596                            | 1,120,128    | 388,421     | 394,352                   | 8,315,497    |
|                     | For the year ended December 31, 2012 |              |             |                           |              |
|                     | Vehicle                              | Finance      | Others      | Consolidation adjustments | Total        |
|                     | (In millions of Korean Won)          |              |             |                           |              |
| Total sales         | ₩ 103,878,093                        | ₩ 8,799,513  | ₩ 5,348,113 | ₩ (33,555,998)            | ₩ 84,469,721 |
| Inter-company sales | (32,571,552)                         | (136,556)    | (847,890)   | 33,555,998                | -            |
| Net sales           | 71,306,541                           | 8,662,957    | 4,500,223   | -                         | 84,469,721   |
| Operating income    | 6,714,889                            | 1,177,231    | 254,716     | 293,765                   | 8,440,601    |

(3) Assets and liabilities by operating segments for the years ended December 31, 2013 and 2012, are as follows:

| As of December 31, 2013     |              |              |             |                           |               |
|-----------------------------|--------------|--------------|-------------|---------------------------|---------------|
|                             | Vehicle      | Finance      | Others      | Consolidation adjustments | Total         |
| (In millions of Korean Won) |              |              |             |                           |               |
| Total assets                | ₩ 80,927,475 | ₩ 59,157,882 | ₩ 6,496,797 | ₩ (13,160,675)            | ₩ 133,421,479 |
| Total liabilities           | 29,481,884   | 51,055,240   | 3,724,238   | (7,422,672)               | 76,838,690    |
| Borrowings and debentures   | 4,425,746    | 44,561,579   | 1,738,408   | (2,758,871)               | 47,966,862    |

  

| 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 years ended December 31, 2013 and 2012, are as follows:

| For the year ended December 31, 2013 |              |               |             |              |             |                           |              |
|--------------------------------------|--------------|---------------|-------------|--------------|-------------|---------------------------|--------------|
|                                      | Korea        | North America | Asia        | Europe       | Others      | Consolidation adjustments | Total        |
| (In millions of Korean Won)          |              |               |             |              |             |                           |              |
| Total sales                          | ₩ 53,151,843 | ₩ 32,764,610  | ₩ 7,156,618 | ₩ 24,965,678 | ₩ 2,384,383 | ₩ (33,115,496)            | ₩ 87,307,636 |
| Inter-company sales                  | (14,386,591) | (7,117,997)   | (720,235)   | (10,890,673) | -           | 33,115,496                | -            |
| Net sales                            | 38,765,252   | 25,646,613    | 6,436,383   | 14,075,005   | 2,384,383   | -                         | 87,307,636   |

  

| For the year ended December 31, 2012 |              |               |             |              |           |                           |              |
|--------------------------------------|--------------|---------------|-------------|--------------|-----------|---------------------------|--------------|
|                                      | Korea        | North America | Asia        | Europe       | Others    | Consolidation adjustments | Total        |
| (In millions of Korean Won)          |              |               |             |              |           |                           |              |
| Total sales                          | ₩ 53,231,743 | ₩ 31,515,158  | ₩ 7,576,598 | ₩ 25,287,990 | ₩ 414,230 | ₩ (33,555,998)            | ₩ 84,469,721 |
| Inter-company sales                  | (14,576,806) | (6,802,632)   | (737,897)   | (11,438,663) | -         | 33,555,998                | -            |
| Net sales                            | 38,654,937   | 24,712,526    | 6,838,701   | 13,849,327   | 414,230   | -                         | 84,469,721   |

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

|                             | December 31, 2013 | December 31, 2012 |
|-----------------------------|-------------------|-------------------|
| (In millions of Korean Won) |                   |                   |
| Korea                       | ₩ 19,428,529      | ₩ 18,596,981      |
| North America               | 1,882,933         | 1,598,120         |
| Asia                        | 1,057,874         | 1,127,336         |
| Europe                      | 2,080,979         | 2,132,063         |
| Others                      | 456,797           | 491,205           |
|                             | 24,907,112        | 23,945,705        |
| Consolidation adjustments   | (51,451)          | (39,797)          |
| Total (*)                   | ₩ 24,855,661      | ₩ 23,905,908      |

(\*) Sum of PP&E, intangible assets and investment property.

(6) There is no single external customer who represents 10% or more of the Group's revenue for the years ended December 31, 2013 and 2012.

**39. CONSTRUCTION CONTRACTS:**

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

| Description                         | December 31,<br>2013        | December 31,<br>2012 |
|-------------------------------------|-----------------------------|----------------------|
|                                     | (In millions of Korean Won) |                      |
| Accumulated accrual cost            | ₩ 6,201,961                 | ₩ 5,980,499          |
| Accumulated income                  | 739,304                     | 660,495              |
| Accumulated construction in process | 6,941,265                   | 6,640,994            |
| Progress billing                    | (5,993,002)                 | (6,357,806)          |
| Due from customers                  | 1,393,555                   | 781,136              |
| Due to customers                    | (445,292)                   | (497,948)            |

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

HCA, a subsidiary of the Company, issued after the reporting period, two tranches of debentures, each of them amounting to USD 900,000 thousand and USD 600,000 thousand, which will mature in 2017 and 2019, respectively, and issued a tranche of asset-backed security, amounting to USD 1,139,840 thousand.

**41. AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS:**

The accompanying consolidated financial statements for the year ended December 31, 2013, were authorized for issue by the Board of Directors on January 23, 2014.