HYUNDAI CORPORATION

Separate Financial Statements
December 31, 2012 and 2011

HYUNDAI CORPORATION
Index
December 31, 2012 and 2011

Report of Independent Auditors

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

We have audited the accompanying separate statement of financial position of HYUNDAI CORPORATION (the "Company") as of December 31, 2012 and 2011, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of HYUNDAI CORPORATION as of December 31, 2012 and 2011, and its financial performance and cash flows for the years then ended, in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea.

Samil PricewaterhouseCoopers, LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu,
Seoul 140-702, Korea (Yongsan P.O Box 266, 140-600), www.samil.com

The accompanying separate financial statements as of December 31, 2012, and for the years ended December 31, 2012 and 2011, have been translated into US dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 6 to the separate financial statements.

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

Seoul, Korea
March 14, 2013

This report is effective as of March 14, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI CORPORATION
Separate Statements of Financial Position
December 31, 2012 and 2011

(in thousands of Korean won and thousands of US dollars)	Notes	December 31, 2012	December 31, 2011	December 31, 2012 (in US dollars) (Note 6)
Assets				
Current assets				
Cash and cash equivalents	7,8,11	₩ 219,945,184	₩ 204,709,336	$ 205,345
Short-term financial instruments	7	40,000,000	5,172,860	37,345
Trade accounts receivable	7,8,9,12,37	824,708,981	858,140,237	769,965
Inventories	13	109,909,701	130,235,117	102,614
Other accounts receivable	7,8,14,37	9,803,601	22,281,388	9,153
Other current assets	15,37	55,202,384	132,634,283	51,538
Derivative financial assets	7,36	339,500	477,183	317
		1,259,909,351	1,353,650,404	1,176,277
Non-current assets				
Long-term financial instruments	7,8,10	27,581	27,581	26
Available-for-sale financial assets	7,16,18	97,337,877	105,173,196	90,877
Held-to-maturity investments		3	3	-
Investments in subsidiaries and associates	17,18	71,353,819	71,353,819	66,617
Long-term loans receivables	7,8,18,37	52,665,284	58,932,686	49,169
Investments in petroleum and mineral development projects	7,8,18,37	100,236,864	105,554,511	93,583
Property and equipment	19	1,903,922	2,945,848	1,778
Intangible assets	18,20	55,590,260	55,864,644	51,900
Other non-current assets	7,37	2,625,950	2,961,269	2,451
		381,741,560	402,813,557	356,401
Total assets		₩ 1,641,650,911	₩ 1,756,463,961	$ 1,532,678
Liabilities				
Current liabilities				
Trade accounts and notes payable	7,37	₩ 528,693,434	₩ 560,233,138	$ 493,599
Other payables	7,37	61,677,045	88,174,002	57,583
Advances from customers	37	59,246,702	140,733,327	55,314
Current portion of debentures	7,22	49,950,081	-	46,634
Short-term borrowings	7,9,22	395,541,573	437,244,089	369,285
Current portion of long-term borrowings	7,22	47,268,669	49,131,414	44,131
Current portion of provisions	24	701,137	701,137	655
Other current liabilities	7,21,37	4,539,816	4,791,168	4,238
Current tax liabilites		2,663,926	9,483,738	2,488
Derivative financial liabilities	7,36	107,226	417,338	100
		1,150,389,609	1,290,909,351	1,074,027
Non-current liabilities				
Debentures	7,22	-	49,884,078	-
Long-term borrowings	7,22	86,421,683	67,390,971	80,685
Defined benefit liability	23	2,768,462	4,195,954	2,585
Provisions	24	3,717,112	2,745,449	3,470
Deferred income tax liabilities	25	16,960,002	14,589,028	15,834
		109,867,259	138,805,480	102,574
Total liabilities		1,260,256,868	1,429,714,831	1,176,601
Equity				
Paid-in capital				
Capital stock	1	111,649,010	111,649,010	104,238
Other components of equity	26	(15,172,087)	(15,172,087)	(14,165)
Accumulated other comprehensive income	26	71,015,928	76,457,736	66,302
Retained earnings	27	213,901,192	153,814,471	199,702
Total equity		381,394,043	326,749,130	356,077
Total liabilities and equity		₩ 1,641,650,911	₩ 1,756,463,961	$ 1,532,678

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

HYUNDAI CORPORATION

Separate Statements of Income

Years Ended December 31, 2012 and 2011

(in thousands of Korean won and thousands of US dollars except per share amounts)	**Notes**		**2012**		**2011**		**2012 (in US dollars) (Note 6)**
Net sales	5,18,28,37	₩	4,717,178,679	₩	5,030,784,326	$	4,404,051
Cost of sales	13,28,29,37		(4,595,237,868)		(4,889,592,754)		(4,290,204)
Gross profit			121,940,811		141,191,572		113,847
Selling, marketing and administrative expenses	29,30		(59,887,194)		(67,038,536)		(55,912)
Operating income	5		62,053,617		74,153,036		57,935
Other operating income	31		148,583,243		177,890,022		138,719
Other operating expenses	31		(124,558,404)		(164,149,733)		(116,290)
Loss on disposal of shares of subsidiaries			-		(1,333,646)		-
Finance income	32		38,670,375		42,173,925		36,103
Finance expenses	32		(40,897,012)		(50,067,761)		(38,182)
Income before income tax			83,851,819		78,665,843		78,285
Income tax expense	25		(12,041,801)		(11,094,309)		(11,242)
Income for the year		₩	71,810,018	₩	67,571,534	$	67,043
Earnings per share during the year (in won)							
Basic earnings per share	33		3,216		3,026		3.00

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

The US dollar figures are provided for information purposes only and do not form part of the financial statements. Refer to Note 6.

HYUNDAI CORPORATION

Separate Statements of Comprehensive Income

Years ended December 31, 2012 and 2011

(in thousands of Korean won and thousands of US dollars)		**2012**		**2011**		**2012 (in US dollars) (Note 6)**
Income for the year	₩	71,810,018	₩	67,571,534	$	67,043
Other comprehensive income (loss)						
Gain on valuation of available-for-sale financial assets		(5,441,808)		75,835,296		(5,081)
Actuarial losses on defined benefit liability		(558,396)		(2,284,751)		(521)
Other comprehensive loss for the year, net of tax		(6,000,204)		73,550,545		(5,602)
Total comprehensive income for the year	₩	65,809,814	₩	141,122,079	$	61,441

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

HYUNDAI CORPORATION

Separate Statements of Changes in Equity

Years Ended December 31, 2012 and 2011

(in thousands of Korean won and thousands of US dollars)		Capital Stock		Other components of equity		Accumulated other comprehensive income		Retained earnings		Total		U.S. Dollars (Note 6)
Balance at January 1, 2011	₩	111,649,010	₩	(15,172,105)	₩	622,440	₩	94,110,156	₩	191,209,501	$	178,517
Comprehensive income												
Income for the year		-		-		-		67,571,534		67,571,534		63,086
Gain on valuation of available-for-sale financial assets		-		-		75,835,296		-		75,835,296		70,801
Actuarial losses on defined benefit liability		-		-		-		(2,284,751)		(2,284,751)		(2,133)
Transaction with equity holders												
Dividends		-		-		-		(5,582,450)		(5,582,450)		(5,212)
Disposal of treasury shares		-		18		-		(18)		-		-
Total comprehensive income		-		18		75,835,296		59,704,315		135,539,629		126,542
Balance at December 31, 2011	₩	111,649,010	₩	(15,172,087)	₩	76,457,736	₩	153,814,471	₩	326,749,130	$	305,059
Balance at January 1, 2012	₩	111,649,010	₩	(15,172,087)	₩	76,457,736	₩	153,814,471	₩	326,749,130	$	305,059
Comprehensive income												
Income for the year		-		-		-		71,810,018		71,810,018		67,043
Loss on valuation of available-for-sale financial assets		-		-		(5,441,808)		-		(5,441,808)		(5,081)
Actuarial losses on defined benefit liability		-		-		-		(558,396)		(558,396)		(521)
Transaction with equity holders												
Dividends		-		-		-		(11,164,901)		(11,164,901)		(10,423)
Total comprehensive income		-		-		(5,441,808)		60,086,721		54,644,913		51,018
Balance at December 31, 2012	₩	111,649,010	₩	(15,172,087)	₩	71,015,928	₩	213,901,192	₩	381,394,043	$	356,077

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

HYUNDAI CORPORATION

Separate Statements of Cash Flows

Years Ended December 31, 2012 and 2011

(in thousands of Korean won and thousands of US dollars)	Notes		2012		2011		2012 (in US dollars) (Note 6)
Cash flows from operating activities							
Cash generated from operations	34	₩	110,334,753	₩	35,791,442	$	103,011
Interest received			5,670,932		2,711,319		5,294
Interest paid			(14,447,871)		(15,071,235)		(13,489)
Dividend received			35,279,111		36,452,802		32,937
Income tax paid			(14,557,996)		(1,675,579)		(13,592)
Net cash generated from operating activities			122,278,929		58,208,749		114,161
Cash flows from investing activities							
Proceeds from acquisition of short-term financial instruments, net			(34,827,140)		35,000,000		(32,515)
Proceeds from disposal of available-for-sale financial assets			1,585,515		1,445,500		1,480
Proceeds from disposal of held-to-maturity investments			-		900		-
Disposal of investments in subsidiaries and associates			-		283,335		-
Collection of long-term loans receivables			6,698,443		153,886		6,254
Disposal of property and equipment			1,867,594		12,208		1,744
Disposal of intangible assets			426,185		-		398
Acquisition of investments in subsidiaries and associates			(45,594,000)		(21,759,500)		(42,567)
Acquisition of investments in petroleum and mineral development projects			(1,559,952)		-		(1,456)
Long-term loans receivables provided			(4,349,473)		(4,189,952)		(4,061)
Acquisition of property and equipment			(308,854)		(1,963,913)		(288)
Acquisition of intangible assets			(4,133,107)		(5,916,807)		(3,859)
Net cash provided by (used in) investing activities			(80,194,789)		3,065,657		(74,870)
Cash flows from financing activities							
Increase in short-term borrowings, net			(41,702,515)		71,757,663		(38,934)
Increase in long-term borrowings			34,182,000		17,226,731		31,913
Payment of current portion of debentures			(7,854,292)		(7,060,534)		(7,333)
Dividends paid			(11,164,901)		(5,582,451)		(10,424)
Net cash provided by (used in) financing activities			(26,539,708)		76,341,409		(24,778)
Net increase in cash and cash equivalents			15,544,433		137,615,816		14,513
Exchange rate effect of cash and cash equivalents			(308,585)		530,734		(289)
Cash and cash equivalents at the beginning of year			204,709,336		66,562,786		191,121
Cash and cash equivalents at the end of year		₩	219,945,184	₩	204,709,336	$	205,345

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

1. Organization

HYUNDAI CORPORATION (the “Company”) was established on December 8, 1976, under the Commercial Code of the Republic of Korea to engage mainly in export and import goods. On December 1, 1977, the Company's shares of stock were listed in the Korean Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978.

As of December 31, 2012, the Company has ten overseas subsidiaries, associates and 28 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods, and exports vessels and plants on a deferred payment basis. During the past several years, the Company has been actively engaged in the overseas exploration of petroleum and minerals.

The Company is authorized to issue 80 million shares with a par value of ₩5,000 per share and its initial paid in capital amounted to ₩50 million. As of December 31, 2012, it has 22,329,802 common shares issued and outstanding, and its capital stock amounts to ₩111,649,010 thousand after several capital increases, conversions of bonds and capital reduction.

As of December 31, 2012, the Company’s major shareholders are as follows:

Shareholders	Number of shares	Percentage of ownership(%)
HYUNDAI HEAVY INDUSTRIES CO., LTD.	4,992,782	22.36
KCC Corporation	2,679,576	12.00
Chung Mong-hyuk	1,852,694	8.30
HYUNDAI WELDING CO., LTD.	446,596	2.00
Hyundai Development Co. - Engineering & Construction	446,596	2.00
Mando Corporation	446,096	2.00
Others	11,465,462	51.34
	22,329,802	100.00

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”). The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

The Company’s separate financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of the separate financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company changed its accounting policy to present the operating income after deducting cost of sales, and selling and administrative expenses from revenue, in accordance with the amendment of Korean IFRS 1001, *Presentation of Financial Statements.*

The Company applies the accounting policy retroactively in accordance with the amended standards and the comparative statement of the comprehensive income is restated by reflecting adjustments resulting from the retrospective application. As a result of the changes in the accounting policy, other income and expenses of ₩148,583 million and ₩124,558 million, respectively, for the year ended December 31, 2012 (2011: ₩177,890 million and ₩164,150 million, respectively), classified as operating income under the previous standard, were excluded from operating income. Consequently, operating income for the years ended December 31, 2012 and 2011, was lower by ₩24,025 million and ₩13,740 million, respectively, as compared to the amounts under the previous standard. However, there is no material impact on net income and earnings per share for the years ended December 31, 2012 and 2011.

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012, and not early adopted by the Company are as follows:

- Amendment of Korean IFRS 1001, *Presentation of Financial Statements*

Korean-IFRS 1001, *Presentation of Financial Statements*, requires other comprehensive income items to be presented into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The Company expects that the application of this amendment would not have a material impact on its separate financial statements.

- Amendments to Korean IFRS 1019, *Employee Benefits*

According to the amendments to Korean IFRS 1019, *Employee Benefits*, the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense (income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities (assets). This amendment will be effective for annual periods beginning on or after January 1, 2013, and the Company is assessing the impact of application of the amended Korean IFRS 1019 on its separate financial statements.

- Enactment of Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRSs. This amendment will be effective for annual periods beginning on or after January 1, 2013, and the Company expects that the application of this enactment would not have a material impact on its separate financial statements.

- Enactment of Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110, *Consolidated Financial Statements*, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Company is reviewing the impact of this standard.

- Enactment of Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement and account for their interest in the joint venture using the equity method. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Company is reviewing the impact of this standard.

- Enactment of Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosures of Interests in Other Entities*, provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Company is reviewing the impact of this standard.

2.2 Investments in Subsidiaries and Associates

The financial statements of the Company are separate financial statements based on Korean IFRS 1027, *Consolidated and nonconsolidated financial statements*. Investments in subsidiaries and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of first adoption of the Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, jointly controlled entities or associates in profit or loss when its right to receive dividend is established.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates ‘the functional currency’. The separate financial statements are presented in Korean won.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and short-term financial instruments are presented in the statement of income within ‘financial income or costs’. All other foreign exchange gains and losses are presented in the statement of income within ‘other income and expenses’.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired and the nature of the assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial instruments held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives including bifurcated derivatives from financial instruments containing embedded derivatives are also categorized as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company’s loans and receivables comprise ‘cash and cash equivalents’, ‘short-term (long-term) financial instruments’, ‘trade receivables’, ’other current receivables’, ‘long-term loans receivables’, ‘investments in petroleum development projects’ and ‘other non-current assets’ in the separate statement of financial position.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity and are classified as 'held to maturity investments' in the separate statements of financial position. If the Company were to sell other than an insignificant amounts of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months after the end of the reporting period, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months after the end of the reporting period.

2.6.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss, including interest income, are presented in the statement of income within 'other income (expenses)' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of income as part of 'other income' when the Company's right to receive dividend payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are reported in the separate statement of income as 'other income (expenses)'.

Interest on available-for-sale and held-to-maturity securities calculated using the effective interest method is recognized in the separate statement of income as part of 'other income'. Dividends on available-for-sale equity instruments are recognized in the separate statement of income as part of 'other income' when the Company's right to receive dividend payments is established.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Derecognition

Financial assets are derecognized when the contractual rights to receive cash from the investments have expired or have been transferred, and the Company has substantially transferred all risks and rewards of ownership or when the risk and rewards of ownership of transferred assets have not been substantially retained or transferred and the Company has not retained control over these assets.

Collaterals (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as 'short-term borrowings' in the Company's separate statement of financial position.

2.7 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will undergo bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the separate statement of income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the Company may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of income.

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate statement of income. Impairment losses recognized in the separate statement of income on equity instruments are not reversed through the separate statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale 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 the separate statement of income.

2.8 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in 'other income (expenses)' according to the nature of transactions.

The Company designates certain derivatives as fair value hedge (hedges of the fair value of recognized assets or liabilities or a firm commitment).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 35. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the separate statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging price risk on metal commodity (aluminum).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, on which the effective interest method is used, is amortized to profit or loss over the period to maturity.

2.9 Trade Receivables

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

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Property and Equipment

All property and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the separate statement of income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	30 years
Vehicles	4
Machinery and equipment	4
Leasehold improvements	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income (expenses)' in the separate statement of income.

2.12 Intangible Assets

(a) Foreign mining development expenses

The foreign mining development expenses are amortized using the unit of production method in relation to Vietnam 11-2 sector.

(b) Others

Others included software, membership rights and trademark rights (foreign trademark rights and exclusive right of use of Hyundai). Software is amortized using the straight-line method over their useful lives of five years. Membership rights and trademark rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

2.13 Impairment of Non-financial Assets

Membership rights with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial Liabilities

(a) Financial liabilities at fair value through profit or loss

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives including bifurcated derivatives from financial instruments containing embedded derivatives are also categorized as held-for-trading unless they are designated as hedges.

(b) Financial liabilities carried at amortized cost

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial assets that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'trade accounts and notes payable', 'accounts payable', 'other current payables', 'short-term (long-term) borrowings', and 'debentures' in the statement of financial position. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities within 12 months after the end of the reporting period, which are classified as current liabilities.

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'other payables'.

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

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the borrowings for at least 12 months after the end of the reporting period.

2.18 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Current and Deferred Income Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.20 Employee Benefits

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income, while costs are amortized over the vesting period.

2.21 Share Capital

Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.22 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes, after elimination of intra-company transactions.

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

(a) Sale of goods

The Company operates trade business as a general trading company. Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Rendering of services are recognized by reference to the stage of completion of a service. The stage of completion of a service is determined by the proportion that costs incurred for work performed to date bear the estimated total costs.

(c) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest income

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

(e) Dividend income

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

2.23 Lease

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.24 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2012 separate financial statements of the Company was approved by the Board of Directors on March 4, 2013.

3. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

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

(b) Fair value of financial instruments

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

The carrying amount of available-for-sale financial assets would have been ₩4,456 lower or ₩4,884 higher if the discount rate used in the discount cash flow analysis differed by 10% from management's estimates.

The Company is periodically reviewing the possibility of long-term loans and resource development fund redemption measured at amortized costs amounting financial instruments related to the resource development business. As a result, if, and only if, the recoverable amount of the aforementioned borrowings is less than its carrying amount, the carrying amount of the borrowing is reduced to recoverable amount through recognition of an impairment loss.

(c) Provisions

As described in Note 24, the Company recognizes provisions for returned goods, financial guarantees and restoration related to overseas explorations as of the reporting date. The amounts are estimated based on historical data.

(d) Defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 23.

4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Market risk

i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and the Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Company operates hedging policies (reduction of exporsure through matching and preferential application of leading and lagging) for each company within the Company, considering the nature of business and the existence of instruments to cope with the risks of exchange rate fluctuation.

Additionally, the Company periodically evaluates and handles such risks exposed through managing system for receivables and payables denominated in foreign currencies, and reports the results to the management.

As of December 31, 2012, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on net income before tax would be as follows:

(in millilons of Korean won)	**2012**		**2011**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Income effect before tax	(2,251)	2,251	(621)	621

The above sensitivity analysis was performed just for the assets and liabilities denominated in foreign currencies which are not the Company's functional currency.

The Company's principal monetary assets and liabilities as of December 31, 2012 and 2011, are as follows:

(in thousands of US dollars, in millions of Korean won)	2012		2011	
	Foreign currency[1]	Korean won equivalent	Foreign currency[1]	Korean won equivalent
Assets				
Cash and cash equivalents	85,217	91,276	99,357	114,588
Trade accounts receivable	776,491	831,699	789,418	910,436
Other accounts receivable	10,296	11,029	4,515	5,207
Long-term loans receivables	48,922	52,400	50,663	58,430
Investments in petroleum and mineral development projects	83,944	89,912	82,572	95,230
Other non-current assets	410	439	419	483
	1,005,280	1,076,755	1,026,944	1,184,374
Liabilities				
Trade accounts and notes payable	493,595	528,689	485,638	560,086
Short-term borrowings	369,285	395,542	379,124	437,244
Other payables	45,157	48,368	72,276	83,356
Current portion of long-term borrowings	44,131	47,269	42,600	49,131
Provisions	2,088	2,236	1,976	2,279
Long-term borrowings	72,374	77,520	50,715	58,490
	1,026,630	1,099,624	1,032,329	1,190,586

[1]Foreign currency expressed in US dollars

ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position either as available-for-sale. The fair value (carrying value for unlisted stocks measured using cost method) of equity securities investment of the Company (excluding subsidiaries and associates) amounts to ₩97,338 million (2011: ₩105,173 million).

iii) Cash flow and interest rate risk

The Company's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash equivalents held at variable rates and short-term financial instruments.

The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

Based on the simulations performed, with all other variables held constant, the impact on interest income and interest expense of a 0.1% interest rate shift on borrowings issued at variable rates is as follows:

(in millions of Korean won)	2012		2011	
	0.1% increase	0.1% decrease	0.1% increase	0.1% decrease
Interest Expense	(129)	129	(55)	55
Interest Income	313	(313)	27	(27)

(b) Credit Risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with excellent credit rating are accepted. Per the general customers, the Company hedges credit risks by assessing level of credit ratings and entering into an export credit insurance contracts with Korea Trade Insurance Corporation.

(c) Liquidity Risk

In order to maintain appropriate amount of liquidity, the Company manages liquidity risk by making cyclical expectations and adjustments of capital inflows and outflows. The Company management team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

The table below analyzes the Company's financial liabilities into relevant maturity grouping based on the remaining period at the statement of financial position date to the contract maturity date.

(in millions of Korean won)	**2012**				
	Less than 1 year	**1 ~ 2 years**	**2 ~ 3 years**	**Over 3 years**	**Total**
Trade accounts and notes payable	528,693	-	-	-	528,693
Other payables	61,677	-	-	-	61,677
Other current liabilities	945	-	-	-	945
Derivative financial liabilities	107	-	-	-	107
Short-term borrowings	395,542	-	-	-	395,542
Current portion of debentures and long-term borrowings	47,925	-	-	-	47,925
Debentures	51,781	-	-	-	51,781
Long-term borrowings	2,319	25,664	25,464	40,018	93,465
Financial guarantee contracts	225,852	-	-	-	225,852
Performance guarantee contracts	121,323	-	-	-	121,323
	1,436,164	25,664	25,464	40,018	1,527,310

(in millions of Korean won)	**2011**				
	Less than 1 year	**1 ~ 2 years**	**2 ~ 3 years**	**Over 3 years**	**Total**
Trade accounts and notes payable	560,233	-	-	-	560,233
Other payables	88,174	-	-	-	88,174
Other current liabilities	780	-	-	-	780
Derivative financial liabilities	417	-	-	-	417
Short-term borrowings	437,244	-	-	-	437,244
Current portion of debentures and long-term borrowings	52,176	-	-	-	52,176
Debentures	2,250	51,781	-	-	54,031
Long-term borrowings	3,650	11,560	26,672	33,931	75,813
Financial guarantee contracts	168,513	-	-	-	168,513
Performance guarantee contracts	116,103	-	-	-	116,103
	1,429,540	63,341	26,672	33,931	1,553,484

The table above analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings is based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company uses debt-to-equity ratio for capital management. This ratio is calculated as total debts divided by total equity as shown in the statement of financial position.

Debt-to-equity ratios as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Liabilities	1,260,257	1,429,715
Equity	381,394	326,749
Debt-to-equity ratio (%)	330.43	437.56

4.3 Fair Value Estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's financial assets and financial liabilities that are measured at fair value as of, December 31, 2012 and 2011:

(in millions of Korean won)	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial assets	-	339	-	339
Available-for-sale financial assets	-	-	97,179	97,179
Liabilities				
Derivative financial liabilities	-	107	-	107

(in millions of Korean won)	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial assets	-	477	-	477
Available-for-sale financial assets	219	-	104,295	104,514
Liabilities				
Derivative financial liabilities	-	417	-	417

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 consist primarily of KOSPI and KOSDAQ indexes equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where they are available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in Level 3 instruments:

(in millions of Korean won)	**2012**	**2011**
Opening balance	104,295	-
Transfers into Level 3	-	3,490
Gains and losses recognized in other comprehensive income	(7,116)	100,805
Closing balance	97,179	104,295

In 2012 and 2011, the Company measured Korea Ras Laffan LNG Ltd., an available-for-sale financial asset related to the investments in exploration of resources, at fair value. The independent appraiser evaluates the fair value using one or more appropriate valuation methods, considering the features of target of evaluation among appraisal models such as the discounted cash flow model, imputed market value model, free cash flow to equity model, dividend discount model, risk-adjusted discount rate method and net asset value approach. The discount rate applied for cash flow model evaluation is 12.4% (2011:12.6%) as of December 31, 2012. As the business plan of Ras Laffan Liquefied Natural Gas Company Limited (2013 Work Program and Budget) used to measure the fair value is not an input based on observable market data, the instrument was classified as Level 3.

The carrying amount of available-for-sale financial assets calculated the cost is amounting to ₩ 159 million. The Company does not have any plans to dispose the above-mentioned equities in the near future.

5. Segment Information

The Company's business is segmented into machinery and plant, steel, chemicals, electricity and information and communications, and others based on the kinds of merchandise of the Company. The major customers of the machinery and plant segment are foreign shipbuilding companies, foreign national transportation ministries, electric power companies, transportation companies, construction companies and others. The major customers of the steel segment are foreign car-making companies, national oil and gas companies, construction companies, domestic and foreign shipbuilding companies and others. For the chemical segment, domestic and foreign oil refining companies and chemical companies are the major customers. The major customers of electricity and electronics segment are foreign IT companies and others.

For the years ended December 31, 2012 and 2011, the Company's financial information by segments is as follows:

(in millions of Korean won)	**2012**			
Segment	**Sales**	**Operating income**	**Depreciation**	**Amortization**
Machinery and plant	1,915,781	28,995	440	299
Steel	1,825,532	7,682	419	285
Chemicals	904,660	(489)	208	141
Electricity and electronics	17,820	10,465	4	3
Petroleum development[1]	13,466	2,624	3	4,975
Others	39,920	12,777	9	7
	4,717,179	62,054	1,083	5,710

(in millions of Korean won)	2011			
Segment	**Sales**	**Operating income**	**Depreciation**	**Amortization**
Machinery and plant	2,039,140	38,246	406	156
Steel	2,163,587	21,011	431	166
Chemicals	780,305	1,089	155	60
Electricity and electronics	22,193	11,988	4	2
Petroleum development[1]	13,446	5,619	3	2,561
Others	12,113	(3,800)	2	-
	5,030,784	74,153	1,001	2,945

[1]This represents amounts excluding dividend income of ₩34,412 million (2011: ₩35,719 million) which is reclassified as other income.

Assets and liabilities of segments are not reported to the chief operating decision-maker. Accordingly, its information is not presented. Financial income and expenses, which are not included in segments' income, are not presented in the above tables.

For the years ended December 31, 2012 and 2011, the Company's sales information by regions is as follows:

(in millions of Korean won)	**2012**	**2011**
America	1,167,371	1,119,276
Asia	2,195,429	2,363,815
Europe	726,701	952,925
Others	627,678	594,768
	4,717,179	5,030,784

As of December 31, 2012, there is no external customer that comprises more than 10% of the Company's total revenue.

6. United States Dollar Amounts

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US$1 : ₩1,071.10, the exchange rate in effect on December 31, 2012. Such presentation is not in accordance with generally accepted financial accounting standards in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

7. Financial Instruments by Category

As of December 31, 2012 and 2011, financial assets by category, are as follows:

(in millions of Korean won)

	2012				
	Loans and receivables	**Profit or loss**	**Available -for-sale**	**Derivatives used for hedging**	**Total**
Financial assets					
Cash and cash equivalents	219,935	-	-	-	219,935
Short-term financial instruments	40,000	-	-	-	40,000
Trade accounts receivable	846,267	-	-	-	846,267
Other accounts receivable	15,359	-	-	-	15,359
Derivative financial assets	-	329	-	10	339
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	97,338	-	97,338
Long-term loans receivable	52,888	-	-	-	52,888
Other non-current assets	1,788	-	-	-	1,788
Investments in petroleum and mineral					-
development projects	100,237	-	-	-	100,237
	1,276,502	329	97,338	10	1,374,179

(in millions of Korean won)

	2011				
	Loans and receivables	**Profit or loss**	**Available -for-sale**	**Derivatives used for hedging**	**Total**
Financial assets					
Cash and cash equivalents	204,681	-	-	-	204,681
Short-term financial instruments	5,173	-	-	-	5,173
Trade accounts receivable	925,465	-	-	-	925,465
Other accounts receivable	42,924	-	-	-	42,924
Derivative financial assets	-	463	-	14	477
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	105,173	-	105,173
Long-term loans receivable	59,155	-	-	-	59,155
Other non-current assets	1,832	-	-	-	1,832
Investments in petroleum and mineral development projects	105,555	-	-	-	105,555
	1,344,813	463	105,173	14	1,450,463

As of December 31, 2012 and 2011, financial liabilities by category, are as follows:

(in millions of Korean won)	2012			
	Carried at amortized cost	**Profit or loss**	**Derivatives used for hedging**	**Total**
Financial liabilities				
Trade accounts and notes payable	528,693	-	-	528,693
Other accounts payable	61,677	-	-	61,677
Short-term borrowings	395,542	-	-	395,542
Other current liabilities	4,540	-	-	4,540
Current portion of long-term borrowings	47,269	-	-	47,269
Current portion of debentures	49,950	-	-	49,950
Derivative financial liabilities	-	97	10	107
Long-term borrowings	86,422	-	-	86,422
	1,174,093	97	10	1,174,200

(in millions of Korean won)	2011			
	Carried at amortized cost	**Profit or loss**	**Derivatives used for hedging**	**Total**
Financial liabilities				
Trade accounts and notes payable	560,233	-	-	560,233
Other accounts payable	88,174	-	-	88,174
Short-term borrowings	437,244	-	-	437,244
Other current liabilities	4,791	-	-	4,791
Current portion of debentures and long-term borrowings	49,131	-	-	49,131
Derivative financial liabilities	-	403	14	417
Debentures	49,884	-	-	49,884
Long-term borrowings	67,391	-	-	67,391
	1,256,848	403	14	1,257,265

Income and loss of financial instruments by category for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012				
	Interest income	**Interest expense**	**Others**	**Impairment loss**	**Other comprehensive income**
Loans and receivables	6,531	-	(14,897)	-	-
Financial assets (liabilities) at fair value through profit or loss	-	-	169	-	-
Available-for-sale financial assets	-	-	14,004	-	(5,442)
Held-to-maturity investments	-	-	-	-	-
Financial liabilities carried at amortized cost	-	(14,823)	24,700	-	-
	6,531	(14,823)	23,976	-	(5,442)

(in millions of Korean won)	2011				
	Interest income	**Interest expense**	**Others**	**Impairment loss**	**Other comprehensive income**
Loans and receivables	3,796	-	8,654	-	-
Financial assets (liabilities) at fair value through profit or loss	-	-	(1,613)	-	-
Available-for-sale financial assets	-	-	18,186	-	75,835
Held-to-maturity investments	-	-	-	(2,351)	-
Financial liabilities carried at amortized cost	-	(15,270)	(14,854)	-	-
	3,796	(15,270)	10,373	(2,351)	75,835

8. Credit Quality of Financial Assets

As of December 31, 2012 and 2011, financial assets exposed to credit risk are as follows:

(in millions of Korean won)	**2012**	**2011**
Financial assets neither past due nor impaired	1,182,708	1,151,902
Past due but not impaired	-	-
Impaired	94,133	193,388
	1,276,841	1,345,290

The Company classifies credit quality of financial assets depending on counterparty and nature. As of December 31, 2012 and 2011, details of the classified financial assets are as follows:

(in millions of Korean won)	**2012**	**2011**
Subsidiaries	225,406	277,211
Associates	37,816	47,487
Equity method investor[1]	92	35,451
Financial institutions	260,599	210,445
Trade accounts receivable[2]	499,512	413,810
Investments in petroleum and mineral development projects	100,237	105,555
Loans for petroleum and mineral	52,400	58,717
Loans for employees	443	394
Others	6,203	2,832
	1,182,708	1,151,902

[1] Hyundai Heavy Industries Co., Ltd., the major shareholder of the Company, and its subsidiaries.
[2] Some of the trade accounts receivable are insured against export insurance with Korea Trade Insurance Corporation in order to avoid credit risk.

As of December 31, 2012, the Company has recognized provision and impairment losses for financial assets amounting to ₩27,335 million (2011: ₩97,778 million).

9. Transfers of Financial Assets

Trade receivables have been discounted through factoring agreements with banks in 2012 and 2011. In case the customers default, the Company has an obligation to pay the related amounts to the bank. As a result, this transaction, treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 22 and 35). Financial assets which are transferred but not derecognized as of December 31, 2012, are as follows:

(in millions of Korean won)

Type	Loans and receivables (Trade receivables)
Book value of asset	395,542
Book value of related liabilities [1]	394,378

[1] Net amount after deducting prepaid interest amount.

10. Restricted Financial Instruments

As of December 31, 2012 and 2011, restricted financial instruments are as follows:

(in millions of Korean won)	2012	2011	Remarks
Long-term financial instruments	28	28	Maintaining deposit for checking accounts

11. Cash and Cash Equivalents

As of December 31, 2012 and 2011, cash and cash equivalents are as follows:

(in millions of Korean won)	2012	2011
Cash in bank and on hand	91,345	179,582
Short-term bank deposits	128,600	25,127
	219,945	204,709

12. Trade Accounts Receivable

As of December 31, 2012 and 2011, trade receivables are as follows:

(in millions of Korean won)	2012	2011
Trade receivables	846,267	925,465
Less: Provision for impairment of trade receivables	(21,558)	(67,325)
Trade receivables, net	824,709	858,140

The maximum exposure of trade receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2012 and 2011, the aging analysis of trade receivables is as follows:

(in millions of Korean won)	**2012**	**2011**
Recivables not past due	755,335	753,076
Impaired		
up to 1 year	44,758	94,581
over 1 year	46,174	77,808
	846,267	925,465

For the years ended December 31, 2012 and 2011, movements on the Company provision for impairment of trade receivables are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	67,325	57,973
Provision for receivables impairment		
(unused amounts reversed)	(12,828)	9,525
Receivables written off during the year		
as uncollectible	(21)	(173)
Others	(32,918)	-
At December 31	21,558	67,325

The creation and release of provision for impaired receivables have been included in 'selling, marketing and administrative expenses' in the statement of income.

13. Inventories

As of December 31, 2012 and 2011, inventories are as follows:

(in millions of Korean won)	**2012**	**2011**
Goods	104,288	124,147
Materials-in-transit	5,622	6,088
	109,910	130,235

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 4,575,106 million (2011: ₩ 4,873,399 million).

14. Other Accounts Receivable

As of December 31, 2012 and 2011, other accounts receivable are as follows:

(in millions of Korean won)	**2012**	**2011**
Other accounts receivable	8,804	36,665
Less: allowance for bad debts	(5,555)	(20,643)
Accrued income	5,380	4,893
Due from banks	1,175	1,366
	9,804	22,281

The maximum exposure of other current receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2012 and 2011, the aging analysis of other account receivables is as follows:

(in millions of Korean won)	**2012**	**2011**
Recivables not past due	3,025	15,709
Impaired		
up to 1 year	303	3,423
over 1 year	5,476	17,533
	8,804	36,665

For the years ended December 31, 2012 and 2011, movements on the Company provision for impairment of other account receivables are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	20,643	17,220
Provision for receivables impairment (Unused amounts reversed)	(2,423)	3,426
Receivables written off during the year as uncollectible	-	(3)
Others	(12,665)	-
At December 31	5,555	20,643

The creation and release of provision for impaired receivables have been included in 'other operating income/expenses' in the income statement.

15. Other Current Assets

As of December 31, 2012 and 2011, other current assets are as follows:

(in millions of Korean won)	**2012**	**2011**
Advance payment	53,184	129,813
Prepaid expenses	2,018	2,821
	55,202	132,634

16. Available-for-sale financial assets

The changes in available-for-sale financial assets for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	105,173	5,676
Additions	-	-
Disposals	(656)	(572)
Net losses transfer from equity[1]	(63)	(628)
Net gains (losses) transfer to equity[1]	(7,116)	100,697
At December 31	97,338	105,173

[1] The amount is before income tax effect

As of December 31, 2012 and 2011, available-for-sale financial assets are as follows:

(in millions of Korean won)	2012					2011
Investee	**Percentage of ownership (%)**	**Number of shares**	**Acquisition cost**	**FMV or net asset value**	**Book value**	**Book value**
Available-for-sale						
1) Marketable equity						
Daewoo Shipbuilding & Marine Engineering Co., Ltd	-	-	-	-	-	219
			-	-	-	219
2) Non-marketable equity						
Korea Ras Laffan LNG Ltd.[1]	8.00	2,226,667	3,490	97,179	97,179	104,295
SEGINIAGA(M) SDN. BHD.[2]	4.39	550,800	159	74	159	159
Hyundai Asan	-	-	-	-	-	500
Others[2]	-	-	25,723	1,681	-	-
			29,372	98,934	97,338	104,954
			29,372	98,934	97,338	105,173

[1] The Company recognized a gain of ₩93,689 million (2011: ₩100,805 million) (before reflecting tax effects) as a result of measuring Korea Ras Laffan LNG Ltd. shares at fair value. The fair value was estimated based on the Ras Laffan LNG Ltd.’s business plan of 2013 Work Program and Budget paper by applying the future cash flow discount method (profit approach method) (Note 4).

[2] The fair values of non-marketable equity securities could not be reliably estimated due to the lack of financial information of the said companies. Accordingly, these equities were presented at their acquisition cost. When the recoverable value is less than the acquisition cost, impairment losses are recognized in the statements of income.

17. Subsidiaries and Associates

As of December 31, 2012 and 2011, subsidiaries and associates are as follows:

(in millions of Korean won)		Location	Percentage of ownership (%)	2012	2011
Subsidiaries					
	Hyundai Corp. USA	USA	100.00	7,200	7,200
	Hyundai Australia Pty., Ltd.	Australia	100.00	5,253	5,253
	Hyundai Japan Co.,Ltd.	Japan	100.00	8,229	8,229
	Hyundai Canada Inc.	Canada	100.00	3,723	3,723
	Hyundai Corp. Europe GMBH	Germany	100.00	10,794	10,794
	Hyundai Sangsa H.K., Ltd.	Hong Kong	100.00	-	-
	Hyundai Corp. Singapore Pte. Ltd.	Singapore	100.00	11,108	11,108
	Hyundai Corp. (Shanhai) Co., Ltd.	China	100.00	5,652	5,652
	POS-Hyundai Steel MFG.(I) Pvt. Ltd. PVT. Ltd.	India	70.50	9,543	9,543
	Qingdao H.D Shipbuilding Co., Ltd.	China	96.36	-	-
				61,502	61,502
Associates	PTHD Intl. DEVE.[1]	Indonesia	55.00	1,697	1,697
	Korea LNG Ltd.	Bermuda	20.00	2,749	2,749
	Hyundai Yemen LNG Company Limited [1]	Bermuda	51.00	-	-
	PT. Hyundai Machinery Indonesia	Indonesia	48.61	406	406
	Hyundai-ENR [2]	Korea	10.00	5,000	5,000
				9,852	9,852
				71,354	71,354

[1]Despite over 50% of ownership, because the Company cannot exercise control due to agreement with investors, the above companies were excluded from subsidiaries.
[2] Hyundai-ENR has been classified to associates in relation to mutual interaction of management.

For the years ended December 31, 2012 and 2011, changes in ownership interests in subsidiaries and associates are as follows:

(in millions of Korean won)	2012	2011
At January 1	71,354	64,362
Acquisitions [1]	45,594	21,760
Disposals	-	(14,768)
Others	(45,594)	-
At December 31	71,354	71,354

[1]The Company has acquired additional shares through capital increase of Qingdao Hyundai Shipbuilding Co., Ltd.

18. Investments in Exploration of Resources

As of December 31, 2012 and 2011, the Company organized a consortium that includes Korea National Oil Corporation to invest in resource exploration projects, and the details are as follows:

(in millions of Korean won)

Project name	Accounts	2012	2011	Remarks
Vietnam (11-2 prospect)	Mining rights	24,672	26,386	Commenced in 2007
Yemen LNG [1]	Investments in petroleum development projects	79,673	86,143	Commenced in 2009
	Long-term loans	37,479	46,407	
West Kamchatka Prospect [2]	Investments in petroleum development projects	4,787	4,787	Under liquidation
Oman LNG (KOLNG)	Equity method investments	2,749	2,749	Commenced in 2000
Qatar LNG (KORAS)	Available-for-sale financial assets	97,179	104,295	Commenced in 1999
Peru Prospect[2]	Investments in petroleum development projects	3,080	3,080	Under liquidation
Ambatovy Nickel Mine[3]	Investments in petroleum development projects	12,697	11,545	Commenced expected in 2012
	Long-term loans	14,921	12,309	

[1] The Company entered into a sales contract with Korea Gas Corporation, Suez LNG Trading S.A. and Total Gas & Power Ltd., through Hyundai Yemen LNG Company Limited, whose production started on October 15, 2009.

[2] The investments in petroleum development projects in oilfield in West Kamchatka (Russia) and the long-term investments in Peru whose liquidation is in progress are valued at their recoverable amount.

[3] The Company invested into a portion of shares of Ambatovy nickel mine through KORES as of December 31, 2011. The Company has a right to resell a portion of investment amount at the exercise price, which is calculated based on the initial investment amount, back to KORES in August 2013.

As of December 31, 2012 and 2011, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2012	2011
Vietnam (11-2 prospect)	Sales	13,466	13,447
Qatar LNG (KORAS)	Dividend income	12,874	17,266
Oman LNG (KOLNG)	Dividend income	21,538	18,453
		47,878	49,166

The percentages of ownership in investments in the exploration of resources as of December 31, 2012, are as follows:

	Consortium ownership in investments [1]	Percentage of ownership of the Company in consortium [2]
Vietnam (11-2 prospect)	75.0%	6.5%
Yemen LNG	5.9%	51.0%
Oman LNG (KOLNG)	5.0%	20.0%
Qatar LNG (KORAS)	5.0%	8.0%
Ambatovy Nickel Mine	27.5%	1.8%

[1] Ownership of the consortium in these entities.
[2] The Company's share in the consortium.

19. Property and Equipment

Changes in property and equipment for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012			2011		
	Buildings	Others	Total	Buildings	Others	Total
At January 1	226	2,720	2,946	242	1,745	1,987
Acquisition and capital expenditures	-	309	309	-	1,964	1,964
Disposal	(211)	(57)	(268)	-	(4)	(4)
Depreciation	(15)	(1,068)	(1,083)	(16)	(985)	(1,001)
At December 31	-	1,904	1,904	226	2,720	2,946
Acquisition cost	1,839	4,833	6,672	2,334	4,758	7,092
Accumulated depreciation	-	(2,929)	(2,929)	(269)	(2,038)	(2,307)
Accumulated impairment	(1,839)	-	(1,839)	(1,839)	-	(1,839)

Depreciation expense is classified as in ‘selling, marketing and administrative expenses’.

20. Intangible Assets

Changes in intangible assets for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		
	Mining rights	**Other intangible assets**	**Total**
At January 1	26,386	29,479	55,865
Acquisition and capital expenditures	3,259	2,207	5,466
Amortization[1]	(4,973)	(737)	(5,710)
Disposal	-	(31)	(31)
At December 31	24,672	30,918	55,590
Acquisition cost	39,706	32,130	71,836
Accumulated depreciation	(15,034)	(1,212)	(16,246)

(in millions of Korean won)	2011		
	Mining rights	**Other intangible assets**	**Total**
At January 1	27,665	25,228	52,893
Acquisition and capital expenditures	1,281	4,636	5,917
Amortization[1]	(2,560)	(385)	(2,945)
Disposal	-	-	-
At December 31	26,386	29,479	55,865
Acquisition cost	36,447	29,954	66,401
Accumulated depreciation	(10,061)	(475)	(10,536)

[1] Amortizations of mining rights and other intangible assets are classified as cost of sales and selling, marketing and administrative expenses, respectively.

Details of other intangible assets as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Trademark[1]	20,700	20,700
Membership rights	7,462	5,541
Others	2,756	3,238
	30,918	29,479

[1] On December 26, 2007, the Company purchased the “HYUNDAI” trademark, which Hynix Semiconductor Inc. owned with exclusive usage right, for ₩20.7 billion.

21. Other Current Liabilities

As of December 31, 2012 and 2011, other current liabilities are as follows:

(in millions of Korean won)	**2012**	**2011**
Deposits	2,950	3,381
Guarantee deposits	76	101
Accrued expenses	1,514	1,309
	4,540	4,791

22. Debentures, Short-term and Long-term Borrowings

As of December 31, 2012 and 2011, debentures are as follows:

(in millions of Korean won)	Series	Interest rate	Maturity	2012	2011
Non-guaranteed debentures	37th	4.5%	2013-10-15	50,000	50,000
Less : Discount on bonds payable				(50)	(116)
Less : Current Portion				(49,950)	-
				-	49,884

As of December 31, 2012 and 2011, short-term and long-term borrowings are as follows:

(in millions of Korean won)

Type	Creditor	Purpose	Interest rate (%)	2012	2011
Foreign currency short-term borrowings[1]	The Korea Development Bank and others	Trading finance	-	395,542	437,244
Foreign currency short-term borrowings[1]	Korea National Oil Corporation and others	Investments in petroleum development projects	0.75~7.00	23,821	27,538
	Korea Exim Bank	Investments in petroleum development projects	Libor(6M)+2.20	16,067	17,300
	Korea Exchange Bank	Operational borrowings	Libor(1M)+3.00	9,459	10,185
	Woori Bank	Operational borrowings	Libor(3M)+2.85	22,175	23,876
	NH Bank	Operational borrowings	Libor(3M)+3.08	8,044	8,660
	Korea Exim Bank	Operational borrowings	Libor(6M)+3.80	32,133	-
	CREDIT-AGRICOLE and others	Financial investments in overseas[2]	Libor(6M)+0.40	20,957	27,928
Korean Won long-term borrowing	Kores Corp.	Investments in petroleum development projects	1.20	1,035	1,035
				133,691	116,522
	Less : Current portion of long-term liabilities			(47,269)	(49,131)
				86,422	67,391

[1] Trade accounts receivable are provided as collateral (Note 9).
[2] The Company is guaranteed by the foreign investment insurance contract with Korea Trade Insurance Corporation in relation to borrowings of foreign investment finance.

The Company has the borrowings of ₩7,867 million, which will not be repaid if the overseas resource exploration project fails.

23. Defined Benefit Liability

As of December 31, 2012 and 2011, the amounts recognized in the statements of financial position are determined as follows:

(in millions of Korean won)	**2012**	**2011**
Present value of funded obligations	13,523	13,846
Fair value of plan assets[1]	(10,755)	(9,650)
Defined benefit liabilities	2,768	4,196

[1] Includes deposits to the National Pension Fund of ₩40 million (2011: ₩52 million).

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	13,846	10,235
Current service cost	2,217	1,704
Interest expense	402	536
Actuarial gains	693	2,928
Transfer from/to associates	759	(687)
Benefits paid	(4,394)	(870)
At December 31	13,523	13,846

The movement in the fair value of plan assets for the years ended December 31, 2012 and 2011, is as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	9,650	8,266
Expected return on plan assets	338	349
Actuarial losses	(61)	(86)
Employer contribution	4,048	2,130
Transfer from/to associates	-	(445)
Benefits paid	(3,220)	(564)
At December 31	10,755	9,650

The amounts of severance benefits recognized on the income statements for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Current service cost	2,217	1,704
Interest expense	402	536
Expected return on plan assets	(338)	(349)
	2,281	1,891

Actual return of plan assets was ₩277 million (2011: ₩263 million).

Actuarial losses recognized as other comprehensive losses for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Acturial losses before tax	(754)	(3,014)
Tax (charge) credit	196	729
Acturial losses after tax	(558)	(2,285)

Accumulated actuarial gains and losses after tax recognized as other comprehensive income amount to ₩3,300 million as of December 31, 2012 (2011: ₩2,742 million).

The principal actuarial assumptions as of December 31, 2012 and 2011, were as follows:

(in %)	**2012**	**2011**
Discount rate	4.56	5.45
Expected rate of return	3.28	4.01
Future salary growth rate	5.66	4.73

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

	Changes in Principle Assumption	**Impact on overall liability**
Discount rate	0.5% increase/decrease	4.24% increase/decrease
Salary growth rate	0.5% increase/decrease	4.36% increase/decrease

Plan assets as of December 31, 2012 and 2011, consist of:

(in millions of Korean won)	**2012**		**2011**	
	Amount	**Composition(%)**	**Amount**	**Composition(%)**
Contributions to the National Pension Fund	40	0.4	52	0.5
Financial Instruments	10,715	99.6	9,598	99.5
	10,755	100	9,650	100

24. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**Warranty**	**Restoration[1]**	**Others**	**Total**
At January 1, 2012	701	2,279	466	3,446
Addition	-	1,453	44	1,497
Reversal	-	(352)	-	(352)
Other changes	-	(173)	-	(173)
At December 31, 2012	701	3,207	510	4,418
Less: Current	(701)	-	-	(701)
Non-current	-	3,207	510	3,717

(in millions of Korean won)	**Warranty**	**Restoration[1]**	**Others**	**Total**
At January 1, 2011	709	2,140	4,787	7,636
Addition	-	107	-	107
Reversal	(8)	-	(4,321)	(4,329)
Other changes	-	32	-	32
At December 31, 2011	701	2,279	466	3,446
Less: Current	(701)	-	-	(701)
Non-current	-	2,279	466	2,745

[1] The carrying amount of restoration as of December 31, 2012, is netted against the restoration reserve of ₩491 million (2011: ₩157 million).

25. Deferred Income Tax

As of December 31, 2012 and 2011, the analyses of deferred tax assets and deferred tax liabilities are as follows:

(in millions of Korean won)	**2012**	**2011**
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	287	152
Deferred tax assets to be recovered after more than 12months	11,689	12,997
	11,976	13,149
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	(1,223)	(860)
Deferred tax liabilities to be recovered after more than 12 months	(27,713)	(26,878)
	(28,936)	(27,738)
Deferred tax assets (liabilities), net	(16,960)	(14,589)

The gross movement on the deferred income tax account for the years ended December 31, 2012 and 2011, follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	(14,589)	8,851
Income statement charge	(4,304)	65
Tax charge/(credit) relating to components of other comprehensive income	1,933	(23,505)
At December 31	(16,960)	(14,589)

Income tax expense for the years ended December 31, 2012 and 2011, consists of:

(in millions of Korean won)	**2012**	**2011**
Current tax		
Current tax on income for the year	7,738	11,159
Deferred tax		
Origination and reversal of temporary differences	4,304	864
Impact of change in Korean tax rate	-	(929)
Total deferred tax	4,304	(65)
Income tax expense	12,042	11,094

The difference between tax on the Company's profit before tax and the theoretical amount that would arise using the weighted average tax rate applicable to profits for the years ended December 31, 2012 and 2011, follows:

(in millions of Korean won)	**2012**	**2011**
Income before tax	83,852	78,666
Tax calculated at domestic tax rates	20,292	19,011
Tax effects of:		
Income not subject to tax	(694)	(4,733)
Expenses not deductible for tax purposes	(1,563)	5,355
Impact of change in tax rate	-	(929)
Impact of tax credit	(7,926)	(7,610)
Others	1,933	-
Tax charge	12,042	11,094

The weighted average applicable tax rate was 14.36% (2011: 14.1%).

Changes in the deferred assets and liabilities for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	January 1, 2012	Income Statement	Other comprehensive income	December 31, 2012
Available-for-sale financial assets	(15,804)	(3,385)	1,737	(17,452)
Held-to-maturity investments	1,678	-	-	1,678
Investments in petroleum and mineral development projects	642	-	-	642
Investments in subsidiaries, joint ventures and associates	(1,467)	-	-	(1,467)
Intangible assets	(706)	(24)	-	(730)
Allowance for bad debts	949	(368)	-	581
Gain (loss) on foreign currency translation	(839)	(312)	-	(1,151)
Provisions	721	225	-	946
Defined benefit liabilities	307	(383)	196	120
Others	(70)	(57)	-	(127)
	(14,589)	(4,304)	1,933	(16,960)

(in millions of Korean won)	January 1, 2011	Income Statement	Other comprehensive income	December 31, 2011
Available-for-sale financial assets	8,034	397	(24,234)	(15,803)
Held-to-maturity investments	1,006	673	-	1,679
Investments in petroleum and mineral development projects	638	4	-	642
Investments in subsidiaries, joint ventures and associates	(544)	(924)	-	(1,468)
Intangible assets	(482)	(224)	-	(706)
Allowance for bad debts	321	628	-	949
Gain (loss) on foreign currency translation	(614)	(225)	-	(839)
Provisions	575	146	-	721
Defined benefit liabilities	(133)	(290)	729	306
Others	50	(120)	-	(70)
	8,851	65	(23,505)	(14,589)

The income tax charged (credited) directly to equity for the years ended is as follows:

(in millions of Korean won)	2012			2011		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Fair value gains from available-for-sale financial assets	(7,179)	1,737	(5,442)	100,069	(24,234)	75,835
Actuarial losses on retirement benefit obligations	(754)	196	(558)	(3,014)	729	(2,285)

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion. The Company has not recognized deferred tax assets of ₩66,967 million whose reliability is uncertain included subsidiaries and associates and such amount can be changed if estimation of the future tax benefits is changed.

26. Accumulated Other Comprehensive Income and Other Components of Equity

As of December 31, 2012 and 2011, accumulated other comprehensive income and other components of equity are as follows:

(in millions of Korean won)	**2012**	**2011**
Accumulated other comprehensive income		
Fair value gains from available-for-sale financial assets	71,016	76,458
Other components of equity		
Others	(15,172)	(15,172)

Changes in accumulated other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
At January 1	76,458	622
Reclassification to profit or loss	(47)	(489)
Increase/Decrease	(5,395)	76,325
At December 31	71,016	76,458

Changes in accumulated other comprehensive income represent net of tax effect amounts.

27. Retained Earnings

As of December 31, 2012 and 2011, retained earnings consist of:

(in millions of Korean won)	2012	2011
Legal reserve [1]	1,675	558
Unappropriated retained earnings	212,226	153,256
	213,901	153,814

[1] The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. 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, with the ratification of the Company's majority shareholders.

The appropriation of retained earnings for the years ended December 31, 2012 and 2011, is as follows:

(in millions of Korean won)	2012		2011	
At January 1		212,226		153,257
Unappropriated retained earnings carried over from prior year	140,975		87,969	
Actuarial gains and losses	(558)		(2,284)	
Net income	71,810		67,572	
Appropriation of retained earnings		(12,281)		(12,282)
Legal reserves	1,117		1,117	
Dividends [1]	11,165		11,165	
At December 31		199,945		140,975

[1] Details of cash dividend for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Dividend per share *(in Korean won)*	500	500
Dividend ratio *(%)*	10.0	10.0

The dividends paid in 2012 and 2011 were ₩11,165 million (₩500 per share) and ₩5,582 million (₩250 per share). A dividend in respect of the year ended December 31, 2012, of ₩500 per share, amounting to total dividends of ₩11,165 million, is to be proposed at the annual general meeting on March 22, 2013. These financial statements do not reflect this dividend payable.

28. Sales and Cost of sales

Sales and cost of sales for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	**2012**	**2011**
Sales		
Sales	4,666,126	4,979,804
Commisions	37,587	37,533
Resource development	13,466	13,447
	4,717,179	5,030,784
Cost of sales		
Cost of sales	4,575,106	4,873,399
Cost of commisions	9,289	8,365
Cost of resource development	10,843	7,829
	4,595,238	4,889,593

29. Expenses by Nature

Expenses by nature included in the cost of sales, selling, marketing, and administrative expenses, and other expenses in the income statements for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Changes in inventories	4,575,106	4,873,399
Wages and salaries	32,502	29,220
Employee benefits	3,114	2,660
Depreciation	1,083	1,001
Amortization	5,710	2,945
Others	37,610	47,406
	4,655,125	4,956,631

[1] The total equals to the sum of cost of sales, selling and administration expenses in the statements of income.

30. Selling, Marketing and Administrative Expenses

Selling, marketing and administrative expenses for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Wages and salaries	30,221	27,329
Severance benefits	2,281	1,891
Employee benefits	3,114	2,660
Travel expense	3,939	3,337
Taxes and dues	1,511	1,062
Entertainment expenses	1,625	1,691
Overseas branches expenses	14,830	14,591
Rental expenses	1,504	1,357
Service fees	5,417	4,414
Computer system expenses	2,092	1,959
Depreciation expenses	1,083	1,001
Amortization	737	386
Others	(8,467)	5,361
	59,887	67,039

31. Other Income and Expenses

Other operating income and expenses for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	**2012**	**2011**
Other income		
Gain on foreign currency assets and liabilities	101,020	125,615
Dividends	35,279	36,453
Gain on derivatives	4,394	11,545
Others	7,890	4,277
	148,583	177,890

(in millions of Korean won)	**2012**	**2011**
Other expenses		
Loss on foreign currency assets and liabilities	108,192	131,327
Loss on derivatives	4,225	13,158
Impairment of held-to-maturity financial assets	-	2,351
Finance expenses of disposal of trade receivables	4,341	4,068
Others	7,800	13,246
	124,558	164,150

32. Finance Income and Expenses

Finance income and expenses for the years ended December 31, 2012 and 2011, consist of:

(in millions of Korean won)	**2012**	**2011**
Finance income		
Gain on foreign currency assets and liabilities	32,139	38,378
Interest income	6,531	3,796
	38,670	42,174

(in millions of Korean won)	**2012**	**2011**
Finance expenses		
Loss on foreign currency assets and liabilities	26,074	34,798
Interest expense	14,823	15,270
	40,897	50,068

33. Earnings per Share

Earnings per share for the years ended December 31, 2012 and 2011, is computed as follows:

(in Korean won)	**2012**	**2011**
Profit attributable to ordinary shares	71,810,017,823	67,571,533,921
Weighted-average number of common stock outstanding	22,329,802 shares	22,329,802 shares
Basic earnings per share	3,216	3,026

The Company did not issue any potential ordinary shares. Therefore, diluted earnings per share is identical to the basic earnings per share.

34. Cash Generated from Operations

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

(in millions of Korean won)	**2012**	**2011**
Net income	71,810	67,572
Adjustment		
Interest income	(6,531)	(3,796)
Interest expense	14,823	15,270
Dividends	(35,279)	(36,453)
Tax expense	12,042	11,094
Depreciation	1,083	1,001
Amortization	5,710	2,945
Provision for severance benefits	2,281	1,891
Bad debts expense	(12,828)	267
Impairment of held-to-maturity financial assets	-	2,351
Other bad debts expense	-	2,321
Reversal of allowance for bad debts	(2,423)	-
Loss on valuation of derivatives	(233)	(60)
Gain on foreign currency translation	3,488	152
Finance expenses of disposal of trade receivables	4,341	4,068
Others	(2,907)	6,370
	(16,433)	7,421
Changes in operating assets and liabilities		
Trade accounts receivable	60,546	(159,928)
Inventories	20,325	116,340
Other accounts receivable	27,758	(3,712)
Other current assets	77,432	(109,620)
Other non-current assets	303	(100)
Trade accounts and notes payable	(19,752)	4,127
Other payables	(24,974)	45,092
Advances received	(81,487)	72,221
Other operating assets and liabilities	(5,193)	(3,622)
	54,958	(39,202)
Cash generated from operations	110,335	35,791

Significant transactions not affecting cash flows are as follows:

(in millions of Korean won)	**2012**	**2011**
Reclassification to current portion from long-term borrowings	47,269	49,131
Reclassification to current portion from debentures	49,950	-

35. Commitments and Contingencies

As of December 31, 2012, the Company is contingently liable for guarantees of its overseas subsidiaries and associated companies amounting to approximately US$ 202,859 thousand for local financial transactions, including US$ 86,054 thousand for Qingdao Hyundai Shipbuilding Co., Ltd.

As a participant in the Yemen LNG and Ambatovy Nickel Mine project, the Company offers a guarantee of US$ 121,270 thousand to the Korea Gas Corporation and three others. The Company invested in certain shares of Ambatovy Nickel Mine through Korea Resources Corporation during the 2010 and has rights to resell the corresponding shares to Korea Resources Corporation for an exercise price determined based on investment amount in August 2013. And the Company is provided guarantees, amounting to US$ 2,017 thousand by Korea Finance Corporation regarding Ambatovy Nickel Mine project.

As of December 31, 2012, the Company provided notes and checks, including 17 blank notes and five checks (three blank checks, one check with issuing amount of ₩24,000 million and one check with issuing amount of ₩693 million) as collaterals for the Company's various borrowings and guarantees of indebtedness.

As of December 31, 2012, the Company has filed five suits claiming US$ 49,235 thousand in damages. As the outcome of these cases cannot be reasonably determined, the Company has not reflected any adjustments except amount of ₩ 496 million, that may arise from this uncertainty.

On February 4, 2010, the Company received a tax assessment from the Seoul Regional Tax Office regarding its VAT-related investigation of the Company's purchases of gold bars in 2003 and 2004, and a loss of approximately ₩52 billion was recorded in the financial statements for the year ended December 31, 2009. The Company is appealing against the court decision. The case has been decided in favor of the Company until its second trial after the reporting date. However, as an appeal of Jongno District Tax office is in process, and outcome of this case cannot be reasonably determined as of the report date.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2012, are as follows:

(in thousands of US dollars)	**Maximum amount [1]**	**Used amount**
D/A, D/P	1,054,083	369,286
L/C	488,500	308,099
Bonds and others [2]	251,222	164,855
	1,793,805	842,240

[1] Maximum amount including comprehensive limit.
[2] Including Refund Guarantee.

36. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		2011	
	Gain	Loss	Gain	Loss
Foreign currency forward	329	97	463	403
Commodity futures	6	4	14	-
	335	101	477	403

The Company entered into currency forward contracts in order to hedge its risk of fluctuation in the exchange rate of assets and liabilities denominated in foreign currencies with Korea Exchange Bank. These agreements were classified as trading instruments (related derivatives assets and liabilities amounting to ₩ 329 million and ₩ 97 million, respectively). In addition, per the commodity futures contract, the Company applies fair value hedge accounting. These agreements are measured at fair value (related derivatives assets and liabilities amounting to ₩ 6 million and ₩ 4 million, firm contract assets and liabilities amounting to ₩ 4 million and ₩ 6 million, respectively).

37. Related Party Transactions

Details of the subsidiaries as of December 31, 2012, are as follows:

(in millions of Korean won)	Capital stock	Percentage of ownership (%)	Location	Reporting date
Hyundai Corp. USA	27,139	100.0	USA	31-Dec
Hyundai Sangsa H.K., Ltd.	-	100.0	Hong Kong	31-Dec
Hyundai Corp. Europe GMBH	80,296	100.0	Germany	31-Dec
Hyundai Canada Inc.	1,739	100.0	Canada	31-Dec
Hyundai Japan Co., Ltd.	11,097	100.0	Japan	31-Dec
Hyundai Australia Pty., Ltd.	11,813	100.0	Australia	31-Dec
Hyundai Corp. Singapore PTE. Ltd.	11,225	100.0	Singapore	31-Dec
Hyundai Corp. (Shanhai) Co., Ltd.	5,652	100.0	China	31-Dec
POS-Hyundai Steel MFG. (I) PVT. Ltd.	8,904	70.50	India	31-Mar
Qingdao Hyundai Shipbuilding Co., Ltd.	130,162	96.36	China	31-Dec

Significant transactions with related parties for years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		2011	
	Sales	Purchases	Sales	Purchases
Equity method investor[1]	27,456	1,305,165	159,282	1,440,717
Subsidiaries	597,493	8,750	700,569	5,011
Joint venture and associates	51,072	1,459	116,380	1,255
	676,021	1,315,374	976,231	1,446,983

[1] Hyundai Heavy Industries Co., Ltd., the major shareholder of the Company, and its subsidiaries.

Significant receivables and payables with related parties as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		2011	
	Receivables [1]	**Payables** [2]	**Receivables** [1]	**Payables** [2]
Equity method investor	44,173	303,699	135,783	269,105
Subsidiaries	240,322	26,852	355,844	73,312
Joint venture and associates	154,968	959	180,038	994
	439,463	331,510	671,665	343,411

[1] The amount included trade accounts receivable, other accounts receivable, other current assets, investments in petroleum and mineral development projects, long-term loans receivables and other non-current assets.
[2] The amounts include trade accounts and notes payable, other payables, advances from customers and other current liabilities, others.

The compensation paid or payable to key management for the years ended December 31, 2012 and 2011, consists of:

(in millions of Korean won)	**2012**	**2011**
Wages and salaries	2,342	2,051
Servance benefits	529	1,111
	2,871	3,162

As of December 31, 2012, bad debt provision was made with respect to the receivables from related parties amounting to ₩ 9,129 million.

As of December 31, 2012, the Company provided payment guarantee amounting to USD 202,859 thousand for overses subsidiaries (Note 35).

Report of Independent Accountants'

Review of Internal Accounting Control System

To the President of

HYUNDAI CORPORATION CO., LTD.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of HYUNDAI CORPORATION CO., LTD. (the "Company") as of December 31, 2012. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report which is attained in Korean Audit Report not in this English Audit Report, on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2012, the Company's IACS has been designed and is operating effectively as of December 31, 2012, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2012, and we did not review management's assessment of its IACS subsequent to December 31, 2012. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 14, 2013