

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

HYUNDAI MOTOR COMPANY

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 3, 2015

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, which comprise the consolidated statements of financial position as of December 31, 2014 and December 31, 2013, respectively, and the consolidated statements of income, comprehensive income, statements of changes in equity and statements of cash flows, all expressed in Korean won, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2014 and December 31, 2013, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Others

We have audited the consolidated financial statements of the Company and its subsidiaries as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea, which we relied on the report of other auditor on the financial statements of certain consolidated subsidiaries whose financial statements reflect 42.3% of consolidated total assets as of December 31, 2013 and 49.0% of consolidated total sales for the year then ended, respectively.

Deloitte Anjin LLC

March 3, 2015

Notice to Readers

This report is effective as of March 3, 2015, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

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

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013

ASSETS	NOTES	December 31, 2014	December 31, 2013
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 7,096,513	₩ 6,872,430
Short-term financial instruments	19	4,002,506	14,875,288
Trade notes and accounts receivable	3,19	3,750,092	3,485,345
Other receivables	4,19	3,722,109	3,118,386
Other financial assets	5,19	14,884,434	507,821
Inventories	6	7,417,239	7,073,116
Current tax assets		32,869	54,845
Financial services receivables	13,19	22,498,584	21,178,591
Non-current assets classified as held for sale	8	47,643	22,347
Other assets	7,19	1,573,695	1,667,936
Total current assets		65,025,684	58,856,105
Non-current assets:			
Long-term financial instruments	19	99,044	35,495
Long-term trade notes and accounts receivable	3,19	51,534	43,309
Other receivables	4,19	1,039,157	1,127,839
Other financial assets	5,19	2,520,119	2,731,884
Property, plant and equipment	9	22,542,259	21,462,587
Investment property	10	322,207	263,984
Intangible assets	11	3,821,656	3,129,090
Investments in joint ventures and associates	12	16,157,334	14,694,995
Deferred tax assets	32	649,850	521,399
Financial services receivables	13,19	21,496,004	19,835,016
Operating lease assets	14	13,265,616	10,564,876
Other assets	7,19	234,653	154,900
Total non-current assets		82,199,433	74,565,374
Total assets		₩ 147,225,117	₩ 133,421,479

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	December 31, 2014	December 31, 2013
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 7,041,529	₩ 6,722,740
Other payables	19	4,686,473	4,687,490
Short-term borrowings	15,19	6,845,920	5,292,798
Current portion of long-term debt and debentures	15,19	9,679,498	8,685,254
Income tax payable		656,201	605,280
Provisions	16	1,844,780	1,782,937
Other financial liabilities	17,19	223,303	144,069
Other liabilities	18,19	4,201,969	3,999,114
Total current liabilities		35,179,673	31,919,682
Non-current liabilities:			
Long-term other payables	19	2,339	15,964
Debentures	15,19	30,302,085	29,322,780
Long-term debt	15,19	7,430,429	4,666,030
Net defined benefit liabilities	33	594,058	389,306
Provisions	16	4,882,090	5,122,982
Other financial liabilities	17,19	210,528	440,113
Deferred tax liabilities	32	4,051,203	3,352,352
Other liabilities	18,19	1,952,147	1,609,481
Total non-current liabilities		49,424,879	44,919,008
Total liabilities		84,604,552	76,838,690
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,134,550	4,130,668
Other capital items	22	(1,273,752)	(1,128,779)
Accumulated other comprehensive income	23	(1,344,826)	(834,036)
Retained earnings	24	54,649,863	48,274,239
Equity attributable to the owners of the Company		57,654,828	51,931,085
Non-controlling interests		4,965,737	4,651,704
Total equity		62,620,565	56,582,789
Total liabilities and equity		₩ 147,225,117	₩ 133,421,479

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	NOTES	2014	2013
		(In millions of Korean Won, except per share amounts)	
Sales	25,38	₩ 89,256,319	₩ 87,307,636
Cost of sales	30	70,126,276	67,859,491
Gross profit		19,130,043	19,448,145
Selling and administrative expenses	26,30	11,580,057	11,132,648
Operating income		7,549,986	8,315,497
Gain on investments in joint ventures and associates, net	27	2,388,658	3,057,109
Finance income	28	881,883	805,261
Finance expenses	28	601,019	552,709
Other income	29	1,039,865	1,138,001
Other expenses	29,30	1,308,099	1,066,453
Income before income tax		9,951,274	11,696,706
Income tax expense	32	2,301,806	2,703,209
Profit for the year		₩ 7,649,468	₩ 8,993,497
Profit attributable to:			
Owners of the Company		7,346,807	8,541,834
Non-controlling interests		302,661	451,663
Earnings per share attributable to the owners of the Company:	31		
Basic earnings per common share		₩ 27,037	₩ 31,441
Diluted earnings per common share		₩ 27,037	₩ 31,441

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	(In millions of Korean Won)	
Profit for the year	₩ 7,649,468	₩ 8,993,497
Other comprehensive income (expenses):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	(379,062)	249,790
Changes in retained earnings of equity-accounted investees, net	(82,187)	13,206
	<u>(461,249)</u>	<u>262,996</u>
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) on available-for-sale ("AFS") financial assets, net	(225,611)	59,155
Gain (loss) on valuation of cash flow hedge derivatives, Net	(62,752)	6,263
Changes in share of earnings of equity-accounted investees, net	80,382	(60,746)
Loss on foreign operations translation, net	(379,757)	(383,309)
	<u>(587,738)</u>	<u>(378,637)</u>
Total other comprehensive expenses	<u>(1,048,987)</u>	<u>(115,641)</u>
Total comprehensive income	₩ <u>6,600,481</u>	₩ <u>8,877,856</u>
Comprehensive income attributable to:		
Owners of the Company	6,405,423	8,441,925
Non-controlling interests	195,058	435,931
Total comprehensive income	₩ <u>6,600,481</u>	₩ <u>8,877,856</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, 2014 AND 2013

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2013	₩ 1,488,993	₩ 4,158,988	₩ (1,128,779)	₩ (473,373)	₩ 39,993,230	₩ 44,039,059	₩ 3,878,516	₩ 47,917,575
Comprehensive income:								
Profit for the year	-	-	-	-	8,541,834	8,541,834	451,663	8,993,497
Gain on AFS financial assets, net	-	-	-	58,197	-	58,197	958	59,155
Gain on valuation of cash flow hedge derivatives, net	-	-	-	2,319	-	2,319	3,944	6,263
Changes in valuation of equity-accounted investees, net	-	-	-	(61,148)	13,206	(47,942)	402	(47,540)
Remeasurements of defined benefit plans	-	-	-	-	247,548	247,548	2,242	249,790
Loss on foreign operations translation, net	-	-	-	(360,031)	-	(360,031)	(23,278)	(383,309)
Total comprehensive income	-	-	-	(360,663)	8,802,588	8,441,925	435,931	8,877,856
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(520,832)	(520,832)	(111,697)	(632,529)
Increase in subsidiaries' stock	-	25,279	-	-	-	25,279	571,225	596,504
Purchases of subsidiaries' stock	-	(53,599)	-	-	-	(53,599)	(121,676)	(175,275)
Others	-	-	-	-	(747)	(747)	(595)	(1,342)
Total transactions with owners, recorded directly in equity	-	(28,320)	-	-	(521,579)	(549,899)	337,257	(212,642)
Balance at 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

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2014	₩ 1,488,993	₩ 4,130,668	₩ (1,128,779)	₩ (834,036)	₩ 48,274,239	₩ 51,931,085	₩ 4,651,704	₩ 56,582,789
Comprehensive income:								
Profit for the year	-	-	-	-	7,346,807	7,346,807	302,661	7,649,468
Gain (loss) on AFS financial assets, net	-	-	-	(227,394)	-	(227,394)	1,783	(225,611)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(31,570)	-	(31,570)	(31,182)	(62,752)
Changes in valuation of equity-accounted investees, net	-	-	-	80,124	(82,103)	(1,979)	174	(1,805)
Remeasurements of defined benefit plans	-	-	-	-	(348,491)	(348,491)	(30,571)	(379,062)
Loss on foreign operations translation, net	-	-	-	(331,950)	-	(331,950)	(47,807)	(379,757)
Total comprehensive income		-	-	(510,790)	6,916,213	6,405,423	195,058	6,600,481
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(534,409)	(534,409)	(52,519)	(586,928)
Increase in subsidiaries' stock	-	(952)	-	-	-	(952)	148,659	147,707
Purchases of subsidiaries' stock	-	-	-	-	-	-	5,649	5,649
Disposals of subsidiaries' stock	-	4,834	-	-	-	4,834	16,909	21,743
Purchases of treasury stock	-	-	(144,973)	-	-	(144,973)		(144,973)
Others	-	-	-	-	(6,180)	(6,180)	277	(5,903)
Total transactions with owners, recorded directly in equity	-	3,882	(144,973)	-	(540,589)	(681,680)	118,975	(562,705)
Balance at December 31, 2014	<u>₩ 1,488,993</u>	<u>₩ 4,134,550</u>	<u>₩ (1,273,752)</u>	<u>₩ (1,344,826)</u>	<u>₩ 54,649,863</u>	<u>₩ 57,654,828</u>	<u>₩ 4,965,737</u>	<u>₩ 62,620,565</u>

(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, 2014 AND 2013

	NOTES	2014	2013
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the year		₩ 7,649,468	₩ 8,993,497
Adjustments		8,369,656	7,332,779
Changes in operating assets and liabilities		(12,421,149)	(13,217,233)
		3,597,975	3,109,043
Interest received		704,872	703,243
Interest paid		(1,393,607)	(1,444,092)
Dividend received		1,030,074	787,804
Income tax paid		(1,818,469)	(1,947,532)
Net cash provided by operating activities		2,120,845	1,208,466
Cash flows from investing activities:			
Proceeds from withdrawal of short-term financial instruments, net		10,877,563	224,284
Proceeds from disposals of other financial assets		200,167	71,693
Receipts from other receivables		48,493	76,395
Proceeds from disposals of property, plant and equipment		47,045	306,471
Proceeds from disposals of intangible assets		8,130	26,673
Proceeds from disposals of investments in subsidiaries		453,215	-
Proceeds from disposals of investments in joint ventures and associates		23,811	1,504
Acquisitions of other financial assets		(12,990,529)	(107,515)
Increases in other receivables		(50,971)	(96,776)
Purchases of long-term financial instruments		(32,143)	(2,854,853)
Acquisitions of property, plant and equipment		(3,353,809)	(3,171,093)
Acquisitions of intangible assets		(1,372,086)	(991,064)
Acquisitions of investments in joint ventures and associates		(130,417)	(131,088)
Other cash receipts from investing activities, net		76,521	24,637
Net cash used in investing activities		(6,195,010)	(6,620,732)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	NOTES	2014	2013
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	1,412,120	₩ (864,251)
Proceeds from long-term debt and debentures		19,001,138	23,632,277
Paid-in capital increase of subsidiaries		147,707	476,493
Purchases of subsidiaries' stock		5,649	(175,275)
Disposals of subsidiaries' stock		23,678	-
Repayment of long-term debt and debentures		(15,120,767)	(16,669,654)
Purchases of treasury stock		(144,973)	-
Dividends paid		(586,928)	(632,529)
Other cash payments from financing activities, net		(30,647)	(51,611)
Net cash provided by financing activities		<u>4,706,977</u>	<u>5,715,450</u>
Effect of exchange rate changes on cash and cash equivalents		(408,729)	(190,092)
Net increase in cash and cash equivalents		224,083	113,092
Cash and cash equivalents, beginning of the year		<u>6,872,430</u>	<u>6,759,338</u>
Cash and cash equivalents, end of the year	₩	<u>7,096,513</u>	₩ <u>6,872,430</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, 2014 AND 2013

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, 2014, 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, 2014, 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 Company	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	“	80.00%	HMA 80.00%
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 Capital Canada Inc. (HCCA)	Financing	“	60.00%	
Hyundai Capital Lease Inc.	“	“	100.00%	HCCA 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%	

Subsidiaries	Nature of the business	Location	Ownership percentage	Indirect ownership
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Beijing Xinhuaqiyuetong Motor Chain Co., Ltd.	"	"	100.00%	"
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	"	99.00%	CMEs 99.00%
Rotem Equipments (Beijing) Co., Ltd.	Sales	"	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 Netherlands B.V. (HMNL)	Sales	"	100.00%	
Hyundai Motor Commonwealth of Independent States (HMCIS)	"	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	83.91%	
Hyundai EURotem Demiryolu Araclarive Ticaret A.S.	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCi)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	Poland	100.00%	
Hyundai Motor DE Mexico S DE RL DE CV (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 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%
Hyundai Rotem Brasil Engineering Services LTD	Sales	"	100.00%	Hyundai Rotem 100.00%
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	Investment	Korea	100.00%	
Shinyoung Private Securities Investment Trust WB-1	"	"	100.00%	

Subsidiaries	Nature of the business	Location	Ownership percentage	Indirect ownership
UBS Hana Dynamic Balance Private Investment Trust 1	Investment	Korea	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
Autopia Forty-Third ~ Forty-Seventh Asset Securitization Specialty Company (*)	Financing	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)	"	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Fifty-five Asset Securitization Specialty Company (*)	"	"	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 Third Securitization Specialty Co., Ltd. (*)	"	"	0.90%	Hyundai Card 0.90%
Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*)	"	"	0.50%	Hyundai Card 0.50%
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 HK Funding Three, LLC	"	"	100.00%	"
Hyundai ABS Funding Corporation	"	"	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 Services, LLC	"	"	100.00%	"
Hyundai Capital Insurance Company	"	"	100.00%	"
Power Protect Extended Services, Inc.	"	"	100.00%	"
Power Protect Extended Services Florida, Inc.	"	"	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, 2014, are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 22,538,708	₩ 19,101,141	₩ 3,011,804	₩ 237,705
Hyundai Card Co., Ltd. (*)	12,397,420	9,842,039	2,617,995	223,514
Hyundai Rotem Company (*)	4,400,828	2,662,157	3,191,088	(15,109)
Hyundai KEFICO Corporation (*)	1,054,525	557,785	1,741,520	81,572
HCA (*)	30,361,736	27,835,212	5,342,308	266,867
HMA	6,516,465	3,795,729	16,812,738	378,405
HMMA	3,306,417	1,394,335	7,436,941	362,485
HMMC	3,241,318	1,646,741	5,397,857	440,955
HMI (*)	2,115,173	1,029,825	4,636,707	200,999
HME (*)	1,298,995	1,292,923	6,734,387	(38,666)
HAC (*)	998,306	538,314	2,939,635	67,576
HMMR	884,601	550,768	2,384,202	22,464
HMCA	696,189	498,732	1,972,615	61,715

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
		(In millions of Korean Won)		
HMCIS	641,565	396,810	3,353,943	49,902

(*) 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, 2013, were as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
		(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
HMMA	3,031,145	1,294,805	7,385,302	479,606
HMMC	3,050,239	1,480,611	5,450,412	374,303
HMI (*)	1,904,660	968,802	4,736,902	220,593
HME (*)	1,130,991	1,084,122	5,531,337	4,164
HAC (*)	908,415	497,106	3,145,661	73,997
HMMR	1,285,326	606,948	2,750,925	209,710
HMCA	687,001	541,674	2,272,191	40,010
HMCIS	923,966	583,367	3,742,285	96,107

(*) 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, 2014, 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	₩ (976,758)	₩ (1,351,845)	₩ (188,798)
Cash flows from investing activities	(64,890)	(141,427)	(57,753)
Cash flows from financing activities	147,298	695,513	245,511
Effect of exchange rate changes on cash and cash equivalents	(44)	-	119
Net decrease in cash and cash equivalents	₩ (894,393)	₩ (797,758)	₩ (921)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group as of December 31, 2013, 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	₩ (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

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of December 31, 2014, 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	₩ 1,496,716	₩ 1,611,007	₩ 1,056,862
Profit attributable to non-controlling interests	104,053	140,912	(11,870)
Dividends paid to non-controlling interests	-	-	6,984

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2013, 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%	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

- (6) Financial support provided to consolidated structured entities

As of December 31, 2014, 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, Autopia Forty-Fifth, Forty-Sixth, Forty-Ninth and Fifty-Second Asset Securitization Specialty Company, Privia the third and the Fourth Securitization Specialty Co., Ltd.

- (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 the Group as of December 31, 2014, is as follows:

Description	Purpose	Nature of business	Method of funding	Total assets
		(In millions of Korean Won)		
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Corporate Bond and others	₩ 305,457
Investment fund	Investment in beneficiary certificate	Fund management and operation	Sales of beneficiary certificates	13,207,887
Investment trust	Development trust, Unspecified monetary trust, Principal unsecured trust, Operation of trust investment	Trust management and operation, Payment of trust fee, Distribution of trust benefit	Sales of trust investment product	34,442

Nature of interests in an unconsolidated structured entity, which belongs to the Group as of December 31, 2013, was as follows:

Description	Purpose	Nature of business (In millions of Korean Won)	Method of funding (In millions of Korean Won)	Total assets
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 Group as of December 31, 2014, are as follows:

Description	Book value in the structured entity (*)	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method (In millions of Korean Won)	Purpose (In millions of Korean Won)	
Asset securitization SPC	₩ 31,209	Mezzanine debt	Credit facility	₩ 31,209
Investment fund	210,023	Beneficiary certificates	Invest agreement	210,023
Investment trust	26,491	Investment trust	"	26,491

(*) Interest in structured entities is recognized as AFS financial assets and others according to K-IFRS 1039.

Risks associated with interests in an unconsolidated structured entity, which belongs to Group as of December 31, 2013, were as follows:

Description	Book value in the structured entity (*)	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method (In millions of Korean Won)	Purpose (In millions of Korean Won)	
Asset securitization SPC	₩ 30,223	Mezzanine debt	Credit facility	₩ 30,223

(*) Interest in structured entities was recognized as AFS financial assets and others according to K-IFRS 1039.

(8) Significant restrictions of the subsidiaries

- As of December 31, 2014, 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.
- As of December 31, 2014, 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, 2014, are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Capital Canada Inc. (HCCA)	Establishment
"	Hyundai Capital Lease Inc.	"
"	Hyundai Motor Netherlands B.V. (HMNL)	"
"	Hyundai Rotem Brasil Engineering Services LTD	"
"	KyoboAXA Private Tomorrow Securities Investment Trust No.12	"
"	Shinyoung Private Securities Investment Trust WB-1	"
"	UBS Hana Dynamic Balance Private Investment Trust 1	"
"	Shinhan BNPP Private Corporate Security Investment Trust No.34	"
"	Miraeasset Triumph Private Equity Security Investment Trust No.15	"
"	Autopia Fifty-Fourth Asset Securitization Specialty Company	"
"	Autopia Fifty-Fifth Asset Securitization Specialty Company	"
"	Privia the Fourth Securitization Specialty Co., Ltd.	"
"	Privia the Fifth Securitization Specialty Co., Ltd.	"
"	Hyundai HK Funding Three, LLC	"
"	Power Protect Extended Services, Inc.	"
"	Power Protect Extended Services Florida, Inc.	"
Excluded	Hyundai Motor Norway AS (HMN)	Merger (*)
"	Hyundai Motor Hungary (HMH)	Liquidation
"	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	"
"	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	"
"	Autopia Thirty-Sixth Asset Securitization Specialty Company	"
"	Autopia Fourty-Second Asset Securitization Specialty Company	"
"	Privia the Second Securitization Specialty Co., Ltd.	"

(*) HMN has been merged with HMUK, a subsidiary of the Company, during the year ended December 31, 2014.

(10) Decrease in the Group's ownership interests in one of its subsidiary and the consequent effects on the equity attributable to the owners of the Company for the year ended December 31, 2014, is as follows:

Description	HCA (*1)	HAOSVT (*2)
	(In millions of Korean Won)	
Ownership percentage before transaction	85.00%	89.29%
Ownership percentage after transaction	80.00%	83.91%
Increase in paid-in capital and proceeds on disposal	₩ 132,263	₩ 23,678
Changes in non-controlling interests	133,215	16,909
Changes in capital surplus	(952)	4,834

(*1) The ownership percentage of the Group decreased as a result of not participating in the paid-in capital increase that occurred during the year ended December 31, 2014.

(*2) The ownership percentage of the Group decreased as the Group disposed its shares partially during the year ended December 31, 2014.

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 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.

The consolidated financial statements as of and for the year ended on December 31, 2014, to be submitted at the ordinary shareholders’ meeting were authorized for issuance at the board of directors’ meeting on February 12, 2015.

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, 2013, 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, 2014, are as follows:

- K-IFRS 1032 (Amendment): ‘Financial Instruments: Presentation’

The amendments to K-IFRS 1032 clarify the requirement to offset financial assets and financial liabilities within the presentation of the statements of financial position: the right to offset must not be conditional upon the occurrence of future events and can be exercised anytime during the contract periods. The right to offset is executable even in the case of default or insolvency.

- K-IFRS 1036 (Amendment): ‘Impairment of Assets’

The amendments to K-IFRS 1036 require disclosure of the recoverable amounts of cash generating units or individual assets only when there has been impairment or reversal of impairment.

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

The amendments to K-IFRS 1039 permit the use of hedge accounting when, as a consequence of the introduction of laws or regulations, the original counterparty to the hedging instrument is replaced by a central counterparty or an entity which is acting as counterparty in order to effect clearing by a central counterparty.

- K-IFRS interpretation 2121 (Enactment): ‘Levies’

The enactment to K-IFRS 2121 clarifies that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation.

The above mentioned changes in accounting policies did not have any significant effect on the Group’s consolidated financial statements.

- 2) New and revised standards that have been issued but are not yet effective as of the authorization date for issue of financial statements, and that have not been applied earlier by the Group are as follows:

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

The amendments to K-IFRS 1019 permit to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The amendments are effective for the annual periods beginning on or after July 1, 2014.

- K-IFRS 1016 (Amendment): ‘Property, Plant and Equipment’

The amendments to K-IFRS 1016 prohibit from using a revenue-based depreciation method for items of property, plant and equipments. The amendments are effective for the annual periods beginning on or after January 1, 2016.

- K-IFRS 1038 (Amendment): ‘Intangible Assets’

The amendments to K-IFRS 1038 rebut presumption that revenue is not an appropriate basis for the amortization of intangible assets, which the presumption can only be rebutted when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The amendments to K-IFRS 1038 apply prospectively for annual periods beginning on or after January 1, 2016.

- K-IFRS 1111(Amendment): ‘Joint Arrangements’

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of joint operation that constitutes a business as defined in K-IFRS 1103 ‘Business Combinations’. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

- Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1002 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definition for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to K-IFRS 1103 clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments’ assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The amendments are effective for the annual periods beginning on or after July 1, 2014.

- Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to K-IFRS 1113 ‘Fair Value Measurement’ and K-IFRS 1040 ‘Investment Property’ exist and these amendments are effective to the annual periods beginning on or after July 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 as 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 structured 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. The representative useful lives are as follows:

	<u>Representative 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. The representative useful lives are as follows:

	<u>Representative 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, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,808,798	₩ 57,100	₩ 3,531,279	₩ 47,969
Allowance for doubtful accounts	(58,706)	-	(45,934)	-
Present value discount accounts	-	(5,566)	-	(4,660)
	<u>₩ 3,750,092</u>	<u>₩ 51,534</u>	<u>₩ 3,485,345</u>	<u>₩ 43,309</u>

(2) Aging analysis of trade notes and accounts receivables

As of December 31, 2014 and 2013, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩311,979 million and ₩310,984 million, respectively; of which ₩282,969 million and ₩264,159 million, respectively, are past due less than 90 days, but not impaired. As of December 31, 2014 and 2013, the impaired trade notes and accounts receivable amount to ₩58,706 million and ₩45,934 million, respectively.

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

As of December 31, 2014 and 2013, total trade notes and accounts receivable which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩1,100,610 million and ₩997,519 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, 2014 and 2013, are as follows:

Description	2014		2013	
	(In millions of Korean Won)			
Beginning of the year	₩	45,934	₩	29,543
Impairment loss		16,548		14,959
Write-off		(2,757)		(539)
Effect of foreign exchange differences		(1,019)		1,971
End of the year	₩	58,706	₩	45,934

4. OTHER RECEIVABLES:

Other receivables as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 2,083,571	₩ 719,888	₩ 1,672,402	₩ 827,510
Due from customers for contract work	1,617,221	-	1,393,555	-
Lease and rental deposits	28,119	298,401	42,784	274,832
Deposits	2,820	23,998	13,699	23,154
Others	93	119	2,549	7,283
Allowance for doubtful accounts	(9,715)	-	(6,603)	-
Present value discount accounts	-	(3,249)	-	(4,940)
	<u>₩ 3,722,109</u>	<u>₩ 1,039,157</u>	<u>₩ 3,118,386</u>	<u>₩ 1,127,839</u>

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial assets at fair value through profit or loss ("FVTPL")	₩ 14,853,071	₩ 4,652	₩ 447,300	₩ 1,592
Derivative assets that are effective hedging instruments	13,373	25,629	7,558	19,138
AFS financial assets	1,950	2,264,116	21,363	2,494,033
Loans	16,040	225,722	31,600	217,121
	<u>₩ 14,884,434</u>	<u>₩ 2,520,119</u>	<u>₩ 507,821</u>	<u>₩ 2,731,884</u>

(2) AFS financial assets that are measured at fair value as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014			December 31, 2013
	Acquisition cost	Valuation difference	Book value	Book value
(In millions of Korean Won)				
Debt instruments	₩ 154,945	₩ 4,402	₩ 159,347	₩ 124,240
Equity instruments	1,460,735	645,984	2,106,719	2,391,156
	<u>₩ 1,615,680</u>	<u>₩ 650,386</u>	<u>₩ 2,266,066</u>	<u>₩ 2,515,396</u>

(3) Equity instruments classified into AFS financial assets as of December 31, 2014 and 2013, consist of the following:

Name of the company	Ownership percentage	December 31, 2014			December 31, 2013
		Acquisition cost	Valuation difference	Book value	Book value
		(In millions of Korean Won)			
Hyundai Steel Co., Ltd.	7.87	₩ 791,681	₩ (209,158)	₩ 582,523	₩ 791,681
Hyundai Glovis Co., Ltd.	4.88	210,688	323,031	533,719	422,947
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	236,865	387,951	282,678
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	194,926	251,850	562,830
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	84,555	138,289	145,523
Hyundai Green Food Co., Ltd.	2.36	15,005	28,726	43,731	38,769
Hyundai Development Company	0.60	9,025	8,390	17,415	10,440
Hyundai Finance Corporation	9.29	9,888	477	10,365	10,666
KT Corporation	0.09	8,655	(1,152)	7,503	7,575
NICE Holdings Co., Ltd.	1.30	3,491	4,006	7,497	5,801
Doosan Capital Co., Ltd.	7.14	10,000	(2,744)	7,256	10,348
Hyundai Merchant Marine Co., Ltd.	0.38	9,161	(2,231)	6,930	7,900
NICE Information Service Co., Ltd.	2.25	3,312	3,149	6,461	4,180
Ubivelo Co., Ltd.	5.15	1,710	2,360	4,070	4,585
Hyundai Asan Corporation	1.88	22,500	(20,383)	2,117	2,117
Nesscap, Inc.	4.47	1,997	(798)	1,199	1,104
Others		101,878	(4,035)	97,843	82,012
		₩ 1,460,735	₩ 645,984	₩ 2,106,719	₩ 2,391,156

As of December 31, 2014, the valuation difference between the book value and the acquisition cost of AFS equity instruments includes the cumulative impairment loss of ₩24,968 million.

6. INVENTORIES:

Inventories as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	(In millions of Korean Won)			
Finished goods	₩	4,178,587	₩	3,771,488
Merchandise		108,428		105,385
Semi-finished goods		428,282		434,834
Work in progress		360,888		410,024
Raw materials		1,232,731		1,138,616
Supplies		236,715		204,657
Materials in transit		437,564		540,666
Others		434,044		467,446
Total (*)	₩	7,417,239	₩	7,073,116

(*) As of December 31, 2014 and 2013, valuation allowance in amount of ₩69,434 million and ₩81,145 million, respectively, is included.

7. OTHER ASSETS:

Other assets as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 424,478	₩ 10,003	₩ 362,854	₩ 498
Advanced payments	568,905	-	700,542	-
Prepaid expenses	295,665	201,836	291,282	90,589
Prepaid value added tax and others	284,647	22,814	313,258	63,813
	₩ 1,573,695	₩ 234,653	₩ 1,667,936	₩ 154,900

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

Non-current assets classified as held for sale as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Land	₩ -	₩ 13,676
Buildings	-	8,671
Vehicles	47,643	-
	₩ 47,643	₩ 22,347

The Group recognized a gain (other income) on disposals of ₩17,153 million and a loss (other expenses) on disposals of ₩244 million as land and buildings, which were classified as non-current assets held for sale as of December 31, 2013, were disposed of during the year ended December 31, 2014.

The Group has been committed to a plan to sell vehicles that were classified as held for sale as of December 31, 2014 and an active programme to complete the plan has been initiated. 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, 2014.

9. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014			December 31, 2013		
	Acquisition cost	Accumulated depreciation(*)	Book value	Acquisition cost	Accumulated depreciation(*)	Book value
	(In millions of Korean Won)					
Land	₩ 5,801,178	₩ -	₩ 5,801,178	₩ 5,770,486	₩ -	₩ 5,770,486
Buildings	7,443,871	(2,206,379)	5,237,492	6,686,495	(1,991,035)	4,695,460
Structures	1,066,962	(469,523)	597,439	1,037,122	(448,432)	588,690
Machinery and equipment	13,019,812	(6,813,475)	6,206,337	12,243,086	(6,221,320)	6,021,766
Vehicles	283,659	(123,080)	160,579	283,518	(133,686)	149,832
Dies, molds and tools	6,689,376	(4,977,928)	1,711,448	5,997,667	(4,568,511)	1,429,156
Office equipment	1,484,990	(1,058,838)	426,152	1,329,759	(967,490)	362,269
Others	57,986	(28,790)	29,196	50,024	(19,388)	30,636
Construction in progress	2,372,438	-	2,372,438	2,414,292	-	2,414,292
	₩ 38,220,272	₩ (15,678,013)	₩ 22,542,259	₩ 35,812,449	₩ (14,349,862)	₩ 21,462,587

(*) Accumulated impairment is included.

(2) The changes in property, plant and equipment ("PP&E") for the year ended December 31, 2014, 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	₩ 5,770,486	₩ 16,234	₩ 18,404	₩ (150)	₩ -	₩ (3,796)	₩ 5,801,178
Buildings	4,695,460	11,752	889,295	(517)	(219,615)	(138,883)	5,237,492
Structures	588,690	13,825	91,233	(3,665)	(54,307)	(38,337)	597,439
Machinery and equipment	6,021,766	12,398	1,113,839	(31,876)	(796,113)	(113,677)	6,206,337
Vehicles	149,832	38,323	91,388	(26,172)	(36,229)	(56,563)	160,579
Dies, molds and tools	1,429,156	12,565	865,295	(4,879)	(559,748)	(30,941)	1,711,448
Office equipment	362,269	54,447	161,101	(1,234)	(158,224)	7,793	426,152
Others	30,636	5,996	1,038	(187)	(8,436)	149	29,196
Construction in progress	2,414,292	3,177,138	(3,231,593)	(820)	-	13,421	2,372,438
	₩ 21,462,587	₩ 3,342,678	₩ -	₩ (69,500)	₩ (1,832,672)	₩ (360,834)	₩ 22,542,259

(*) 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, 2013, were 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
	₩ 20,739,858	₩ 3,079,781	₩ -	₩ (236,108)	₩ (1,758,827)	₩ (362,117)	₩ 21,462,587

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

- (3) The Group has entered into a real estate purchase contract with the Korea Electric Power Corporation for the year ended December 31, 2014 and the amount of the contractual commitment for acquisition of the real estate is ₩5,802,500 million.

10. INVESTMENT PROPERTY:

- (1) Investment property as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014			December 31, 2013		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)					
Land	₩ 63,406	₩ -	₩ 63,406	₩ 62,467	₩ -	₩ 62,467
Buildings	398,626	(153,193)	245,433	320,904	(133,163)	187,741
Structures	18,630	(5,262)	13,368	18,630	(4,854)	13,776
	<u>₩ 480,662</u>	<u>₩ (158,455)</u>	<u>₩ 322,207</u>	<u>₩ 402,001</u>	<u>₩ (138,017)</u>	<u>₩ 263,984</u>

- (2) The changes in investment property for the year ended December 31, 2014, 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	₩ 62,467	₩ 3,617	₩ (2,836)	₩ -	₩ 158	₩ 63,406
Buildings	187,741	67,373	-	(10,722)	1,041	245,433
Structures	13,776	-	-	(408)	-	13,368
	₩ 263,984	₩ 70,990	₩ (2,836)	₩ (11,130)	₩ 1,199	₩ 322,207

The changes in investment property for the year ended December 31, 2013, were 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

- (3) The fair value of investment property as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Land	₩ 64,783	₩ 62,467
Buildings	436,271	351,992
Structures	15,514	15,496
	<u>₩ 516,568</u>	<u>₩ 429,955</u>

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, 2014, no fair value remeasurement of investment property was performed, as the change in fair value is considered not to be material.

The fair value of the investment property is classified as Level 3, based on the inputs used in the valuation techniques. The fair value has been determined based on the cost approach and the market approach. The cost approach measured fair value as current replacement cost considering supplementary installation, depreciation period, structure and design.

- (4) Income and expenses related to investment property for the years ended December 31, 2014 and 2013, are as follows:

Description	2014		2013	
	(In millions of Korean Won)			
Rental income	₩	42,499	₩	35,495
Operating and maintenance expenses		19,433		13,632

11. INTANGIBLE ASSETS:

- (1) Intangible assets as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014			December 31, 2013		
	Acquisition Cost	Accumulated amortization(*)	Book value	Acquisition cost	Accumulated amortization(*)	Book value
	(In millions of Korean Won)					
Goodwill	₩ 288,882	₩ (2,404)	₩ 286,478	₩ 301,798	₩ (2,446)	₩ 299,352
Development costs	6,070,412	(3,515,429)	2,554,983	5,426,534	(3,480,977)	1,945,557
Industrial property rights	169,976	(80,014)	89,962	123,244	(78,877)	44,367
Software	684,882	(369,901)	314,981	536,674	(263,253)	273,421
Others	488,116	(174,231)	313,885	440,613	(148,710)	291,903
Construction in progress	278,381	(17,014)	261,367	274,490	-	274,490
	<u>₩ 7,980,649</u>	<u>₩ (4,158,993)</u>	<u>₩ 3,821,656</u>	<u>₩ 7,103,353</u>	<u>₩ (3,974,263)</u>	<u>₩ 3,129,090</u>

(*) Accumulated impairment is included.

- (2) The changes in intangible assets for the year ended December 31, 2014, 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	₩ 299,352	₩ -	₩ -	₩ -	₩ -	₩ (1,429)	₩ (11,445)	₩ 286,478
Development costs	1,945,557	1,117,115	33,377	(4,386)	(564,905)	(9,391)	37,616	2,554,983
Industrial property rights	44,367	40,605	16,141	-	(9,571)	-	(1,580)	89,962
Software	273,421	14,811	45,800	(124)	(103,560)	-	84,633	314,981
Others	291,903	6,977	27,749	(3,305)	(28,059)	(358)	18,978	313,885
Construction in progress	274,490	173,962	(123,067)	-	-	(17,418)	(46,600)	261,367
	<u>₩ 3,129,090</u>	<u>₩ 1,353,470</u>	<u>₩ -</u>	<u>₩ (7,815)</u>	<u>₩ (706,095)</u>	<u>₩ (28,596)</u>	<u>₩ 81,602</u>	<u>₩ 3,821,656</u>

(*) 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, 2013, were 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
	<u>₩ 2,883,218</u>	<u>₩ 1,019,910</u>	<u>₩ -</u>	<u>₩ (17,799)</u>	<u>₩ (782,353)</u>	<u>₩ (28,161)</u>	<u>₩ 54,275</u>	<u>₩ 3,129,090</u>

(*) 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, 2014 and 2013, are as follows:

Description	2014	2013
(In millions of Korean Won)		
Development costs (*)	₩ 1,117,115	₩ 781,694
Research and development (manufacturing cost and administrative expenses)	1,011,789	1,067,350
	<u>₩ 2,128,904</u>	<u>₩ 1,849,044</u>

(*) Amortization of development costs is not included.

(4) Impairment test of goodwill

The allocation of goodwill amongst the Group's cash-generating units as of December 31, 2014 and 2013, is as follows:

Description	December 31, 2014	December 31, 2013
(In millions of Korean Won)		
Vehicle	₩ 186,026	₩ 197,471
Finance	482	1,911
Others	99,970	99,970
	<u>₩ 286,478</u>	<u>₩ 299,352</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 14.0%. Cash flow projections 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. An impairment loss has been recognized for the Finance CGU in the amount of ₩1,429 million for the year ended December 31, 2014. No impairment loss had been recognized for the year ended December 31, 2013.

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2014, consist 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	₩ 2,179,636
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	193,624
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	164,090
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	158,287
Sichuan Hyundai Motor Company (CHMC) (*1)	Manufacturing	China	50.00	155,573
Kia Motors Corporation	Manufacturing	Korea	33.88	7,482,972
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,130,886
Hyundai WIA Corporation	Manufacturing	Korea	25.35	707,713
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	380,815
Hyundai HYSCO Co., Ltd.	Manufacturing	Korea	29.37	302,058
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	289,369
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	225,332
Hyundai Commercial Inc.	Financing	Korea	50.00	196,471
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	170,132
Others				420,376
				₩ 16,157,334

(*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 according to 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 require 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, 2014, the entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, 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, 2013, 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	₩ 2,026,337
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	88,760
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	129,783
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
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 HYSCO Co., Ltd.	Manufacturing	Korea	29.37	236,732
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	270,535

Name of the company	Nature of the business	Location	Ownership Percentage	Book value
			(%)	(In millions of Korean Won)
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	26.27	217,218
Hyundai Commercial Inc.	Financing	Korea	50.00	125,806
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	148,866
Others (*3)				430,679
				<u>₩ 14,694,995</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 according to 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 require 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, 2013, the entity was categorized as a joint venture although the Group's total ownership percentage was a majority share of 53%, 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, 2014, 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	₩ 2,026,337	₩ -	₩ 963,152	₩ (815,497)	₩ 5,644	₩ 2,179,636
BHAF	88,760	94,340	9,443	-	1,081	193,624
WAE	129,783	-	31,205	-	3,102	164,090
HMGC	153,823	-	28,462	(25,590)	1,592	158,287
CHMC	132,014	25,557	(4,858)	-	2,860	155,573
Kia Motors Corporation	6,748,127	-	984,600	(96,123)	(153,632)	7,482,972
Hyundai Engineering & Construction Co., Ltd.	3,050,804	-	50,750	(11,664)	40,996	3,130,886
Hyundai WIA Corporation	600,284	-	109,398	(3,447)	1,478	707,713
Hyundai Powertech Co., Ltd.	335,227	-	45,459	-	129	380,815
Hyundai HYSCO Co., Ltd.	236,732	-	49,328	(2,010)	18,008	302,058
Hyundai Dymos Inc.	270,535	-	21,156	-	(2,322)	289,369
HMC Investment Securities Co., Ltd.	217,218	3,636	4,381	-	97	225,332
Hyundai Commercial Inc.	125,806	-	11,745	(5,650)	64,570	196,471
Eukor Car Carriers Inc.	148,866	-	23,307	(7,920)	5,879	170,132
Others	430,679	(10,482)	75,451	(27,172)	(48,100)	420,376
	<u>₩ 14,694,995</u>	<u>₩ 113,051</u>	<u>₩ 2,402,979</u>	<u>₩ (995,073)</u>	<u>₩ (58,618)</u>	<u>₩ 16,157,334</u>

- (*) Others consist of changes in accumulated other comprehensive income, changes in ownership percentage, impairment loss on investments in associates and others.

The changes in investments in joint ventures and associates for the year ended December 31, 2013, 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	₩ 1,657,185	₩ -	₩ 966,555	₩ (622,500)	₩ 25,097	₩ 2,026,337
WAE	107,253	-	28,524	(7,070)	1,076	129,783
HMGC	103,450	17,432	31,948	-	993	153,823
CHMC	77,346	56,592	(665)	-	(1,259)	132,014
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 HYSCO Co., Ltd.	615,271	(483,681)	102,489	(5,889)	8,542	236,732
Hyundai Dymos Inc.	233,660	-	44,005	-	(7,130)	270,535
HMC Investment Securities Co., Ltd.	217,187	-	2,517	(1,156)	(1,330)	217,218
Hyundai Commercial Inc.	121,597	-	11,932	-	(7,723)	125,806
Eukor Car Carriers Inc.	127,881	-	31,336	(8,044)	(2,307)	148,866
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.

(3) Condensed financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2014, is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 8,017,912	₩ 2,822,478	₩ 6,104,511	₩ 330,032
BHAF(*)	2,313,511	-	1,948,183	-
WAE	810,860	882,572	396,641	554,056
HMGC	408,159	302,466	244,695	127,834
CHMC	474,710	575,607	239,165	500,007
Kia Motors Corporation	16,655,401	24,388,801	11,974,338	6,585,999
Hyundai Engineering & Construction Co., Ltd.	13,642,088	4,797,605	8,256,605	3,216,775
Hyundai WIA Corporation	3,452,727	2,484,590	1,830,980	1,257,464
Hyundai Powertech Co., Ltd.	815,573	1,305,272	752,801	340,814
Hyundai HYSCO Co., Ltd.	1,736,275	805,183	1,032,851	576,592
Hyundai Dymos Inc.	1,078,838	780,341	662,110	589,631
HMC Investment Securities Co., Ltd. (*)	5,592,617	-	4,918,694	-
Hyundai Commercial Inc. (*)	4,778,907	-	4,284,158	-
Eukor Car Carriers Inc.	503,455	2,541,803	316,999	1,312,677

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	₩ 19,755,886	₩ 1,925,153	₩ -	₩ -	₩ 1,925,153
BHAF(*)	181,756	17,817	-	-	17,817
WAE	1,778,572	138,819	-	-	138,819
HMGC	1,543,128	59,947	-	-	59,947
CHMC	362,750	(9,716)	-	-	(9,716)
Kia Motors Corporation	47,097,049	2,993,593	-	(416,539)	2,577,054
Hyundai Engineering & Construction Co., Ltd.	17,386,959	586,697	-	(23,108)	563,589
Hyundai WIA Corporation	7,595,606	439,189	-	6,214	445,403
Hyundai Powertech Co., Ltd.	3,253,110	103,744	-	104	103,848
Hyundai HYSCO Co., Ltd.	4,214,317	164,826	-	(47,635)	117,191
Hyundai Dymos Inc.	2,550,730	31,068	-	(6,687)	24,381
HMC Investment Securities Co., Ltd. (*)	515,456	6,610	-	317	6,927
Hyundai Commercial Inc.(*)	350,831	24,711	-	19,521	44,232
Eukor Car Carriers Inc.	2,487,114	196,984	-	60,726	257,710

(*) 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, 2013, was 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
WAE	663,359	774,846	303,861	544,423
HMGC	386,643	90,778	151,274	-
CHMC	285,878	408,432	351,942	78,341
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 HYSCO Co., Ltd.	1,470,314	787,872	1,111,124	444,852
Hyundai Dymos Inc.	867,798	775,516	578,069	482,460
HMC Investment Securities Co., Ltd. (*1,2)	4,552,120	-	3,885,124	-
Hyundai Commercial Inc.(*2)	4,154,667	-	3,800,298	-
Eukor Car Carriers Inc.	563,589	1,984,373	341,512	1,194,435

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
WAE	1,599,574	125,285	-	-	125,285
HMGC	1,830,188	66,577	-	-	66,577
CHMC	435,110	1,273	-	-	1,273
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 HYSKO Co., Ltd.	4,046,137	53,597	1,555,167	(2,849)	1,605,915
Hyundai Dymos Inc.	2,185,540	84,835	-	3,036	87,871
HMC Investment Securities Co., Ltd. (*1,2)	750,633	2,096	-	(5,062)	(2,966)
Hyundai Commercial Inc. (*2)	346,231	36,617	-	(15,387)	21,230
Eukor Car Carriers Inc.	2,598,281	255,829	-	(14,770)	241,059

(*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, 2014, 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	₩ 867,555	₩ -	₩ 247,534	₩ 290,920	₩ 29,076	₩ 54,141	₩ 641,753
BHAF(*)	279,486	1,948,183	-	1,278	177,122	84,809	5,973
HMGC	44,836	49,153	127,834	4,369	1,146	6,912	16,832
CHMC	196,076	44,285	500,007	4,049	2,492	7,210	-

(*) Operating finance business of which total assets (liabilities) are included in current financial liabilities as BHAF does not distinguish current and non-current portion in separate financial statements.

Condensed additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2013, 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	₩ 573,257	₩ -	₩ -	₩ 282,461	₩ 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

- (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, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Profit for the year	₩ 75,451	₩ 73,320
Other comprehensive income	890	1,498
Total comprehensive income	₩ 76,341	₩ 74,818

- (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, 2014, 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	₩ 2,202,923	₩ -	₩ (23,287)	₩ 2,179,636
BHAF	193,624	-	-	193,624
WAE	164,090	-	-	164,090
HMGC	169,048	-	(10,761)	158,287
CHMC	155,573	-	-	155,573
Kia Motors Corporation	7,328,393	197,089	(42,510)	7,482,972
Hyundai Engineering & Construction Co., Ltd (*)	1,993,529	1,137,357	-	3,130,886
Hyundai WIA Corporation	710,123	-	(2,410)	707,713
Hyundai Powertech Co., Ltd.	386,574	-	(5,759)	380,815
Hyundai HYSCO Co., Ltd.	275,529	27,172	(643)	302,058
Hyundai Dymos Inc.	290,812	-	(1,443)	289,369
HMC Investment Securities Co., Ltd.	185,280	40,052	-	225,332
Hyundai Commercial Inc.	196,471	-	-	196,471
Eukor Car Carriers Inc.	169,870	-	262	170,132

- (*) 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, 2013, 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	₩ 2,050,200	₩ -	₩ (23,863)	₩ 2,026,337
WAE	129,783	-	-	129,783
HMGC	163,074	-	(9,251)	153,823
CHMC	132,014	-	-	132,014
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 HYSCO Co., Ltd.	210,104	27,172	(544)	236,732
Hyundai Dymos Inc.	272,312	-	(1,777)	270,535
HMC Investment Securities Co., Ltd.	177,166	40,052	-	217,218
Hyundai Commercial Inc.	125,806	-	-	125,806
Eukor Car Carriers Inc.	148,604	-	262	148,866

(*) 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.

(7) The market price of listed equity securities as of December 31, 2014, 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	₩ 52,300	137,318,251	₩ 7,181,745
Hyundai Engineering & Construction Co., Ltd.	42,100	23,327,400	982,084
Hyundai WIA Corporation	176,000	6,893,596	1,213,273
Hyundai HYSCO Co., Ltd.	72,700	6,698,537	486,984
HMC Investment Securities Co., Ltd.	10,150	8,065,595	81,866

13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Loans	₩ 31,464,943	₩ 29,078,336
Card receivables	10,601,341	9,806,136
Financial lease receivables	2,730,188	3,038,540
Others	16,755	11,348
	44,813,227	41,934,360
Allowance for doubtful accounts	(845,566)	(823,408)
Loan origination fee	35,682	(89,881)
Present value discount accounts	(8,755)	(7,464)
	₩ 43,994,588	₩ 41,013,607

(2) Aging analysis of financial services receivables

As of December 31, 2014 and 2013, total financial services receivables that are past due but not impaired are ₩1,751,712 million and ₩1,288,443 million, respectively; all of them are past due less than 90 days. As of December 31, 2014 and 2013, the impaired financial services receivables amount to ₩513,128 million and ₩530,638 million, respectively.

(3) Transferred financial services receivables that are not derecognized

As of December 31, 2014 and 2013, the Group issued asset backed securities, which have recourse to the underlying assets, based on loans, card receivables and others. As of December 31, 2014, the carrying amounts and fair values of the transferred financial assets that are not derecognized are ₩15,046,062 million and ₩15,220,978 million, respectively, the carrying amounts and fair values of the associated liabilities are ₩10,962,648 million and ₩10,927,013 million, respectively, and the net position is ₩4,293,965 million. As of December 31, 2013, the carrying amounts and fair values of the transferred financial assets that were not derecognized were ₩14,802,187 million and ₩14,709,639 million, respectively, the carrying amounts and fair values of the associated liabilities were ₩10,934,023 million and ₩11,101,945 million, respectively, and the net position was ₩3,607,694 million.

- (4) The changes in allowance for doubtful accounts of financial services receivables for the years ended December 31, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Beginning of the year	₩ 823,408	₩ 749,166
Impairment loss	629,261	669,339
Write-off	(527,556)	(474,001)
Effect of foreign exchange differences	6,706	(2,761)
Disposals and others	(86,253)	(118,335)
End of the year	₩ 845,566	₩ 823,408

- (5) Gross investments in financial leases and their present value of minimum lease receipts as of December 31, 2014 and 2013, are as follows:

Description	December 31, 2014		December 31, 2013	
	Gross investments in financial leases	Present value of minimum lease receipts	Gross investments in financial leases	Present value of minimum lease receipts
	(In millions of Korean Won)			
Not later than one year	₩ 1,284,279	₩ 1,117,016	₩ 1,453,668	₩ 1,257,942
Later than one year and not later than five years	1,743,890	1,609,391	1,944,394	1,776,643
Later than five years	229	227	172	171
	₩ 3,028,398	₩ 2,726,634	₩ 3,398,234	₩ 3,034,756

- (6) Unearned interest income of financial leases as of December 31, 2014 and 2013, is as follows:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 3,028,398	₩ 3,398,234
Net lease investments:		
Present value of minimum lease receipts	2,726,634	3,034,756
Present value of unguaranteed residual value	3,554	3,784
	2,730,188	3,038,540
Unearned interest income	₩ 298,210	₩ 359,694

14. OPERATING LEASE ASSETS:

- (1) Operating lease assets as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Acquisition cost	₩ 15,136,720	₩ 12,030,614
Accumulated depreciation	(1,804,291)	(1,388,421)
Accumulated impairment loss	(66,813)	(77,317)
	₩ 13,265,616	₩ 10,564,876

- (2) Future minimum lease receipts related to operating lease assets as of December 31, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Not later than one year	₩ 2,474,411	₩ 2,018,610
Later than one year and not later than five years	2,674,220	2,270,798
Later than five years	-	1
	<u>₩ 5,148,631</u>	<u>₩ 4,289,409</u>

15. BORROWINGS AND DEBENTURES:

- (1) Short-term borrowings as of December 31, 2014 and 2013, consist of the following:

Description	Lender	Annual interest rate December 31, 2014 (%)	December 31, 2014 (In millions of Korean Won)	December 31, 2013
Overdrafts	Citi Bank and others	0.40~3.63	₩ 189,121	₩ 211,603
General loans	Kookmin Bank and others	0.34~9.54	3,274,955	2,468,175
Loans on trade receivables collateral	Korea Exchange Bank and others	LIBOR+0.23~0.40	1,100,610	997,519
Banker's Usance	Kookmin Bank and others	LIBOR+0.31~0.40	433,510	439,579
Short-term debentures		2.27	19,997	-
Commercial paper	Shinhan Bank and others	0.27~2.64	1,827,727	747,375
Asset-backed securities	HSBC		-	428,547
			<u>₩ 6,845,920</u>	<u>₩ 5,292,798</u>

- (2) Long-term debt as of December 31, 2014 and 2013, consists of the following:

Description	Lender	Annual interest rate December 31, 2014 (%)	December 31, 2014 (In millions of Korean Won)	December 31, 2013
General loans	Shinhan Bank and others	0.37~9.54	₩ 3,283,340	₩ 3,127,981
Facility loan	Korea Development Bank and others	1.00~5.85	383,072	524,530
Commercial paper	Hana Daetoo Security	3.13~3.17	73,000	233,000
Asset-backed securities	JP Morgan and others	0.46~0.71	5,607,169	3,535,460
Others	Woori Bank and others	0.10~2.00	239,260	238,899
			<u>9,585,841</u>	<u>7,659,870</u>
Less: present value discounts			125,375	134,025
Less: current maturities			<u>2,030,037</u>	<u>2,859,815</u>
			<u>₩ 7,430,429</u>	<u>₩ 4,666,030</u>

(3) Debentures as of December 31, 2014 and 2013, consist of the following:

Description	Latest maturity date	Annual interest rate	December 31, 2014	December 31, 2014	December 31, 2013
		(%)			
(In millions of Korean Won)					
Guaranteed public debentures	June 8, 2017	3.75~4.50	₩ 1,648,312	₩ 1,583,399	
Guaranteed private debentures	April 25, 2015	5.68	82,440	79,148	
Non-guaranteed public debentures	April 29, 2021	2.08~7.20	21,247,129		20,298,628
Non-guaranteed private debentures	February 6, 2019	1.45~3.63	4,079,019		2,383,997
Asset-backed securities	December 15, 2020	0.18~6.52	10,976,262		10,891,176
			38,033,162		35,236,348
Less: discount on debentures			81,616		88,129
Less: current maturities			7,649,461		5,825,439
			₩ 30,302,085	₩ 29,322,780	

16. PROVISIONS:

(1) Provisions as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	(In millions of Korean Won)		(In millions of Korean Won)	
Warranty	₩	5,613,785	₩	5,871,332
Other long-term employee benefits		674,397		624,836
Others		438,688		409,751
	₩	6,726,870	₩	6,905,919

(2) The changes in provisions for the year ended December 31, 2014, are as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)		(In millions of Korean Won)		(In millions of Korean Won)	
Beginning of the year	₩	5,871,332	₩	624,836	₩	409,751
Charged		866,416		103,242		189,247
Utilized		(1,136,032)		(53,599)		(155,660)
Amortization of present value discounts		138,039		-		3,555
Changes in expected reimbursements by third parties		(86,270)		-		-
Effect of foreign exchange differences		(39,700)		(82)		(8,205)
End of the year	₩	5,613,785	₩	674,397	₩	438,688

The changes in provisions for the year ended December 31, 2013, were as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)		(In millions of Korean Won)		(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

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL	₩ 10,139	₩ 192	₩ 2	₩ 3,061
Derivative liabilities that are effective hedging instruments	204,438	209,591	134,974	426,434
Financial lease liabilities	8,726	745	9,093	10,618
	<u>₩ 223,303</u>	<u>₩ 210,528</u>	<u>₩ 144,069</u>	<u>₩ 440,113</u>

18. OTHER LIABILITIES:

Other liabilities as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 412,851	₩ 87,526	₩ 250,886	₩ 48,426
Withholdings	994,554	460,593	1,105,380	491,180
Accrued expenses	1,954,263	-	1,663,951	-
Unearned income	402,145	640,578	442,495	458,707
Due to customers for contract work	290,827	-	445,292	-
Others	147,329	763,450	91,110	611,168
	<u>₩ 4,201,969</u>	<u>₩ 1,952,147</u>	<u>₩ 3,999,114</u>	<u>₩ 1,609,481</u>

19. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of December 31, 2014, consist of the following:

Description	Financial assets at FVTPL		Loans and receivables		AFS financial assets		Derivatives designated as hedging instruments		Book value		Fair value	
	(In millions of Korean Won)											
Cash and cash equivalents	₩	-	₩	7,096,513	₩	-	₩	-	₩	7,096,513	₩	7,096,513
Short-term and long-term financial instruments		-		4,101,550		-		-		4,101,550		4,101,550
Trade notes and accounts receivable		-		3,801,626		-		-		3,801,626		3,801,626
Other receivables		-		3,143,926		-		-		3,143,926		3,143,926
Other financial assets		14,857,723		241,762		2,266,066		39,002		17,404,553		17,404,553
Other assets		-		434,481		-		-		434,481		434,481
Financial services receivables		-		43,994,588		-		-		43,994,588		44,292,330
	₩	14,857,723	₩	62,814,446	₩	2,266,066	₩	39,002	₩	79,977,237	₩	80,274,979

Categories of financial assets as of December 31, 2013, consisted 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>

(2) Categories of financial liabilities as of December 31, 2014, consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 7,041,529	₩ -	₩ 7,041,529	₩ 7,041,529
Other payables	-	4,688,812	-	4,688,812	4,688,812
Borrowings and debentures	-	54,257,932	-	54,257,932	55,033,485
Other financial liabilities	10,331	9,471	414,029	433,831	433,831
Other liabilities	-	1,954,335	-	1,954,335	1,954,335
	<u>₩ 10,331</u>	<u>₩ 67,952,079</u>	<u>₩ 414,029</u>	<u>₩ 68,376,439</u>	<u>₩ 69,151,992</u>

Categories of financial liabilities as of December 31, 2013, consisted of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,722,740	₩ -	₩ 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
	<u>₩ 3,063</u>	<u>₩ 61,076,786</u>	<u>₩ 561,408</u>	<u>₩ 61,641,257</u>	<u>₩ 62,310,627</u>

(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, 2014, are as follows:

Description	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 106,293	₩ 14,751,430	₩ -	₩ 14,857,723
Derivatives designated as hedging instruments	-	39,002	-	39,002
AFS financial assets	1,877,566	141,017	247,483	2,266,066
	<u>₩ 1,983,859</u>	<u>₩ 14,931,449</u>	<u>₩ 247,483</u>	<u>₩ 17,162,791</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 10,331	₩ -	₩ 10,331
Derivatives designated as hedging instruments	-	414,029	-	414,029
	<u>₩ -</u>	<u>₩ 424,360</u>	<u>₩ -</u>	<u>₩ 424,360</u>

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2013, were 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>

The changes in financial instruments classified as Level 3 for the year ended December 31, 2014, are as follows:

Description	Beginning of the year	Purchases	Disposals	Valuation	Transfers	End of the year
(In millions of Korean Won)						
AFS financial assets	₩ 229,342	₩ 12,547	₩ (183)	₩ (9,428)	₩ 15,205	₩ 247,483

The changes in financial instruments classified as Level 3 for the year ended December 31, 2013, were as follows:

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

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014			2013		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)						
Non-financial services:						
Loans and receivables	₩ 235,429	₩ -	₩ -	₩ 573,439	₩ -	₩ -
Financial assets at FVTPL	415,673	-	-	-	-	-
AFS financial assets	1,321	29,860	-	961	11,096	-
Financial liabilities carried at amortized cost	-	-	198,501	-	-	229,750
	<u>₩ 652,423</u>	<u>₩ 29,860</u>	<u>₩ 198,501</u>	<u>₩ 574,400</u>	<u>₩ 11,096</u>	<u>₩ 229,750</u>
Financial services:						
Loans and receivables	₩ 2,467,008	₩ -	₩ -	₩ 2,640,111	₩ -	₩ -
Financial assets at FVTPL	28,807	-	-	6,141	-	-
AFS financial assets	1,197	-	-	-	-	-
Financial liabilities carried at amortized cost	-	-	1,340,995	-	-	1,351,481
	<u>₩ 2,497,012</u>	<u>₩ -</u>	<u>₩ 1,340,995</u>	<u>₩ 2,646,252</u>	<u>₩ -</u>	<u>₩ 1,351,481</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, 2014, 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	₩ 3,917,901	₩ 116,275	₩ 3,801,626	₩ -	₩ -	₩ 3,801,626
Other receivables	3,421,842	277,916	3,143,926	-	-	3,143,926
Financial assets at FVTPL (*)	66,947	-	66,947	-	-	66,947
Derivative assets that are effective hedging instruments	39,002	-	39,002	28,980	-	10,022
	<u>₩ 7,445,692</u>	<u>₩ 394,191</u>	<u>₩ 7,051,501</u>	<u>₩ 28,980</u>	<u>₩ -</u>	<u>₩ 7,022,521</u>
Financial liabilities:						
Trade notes and accounts payable	₩ 7,319,804	₩ 278,275	₩ 7,041,529	₩ -	₩ -	₩ 7,041,529
Other payables	4,804,728	115,916	4,688,812	-	-	4,688,812
Financial liabilities at FVTPL (*)	10,331	-	10,331	-	-	10,331
Derivative liabilities that are effective hedging instruments	414,029	-	414,029	28,980	-	385,049
	<u>₩ 12,548,892</u>	<u>₩ 394,191</u>	<u>₩ 12,154,701</u>	<u>₩ 28,980</u>	<u>₩ -</u>	<u>₩ 12,125,721</u>

- (*) There are no derivative assets and liabilities that can be offset as of December 31, 2014. 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, 2013, 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	₩ 3,590,967	₩ 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 were no derivative assets and liabilities that can be offset as of December 31, 2013. 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, 2014 and 2013, are ₩1,646,656 million and ₩1,646,100 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, 2014 and 2013, are ₩787,994 million and ₩897,756 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, 2014.
- (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 discount rate 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 December 31, 2014 (In millions of Korean Won)	Valuation Techniques	Unobservable inputs	Range	Description of relationship
Unlisted equity securities	₩ 247,483	Discounted cash flow	Sales growth rate Pre-tax operating income ratio Discount rate	0.5% ~ 8.2% 2.1% ~ 21.8% 7.9% ~ 14.0%	If the sales growth rate and the pre- tax operating income ratio rise or the discount rate declines, the fair 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, 2014 and 2013, consist of the following:

(1) Common stock

Description	December 31, 2014 (In millions of Korean Won)	December 31, 2013 (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 (In millions of Korean Won)	Dividend rate
1 st preferred stock	₩ 5,000	25,109,982 shares	₩ 125,550	Dividend rate of common stock + 1%
2 nd preferred stock	"	37,613,865 shares	193,069	Dividend rate of common stock + 2%
3 rd preferred stock	"	2,478,299 shares	12,392	Dividend rate of common stock + 1%
Total		<u>65,202,146 shares</u>	<u>₩ 331,011</u>	

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, 2014 and 2013, consists of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	813,216	809,334
	<u>₩ 4,134,550</u>	<u>₩ 4,130,668</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, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
	(Number of shares)	
Common stock	11,632,277	11,006,710
1 st preferred stock	1,993,081	1,950,960
2 nd preferred stock	1,053,727	1,000,000
3 rd preferred stock	5,660	-

23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of December 31, 2014 and 2013, consists of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 670,781	₩ 737,234
Loss on valuation of AFS financial assets	(163,791)	(2,850)
Gain on valuation of cash flow hedge derivatives	15	2,589
Loss on valuation of cash flow hedge derivatives	(30,378)	(1,382)
Gain on share of the other comprehensive income of equity-accounted investees	148,672	59,833
Loss on share of the other comprehensive income of equity-accounted investees	(395,272)	(386,557)
Loss on foreign operations translation, net	(1,574,853)	(1,242,903)
	<u>₩ (1,344,826)</u>	<u>₩ (834,036)</u>

24. RETAINED EARNINGS AND DIVIDENDS:

(1) Retained earnings as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Legal reserve (*)	₩ 528,648	₩ 475,707
Discretionary reserve	35,826,647	31,021,647
Unappropriated	18,294,568	16,776,885
	<u>₩ 54,649,863</u>	<u>₩ 48,274,239</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, 2014, is as follows:

Description	Common stock	1 st Preferred stock	2 nd Preferred stock	3 rd 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	(11,632,277)	(1,993,081)	(1,053,727)	(5,660)
Shares, net of treasury stocks	208,644,202	23,116,901	36,560,138	2,472,639
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Dividend rate	60%	61%	62%	61%
Dividends declared	625,933	70,507	113,336	7,542
Dividends per share	₩ 3,000	₩ 3,050	₩ 3,100	₩ 3,050
Market price per share	169,000	126,500	134,000	117,000
Dividend yield ratio	1.8%	2.4%	2.3%	2.6%

The computation of the dividends for the year ended December 31, 2013, was as follows:

Description	Common stock	1 st Preferred stock	2 nd Preferred Stock	3 rd 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%

25. SALES:

Sales for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Sales of goods	₩ 79,111,075	₩ 77,371,830
Rendering of services	1,207,996	1,285,463
Royalties	209,129	230,642
Financial services revenue	8,455,068	8,205,197
Others	273,051	214,504
	₩ 89,256,319	₩ 87,307,636

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 964,524	₩ 951,362
Overseas market expenses	371,490	269,422
Advertisements and sales promotion	2,053,000	2,087,172
Sales commissions	615,214	602,845
Expenses for warranties	1,095,916	964,684
Transportation expenses	296,027	324,158
	5,396,171	5,199,643
Administrative expenses:		
Payroll	2,453,025	2,313,956
Post-employment benefits	148,160	168,825
Welfare expenses	368,228	363,299
Service charges	1,169,274	1,154,974
Research	792,715	722,732
Others	1,252,484	1,209,219
	6,183,886	5,933,005
	₩ 11,580,057	₩ 11,132,648

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Gain on share of earnings of equity-accounted investees, net	₩ 2,402,979	₩ 2,748,647
Gain on disposals of investments in associates, net	13,367	308,462
Impairment loss on investments in associates	(27,688)	-
	₩ 2,388,658	₩ 3,057,109

28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Interest income	₩ 652,423	₩ 581,388
Gain on foreign exchange transactions	37,077	78,825
Gain on foreign currency translation	63,050	83,042
Dividend income	29,860	11,096
Income on financial guarantee	1,864	3,727
Gain on disposals of AFS financial assets	540	8,601
Gain on valuation of derivatives	97,009	33,045
Others	60	5,537
	<u>₩ 881,883</u>	<u>₩ 805,261</u>

(2) Finance expenses for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Interest expenses	₩ 300,247	₩ 341,192
Loss on foreign exchange transactions	38,394	75,934
Loss on foreign currency translation	247,842	95,407
Loss on disposals of trade notes and accounts receivable	3,634	11,041
Loss on valuation of derivatives	10,517	22,260
Others	385	6,875
	<u>₩ 601,019</u>	<u>₩ 552,709</u>

29. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2014 and 2013, consists of the following:

Description	2014	2013
	(In millions of Korean Won)	
Gain on foreign exchange transactions	₩ 311,870	₩ 307,055
Gain on foreign currency translation	136,490	195,810
Gain on disposals of PP&E	15,267	103,104
Gain on disposals of intangible assets	2,136	16,649
Commission income	58,843	46,135
Rental income	78,187	70,931
Gain on disposals of non-current assets classified as held for sale	17,153	4,530
Others	419,919	393,787
	<u>₩ 1,039,865</u>	<u>₩ 1,138,001</u>

(2) Other expenses for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 442,493	₩ 377,865
Loss on foreign currency translation	194,477	236,842
Loss on disposals of PP&E	37,722	32,741
Impairment loss on intangible assets	28,721	28,161
Loss on disposals of non-current assets classified as held for sale	244	1,179
Donations	71,067	75,124
Others	533,375	314,541
	<u>₩ 1,308,099</u>	<u>₩ 1,066,453</u>

30. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Changes in inventories	₩ (351,411)	₩ (389,147)
Raw materials and merchandise used	49,677,376	47,353,933
Employee benefits	8,537,685	8,308,494
Depreciation	1,843,802	1,768,985
Amortization	706,095	782,353
Others	22,600,885	22,233,974
Total (*)	₩ 83,014,432	₩ 80,058,592

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

31. EARNINGS PER COMMON SHARE AND PREFERRED STOCK:

Basic earnings per common share and preferred stock are computed by dividing profit available to common shares and preferred stock by the weighted-average number of common shares and preferred stock outstanding during the year. The Group did not compute diluted earnings per common share for the years ended December 31, 2014 and 2013, since there were no dilutive items during the years.

Basic earnings per common share and preferred stock for the years ended December 31, 2014 and 2013, are computed as follows:

Description	December 31, 2014			December 31, 2013		
	Profit available to share	Weighted-average number of shares outstanding(*)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding(*)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 5,656,688	209,221,204	₩ 27,037	₩ 6,579,651	209,269,769	₩ 31,441
1 st Preferred stock	628,018	23,155,054	27,122	729,301	23,159,022	31,491
2 nd Preferred stock	994,937	36,608,682	27,178	1,154,838	36,613,865	31,541
3 rd Preferred stock	67,164	2,477,823	27,106	78,044	2,478,299	31,491

(*) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.

32. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2014 and 2013, consist of the following:

Description	2014	2013
	(In millions of Korean Won)	
Income tax currently payable	₩ 1,643,888	₩ 1,620,676
Adjustments recognized in the current year in relation to the prior years	(52,349)	207,646
Changes in deferred taxes due to:		
Temporary differences	818,276	1,138,556
Tax credits and deficits	(247,876)	(180,586)
Items directly charged to equity	231,519	(113,430)
Effect of foreign exchange differences	(91,652)	30,347
Income tax expense	₩ 2,301,806	₩ 2,703,209

- (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, 2014 and 2013, are as follows:

Description	2014	2013
	(In millions of Korean Won)	
Income before income tax	₩ 9,951,274	₩ 11,696,706
Income tax expense calculated at current applicable tax rates of 27.2% in 2014 and 27.0% in 2013	2,708,321	3,163,781
Adjustments:		
Non-taxable income	(111,489)	(109,720)
Disallowed expenses	139,304	101,057
Tax credits	(713,191)	(685,584)
Others	278,861	233,675
	<u>(406,515)</u>	<u>(460,572)</u>
Income tax expense	₩ 2,301,806	₩ 2,703,209
Effective tax rate	23.1%	23.1%

- (3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2014, are as follows:

Description	Beginning of the year	Changes	End of the year
	(In millions of Korean Won)		
Provisions	₩ 1,737,352	₩ 107,182	₩ 1,844,534
AFS financial assets	(247,363)	(60,212)	(307,575)
Subsidiaries, associates and joint ventures	(1,172,789)	(156,805)	(1,329,594)
Reserve for research and manpower development	(290,481)	57,172	(233,309)
Derivatives	(52,121)	74,216	22,095
PP&E	(3,962,231)	(788,151)	(4,750,382)
Accrued income	(7,509)	4,489	(3,020)
Gain on foreign currency translation	992	(3,539)	(2,547)
Others	178,374	(52,628)	125,746
	<u>(3,815,776)</u>	<u>(818,276)</u>	<u>(4,634,052)</u>
Accumulated deficit and tax credit carryforward	984,823	247,876	1,232,699
	₩ (2,830,953)	₩ (570,400)	₩ (3,401,353)

The changes in deferred tax assets (liabilities) for the year ended December 31, 2013, were 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
	₩ (1,872,983)	₩ (957,970)	₩ (2,830,953)

- (4) The components of items charged to equity for the years ended December 31, 2014 and 2013, are as follows:

Description	2014	2013
	(In millions of Korean Won)	
Deferred tax charged or credited to:		
Loss (gain) on valuation of AFS financial assets, net	₩ 72,227	₩ (17,411)
Loss (gain) on valuation of cash flow hedge derivatives, net	19,982	(2,216)
Remeasurements of defined benefit plans	128,118	(91,818)
Changes in retained earnings of equity-accounted investees	11,192	(1,985)
	<u>₩ 231,519</u>	<u>₩ (113,430)</u>

- (5) The temporary differences not recognized as deferred tax liabilities related to subsidiaries, associates and joint ventures are ₩7,000,120 million and ₩6,248,359 million as of December 31, 2014 and 2013, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2014 and 2013, are as follows:

Description	2014	2013
	(In millions of Korean Won)	
Paid in cash	₩ 6,426	₩ 6,315
Recognized liability	508	416
	<u>₩ 6,934</u>	<u>₩ 6,731</u>

- (2) The significant actuarial assumptions used by the Group as of December 31, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
Discount rate	3.62%	4.45%
Rate of expected future salary increase	5.01%	4.97%

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2014 and 2013, consist of the following:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 4,065,742	₩ 3,131,966
Fair value of plan assets	(3,471,803)	(2,749,943)
	<u>₩ 593,939</u>	<u>₩ 382,023</u>
Net defined benefit liabilities	594,058	389,306
Net defined benefit assets	(119)	(7,283)

(4) Changes in net defined benefit assets and liabilities for the year ended December 31, 2014, 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	₩	3,131,966	₩	(2,749,943)	₩	382,023
Current service cost		452,968		-		452,968
Interest expenses (income)		136,845		(119,797)		17,048
		<u>3,721,779</u>		<u>(2,869,740)</u>		<u>852,039</u>
Remeasurements:						
Return on plan assets		-		28,274		28,274
Actuarial gains arising from changes in demographic assumptions		25,672		-		25,672
Actuarial gains arising from changes in financial assumptions		389,867		-		389,867
Actuarial gains arising from experience adjustments		62,158		-		62,158
		<u>477,697</u>		<u>28,274</u>		<u>505,971</u>
Contributions		-		(724,424)		(724,424)
Benefits paid		(153,751)		101,627		(52,124)
Transfers in (out)		514		106		620
Effect of foreign exchange differences and others		19,503		(7,646)		11,857
End of the year	₩	4,065,742	₩	(3,471,803)	₩	593,939

Changes in net defined benefit assets and liabilities for the year ended December 31, 2013, 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	₩	2,975,771	₩	(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
		<u>3,586,284</u>		<u>(2,236,915)</u>		<u>1,349,369</u>
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		(22,660)		-		(22,660)
		<u>(338,777)</u>		<u>(7,684)</u>		<u>(346,461)</u>
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

- (5) The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumptions as of December 31, 2014 and 2013, while holding all other assumptions constant.

Description	Effect on the net defined benefit liabilities			
	December 31, 2014		December 31, 2013	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)		(In millions of Korean Won)	
Discount rate	(431,595)	524,793	(326,031)	385,624
Rate of expected future salary increase	501,421	(423,593)	313,430	(275,984)

- (6) The fair value of the plan assets as of December 31, 2014 and 2013, consists of the following:

Description	December 31, 2014		December 31, 2013	
	(In millions of Korean Won)		(In millions of Korean Won)	
Insurance instruments	₩	3,230,405	₩	2,415,575
Debt instruments		102,734		66,149
Others		138,664		268,219
	₩	3,471,803	₩	2,749,943

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the years ended December 31, 2014 and 2013, is as follows:

Description	2014		2013	
	(In millions of Korean Won)		(In millions of Korean Won)	
Profit for the year	₩	7,649,468	₩	8,993,497
Adjustments:				
Post-employment benefits		470,016		527,620
Depreciation		1,843,802		1,768,985
Amortization of intangible assets		706,095		782,353
Provision for warranties		866,416		773,917
Income tax expense		2,301,806		2,703,209
Loss on foreign currency translation, net		242,779		53,397
Loss (gain) on disposals of PP&E, net		22,455		(70,363)
Interest income, net		(352,176)		(240,196)
Gain on share of earnings of equity-accounted investees, net		(2,402,979)		(2,748,647)
Gain on disposals of investments in associates, net		(13,367)		(308,462)
Cost of sales from financial services, net		4,338,252		3,849,325
Others		346,557		241,641
		8,369,656		7,332,779
Changes in operating assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable		(614,041)		195,459
Increase in other receivables		(213,459)		(376,285)
Increase in other financial assets		(1,680,932)		(364,928)
Increase in inventories		(804,120)		(828,298)
Decrease (increase) in other assets		(12,947)		131,150
Increase in trade notes and accounts payable		824,354		150,460
Decrease in other payables		(167,667)		(455,914)
Increase (decrease) in other liabilities		227,641		(981,317)
Decrease in other financial liabilities		(23,610)		(15,784)
Changes in net defined benefit liabilities		(723,804)		(588,056)
Payment of severance benefits		(52,124)		(39,831)
Decrease in provisions		(1,345,291)		(1,206,421)
Changes in financial services receivables		(3,639,876)		(4,034,164)
Increase in operating lease assets		(4,267,094)		(4,737,714)
Others		71,821		(65,590)
		(12,421,149)		(13,217,233)
Cash generated from operations	₩	3,597,975	₩	3,109,043

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, 2014 and 2013, are as follows:

Description	December 31, 2014		December 31, 2013	
	(In millions of Korean Won)			
Total liabilities	₩	84,604,552	₩	76,838,690
Total equity		62,620,565		56,582,789
Debt-to-equity ratio		135.1%		135.8%

(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 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, 2014, would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 3,724	₩ (3,724)
EUR	(11,391)	11,391
JPY	(5,800)	5,800

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, 2014, would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 22,623	₩ (22,623)
Financial assets at FVTPL	(7,474)	7,731
Short-term financial instruments	3,166	(3,166)
Borrowings and debentures	(93,809)	93,809

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are 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, 2014 and 2013, the amounts of interest rate risk measured at VaR are ₩119,847 million and ₩137,835 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2014, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩106,293 million and ₩2,106,719 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, 2014, is as follows:

Description	Remaining contract period					Total
	Not later than one year		Later than one year and not later than five years		Later than five years	
(In millions of Korean Won)						
Non interest-bearing liabilities	₩	13,682,337	₩	1,848	₩ 490	₩ 13,684,675
Interest-bearing liabilities		17,718,878		38,564,699	933,850	57,217,427
Financial guarantee		1,023,692		182,373	39,713	1,245,778

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, 2014 and 2013, the Group deferred a net loss of ₩30,363 million and a net income of ₩1,207 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 51 months as of December 31, 2014.

For the years ended December 31, 2014 and 2013, the Group recognized a net income of ₩178,547 million and a net loss of ₩230,974 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) For the year ended December 31, 2014, significant transactions arising from operations 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.	₩ 855,186	₩ 9,962	₩ 4,834,975	₩ 39,486
	Mobis Alabama, LLC	21,484	16,792	1,321,444	23,419
	Mobis Automotive Czech s.r.o.	48	438	1,177,753	578
	Mobis India, Ltd.	18,040	17,402	746,382	650
	Mobis Parts America, LLC	25,720	5,561	529,788	1,616
	Mobis Parts Europe N.V.	4,628	1,889	244,800	-
	Mobis Brasil Fabricacao De Auto Pecas Ltda	2,561	-	307,535	-
	Mobis Module CIS, LLC	-	448	216,528	28
	Others	20,272	731	445,031	17,424
		941,875	476,662	154,410	224,568
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	637,885	1,609	2,419,402	943
	Kia Motors Russia LLC	885,546	156	-	4,714
	Kia Motors Slovakia s.r.o.	120,347	19,896	576,617	655
	BHMC	956,691	44,452	404	-
	HMGC	368,616	146	2,389	6,193
	Hyundai WIA Corporation	200,301	520	856,907	14,985
	Hyundai HYSCO Co., Ltd.	12,528	1,804	13,912	15
	Others	456,964	35,133	2,870,138	1,803,768
Other related parties		3,073	6,258	408,969	454,203
Affiliates by the Act		780,543	69,118	4,756,881	1,380,518

For the year ended December 31, 2013, significant transactions arising from operations 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.	₩ 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
		<u>1,035,544</u>	<u>371,290</u>	<u>292,539</u>	<u>318,541</u>
Joint ventures and associates	Kia Motors Corporation	1,035,544	371,290	292,539	318,541
	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
	Others	442,986	13,211	2,694,149	1,359,617
Other related parties		<u>8,598</u>	<u>304</u>	<u>779,660</u>	<u>456,128</u>
Affiliates by the Act		<u>809,390</u>	<u>79,639</u>	<u>4,151,199</u>	<u>2,315,890</u>

- (2) As of December 31, 2014, 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.	₩ 168,950	₩ 29,282	₩ 833,602	₩ 173,338
	Hyundai Life Insurance Co., Ltd.	1,950	115,470	67	175
	Mobis Alabama, LLC	48	1,762	102,683	-
	Mobis Automotive Czech s.r.o.	41	283	93,474	-
	Mobis India, Ltd.	402	11,457	95,819	-
	Mobis Parts America, LLC	1,920	220,276	45,899	139
	Mobis Parts Europe N.V.	349	513	32,315	-
	Mobis Module CIS, LLC	-	31	17,969	19
	Others	6,993	325	68,526	2,726
		<u>242,152</u>	<u>246,721</u>	<u>32,124</u>	<u>90,703</u>
Joint ventures and associates	Kia Motors Corporation	242,152	246,721	32,124	90,703
	Kia Motors Manufacturing Georgia, Inc.	41,110	13,442	239,148	516
	Kia Motors Russia LLC	67,015	23	1	328
	Kia Motors Slovakia s.r.o.	6,827	3,057	44,177	9,490
	Kia Motors America, Inc.	-	105,747	91	20
	BHMC	196,521	27,554	1,056	16
	HMGC	30,573	304	-	1,718
	Hyundai WIA Corporation	71,864	13,978	163,315	47,409
	Hyundai HYSCO Co., Ltd.	5,799	2,109	8,617	4,587
	Others	212,461	31,943	397,362	487,761
Other related parties		<u>1,218</u>	<u>6,468</u>	<u>14,610</u>	<u>149,694</u>
Affiliates by the Act		<u>153,052</u>	<u>6,101</u>	<u>674,701</u>	<u>188,167</u>

As of December 31, 2013, 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.	₩ 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

- (3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2014, 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)
Joint ventures and associates	\$ -	\$ -	\$ -	\$ 362	₩ 130,417

Significant fund transactions and equity contribution transactions for the year ended December 31, 2013, 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)
Entity with significant influence over the Company	\$ 200,000	\$ -	\$ -	\$ -	₩ -
Joint ventures and associates	-	253	-	50,265	131,088

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2014 and 2013, are as follows:

Description	2014		2013	
	(In millions of Korean Won)		(In millions of Korean Won)	
Short-term employee salaries	₩	178,844	₩	158,875
Post-employment benefits		33,179		30,329
Other long-term benefits		623		413
	₩	212,646	₩	189,617

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of December 31, 2014, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries, are as follows:

Description	Domestic	Overseas (*)
	(In millions of Korean Won)	
To associates	₩ -	₩ 97,248
To others	139,290	1,033,860
	<u>₩ 139,290</u>	<u>₩ 1,131,108</u>

- (*) 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, 2014.
- (2) As of December 31, 2014, 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 insurance for potential losses which may result from product liabilities and other lawsuits. Meanwhile, as of December 31, 2014, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.
- (3) As of December 31, 2014, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩890,640 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 Revolving Credit Facility Agreements with the following financial institutions.
- 1) Credit Facility Agreement
- Hyundai Capital Services, Inc. entered into a Credit Facility Agreement with GE Capital European Funding & CO (the "GE Capital") on February 15, 2013. The credit line of the agreement is Euro worth of USD 600 million as of December 31, 2014 and the agreement had been renewed on January 9, 2015 with the same credit line. The entity will be able to extend the agreement until January 5, 2018 annually. Otherwise, it will be automatically terminated.
- 2) Revolving Credit Facility
- Hyundai Capital Services, Inc. has a Revolving Credit Facility Agreement which credit line is USD 200 million, EUR 10 million and ₩1,645,000 million with Kookmin Bank and 19 other financial institutions, as of December 31, 2014.
- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩490,000 million with Kookmin Bank and 9 other financial institutions, as of December 31, 2014.

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, 2014 and 2013, are as follows:

For the year ended December 31, 2014					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 105,798,039	₩ 10,997,532	₩ 7,241,540	₩ (34,780,792)	₩ 89,256,319
Inter-company sales	(33,489,970)	(227,146)	(1,063,676)	34,780,792	-
Net sales	72,308,069	10,770,386	6,177,864	-	89,256,319
Operating income	5,806,836	1,061,001	191,621	490,528	7,549,986
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

- (3) Assets and liabilities by operating segments for the years ended December 31, 2014 and 2013, are as follows:

As of December 31, 2014					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 85,791,905	₩ 65,894,361	₩ 7,035,554	₩ (11,496,703)	₩ 147,225,117
Total liabilities	30,424,220	56,783,188	4,162,456	(6,765,312)	84,604,552
Borrowings and debentures	4,393,547	49,644,731	2,142,616	(1,922,962)	54,257,932
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

- (4) Sales by region where the Group's entities are located in for the years ended December 31, 2014 and 2013, are as follows:

For the year ended December 31, 2014							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 54,344,055	₩ 33,998,857	₩ 6,732,058	₩ 26,488,776	₩ 2,473,365	₩ (34,780,792)	₩ 89,256,319
Inter-company sales	(14,443,717)	(7,185,075)	(562,985)	(12,584,985)	(4,030)	34,780,792	-
Net sales	39,900,338	26,813,782	6,169,073	13,903,791	2,469,335	-	89,256,319

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

- (5) Non-current assets by region where the Group's entities are located in as of December 31, 2014 and 2013, are as follows:

	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Korea	₩ 21,109,314	₩ 19,428,529
North America	2,174,461	1,882,933
Asia	1,129,741	1,057,874
Europe	1,952,153	2,080,979
Others	399,453	456,797
	26,765,122	24,907,112
Consolidation adjustments	(79,000)	(51,451)
Total (*)	₩ 26,686,122	₩ 24,855,661

(*) 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, 2014 and 2013.

39. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction from construction in progress as of December 31, 2014, and 2013 are as follows:

Description	December 31, 2014	December 31, 2013
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 7,427,961	₩ 6,201,961
Accumulated income	1,071,348	739,304
Accumulated construction in process	8,499,309	6,941,265
Progress billing	(7,172,915)	(5,993,002)
Due from customers	1,617,221	1,393,555
Due to customers	(290,827)	(445,292)