

HYUNDAI CORPORATION

Separate Financial Statements

December 31, 2013 and 2012

HYUNDAI CORPORATION
Index
December 31, 2013 and 2012

	Page(s)
Report of Independent Auditors	1 - 2
Separate Financial Statements	
Separate Statements of Financial Position	3
Separate Statements of Income	4
Separate Statements of Comprehensive Income	5
Separate Statements of Changes in Equity	6
Separate Statements of Cash Flows	7
Notes to Separate Financial Statements	8 – 51
Report of Independent Accountant's Review of Internal Accounting Control System ...	52

Report of Independent Auditors

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

We have audited the accompanying separate statements of financial position of HYUNDAI CORPORATION (the "Company") as of December 31, 2013 and 2012, 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, 2013 and 2012, 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.

The accompanying separate financial statements as of and for the year ended December 31, 2013, have been translated into US dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 7 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 13, 2014

This report is effective as of March 13, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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, 2013 and 2012

(in thousands of Korean won
and thousands of US dollars)

	Notes	December 31, 2013	December 31, 2012	December 31, 2013 (in US dollars) (Note 7)
Assets				
Current assets				
Cash and cash equivalents	4,8,9,12 ₩	200,652,981 ₩	219,945,184 ₩	\$ 190,138
Short-term financial instruments	4,8,9	40,000,000	40,000,000	37,904
Trade accounts receivable	4,8,9,10,13,38	639,370,899	824,708,981	605,866
Inventories	14	136,037,755	109,909,701	128,909
Derivative financial assets	4,5,8,9,37	1,227,110	339,500	1,163
Other accounts receivable	4,8,9,16,38	9,076,387	9,803,601	8,601
Other current assets	15,38	54,272,596	55,202,384	51,429
		<u>1,080,637,728</u>	<u>1,259,909,351</u>	<u>1,024,010</u>
Non-current assets				
Long-term financial instruments	4,8,9,11	27,581	27,581	26
Available-for-sale financial assets	5,8,17,19	90,505,771	97,337,877	85,763
Held-to-maturity investments		2	3	-
Investments in subsidiaries and associates	18,19,38	86,853,610	71,353,819	82,302
Long-term loans receivable	4,8,9,19,38	21,314,680	52,665,284	20,198
Investments in petroleum and mineral development projects	4,8,9,19,38	59,498,109	100,236,864	56,380
Property and equipment	20	1,122,646	1,903,922	1,064
Intangible assets	19,21	54,586,436	55,590,260	51,726
Other non-current assets	4,8,9,38	4,633,071	2,625,950	4,391
		<u>318,541,906</u>	<u>381,741,560</u>	<u>301,850</u>
Total assets		<u>₩ 1,399,179,634</u>	<u>₩ 1,641,650,911</u>	<u>\$ 1,325,860</u>
Liabilities				
Current liabilities				
Trade accounts and notes payable	4,8,38 ₩	431,005,359 ₩	528,693,434 ₩	\$ 408,420
Other payables	4,8,38	54,782,132	61,677,045	51,911
Advances from customers	38	58,545,344	59,246,702	55,477
Short-term borrowings	4,8,10,23	326,209,199	395,541,573	309,115
Current portion of debentures	4,8,23	-	49,950,081	-
Current portion of long-term borrowings	4,8,23	46,191,870	47,268,669	43,771
Current portion of provisions	8,25,38,39	9,230,071	701,137	8,746
Current tax liabilities		3,430,196	2,663,926	3,251
Derivative financial liabilities	4,5,8,37	287,468	107,226	272
Other current liabilities	4,8,22,38	5,306,206	4,539,816	5,028
		<u>934,987,845</u>	<u>1,150,389,609</u>	<u>885,991</u>
Non-current liabilities				
Long-term borrowings	4,8,23	32,613,121	86,421,683	30,904
Net defined benefit liability	24	263,546	2,768,462	250
Provisions	25	3,249,617	3,717,112	3,079
Deferred income tax liabilities	26	15,628,667	16,960,002	14,811
		<u>51,754,951</u>	<u>109,867,259</u>	<u>49,044</u>
Total liabilities		<u>986,742,796</u>	<u>1,260,256,868</u>	<u>935,035</u>
Equity				
Paid-in capital				
Capital stock	1	111,649,010	111,649,010	105,798
Other components of equity	27	(15,172,087)	(15,172,087)	(14,377)
Accumulated other comprehensive income				
Retained earnings	27	65,837,192	71,015,928	62,387
	28	250,122,723	213,901,192	237,017
Total equity		<u>412,436,838</u>	<u>381,394,043</u>	<u>390,825</u>
Total liabilities and equity		<u>₩ 1,399,179,634</u>	<u>₩ 1,641,650,911</u>	<u>\$ 1,325,860</u>

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 7.

HYUNDAI CORPORATION

Separate Statements of Income

Years Ended December 31, 2013 and 2012

(in thousands of Korean won and thousands of US dollars
except per share amounts)

	Notes	2013	2012	2013 (in US dollars) (Note 7)
Net sales	6,19,29,38	₩ 4,377,917,138	₩ 4,717,178,679	\$ 4,148,505
Cost of sales	14,29,31,38	(4,273,966,865)	(4,595,237,868)	(4,050,002)
Gross profit		103,950,273	121,940,811	98,503
Selling, marketing and administrative expenses	30,31	(76,786,594)	(59,887,194)	(72,763)
Operating income	6	27,163,679	62,053,617	25,740
Other non-operating income	19,32	179,848,998	148,583,243	170,424
Other non-operating expenses	32	(146,911,669)	(124,558,404)	(139,214)
Loss on investments in subsidiaries and associates	18	(406,208)	-	(385)
Finance income	33	26,600,447	38,670,375	25,207
Finance expenses	33	(32,471,890)	(40,897,012)	(30,770)
Income before income tax		53,823,357	83,851,819	51,002
Income tax expense	26	(6,638,354)	(12,041,801)	(6,290)
Income for the year		₩ 47,185,003	₩ 71,810,018	\$ 44,712
Earnings per share during the year (in won and US dollars)				
Basic earnings per share	34	2,113	3,216	2.00

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financial statements. Refer to Note 7.

HYUNDAI CORPORATION
Separate Statements of Comprehensive Income
Years ended December 31, 2013 and 2012

(in thousands of Korean won and thousands of US dollars)

	2013	2012	2013 (in US dollars) (Note 7)
Income for the year	₩ 47,185,003	₩ 71,810,018	\$ 44,712
Other comprehensive income (loss)			
Items not to be			
subsequently reclassifiable to profit or loss :			
Remeasurements	201,429	(558,396)	191
Items to be			
subsequently reclassifiable to profit or loss :			
Loss on valuation of available-for-sale financial assets	(5,178,736)	(5,441,808)	(4,906)
Other comprehensive loss for the year, net of tax	<u>(4,977,307)</u>	<u>(6,000,204)</u>	<u>(4,715)</u>
Total comprehensive income for the year	<u>₩ 42,207,696</u>	<u>₩ 65,809,814</u>	<u>\$ 39,997</u>

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HYUNDAI CORPORATION

Separate Statements of Changes in Equity Years Ended December 31, 2013 and 2012

(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 7)
Balance at January 1, 2012	₩ 111,649,010	₩ (15,172,087)	₩ 76,457,736	₩ 153,814,471	₩ 326,749,130	\$ 309,627
Comprehensive income						
Income for the year	-	-	-	71,810,018	71,810,018	68,047
Loss on valuation of available-for-sale financial assets	-	-	(5,441,808)	-	(5,441,808)	(5,157)
Remeasurements	-	-	-	(558,396)	(558,396)	(529)
Transaction with equity holders						
Dividends	-	-	-	(11,164,901)	(11,164,901)	(10,580)
Balance at December 31, 2012	<u>₩ 111,649,010</u>	<u>₩ (15,172,087)</u>	<u>₩ 71,015,928</u>	<u>₩ 213,901,192</u>	<u>₩ 381,394,043</u>	<u>\$ 361,408</u>
Balance at January 1, 2013	₩ 111,649,010	₩ (15,172,087)	₩ 71,015,928	₩ 213,901,192	₩ 381,394,043	\$ 361,408
Comprehensive income						
Income for the year	-	-	-	47,185,003	47,185,003	44,712
Loss on valuation of available-for-sale financial assets	-	-	(5,178,736)	-	(5,178,736)	(4,906)
Remeasurements	-	-	-	201,429	201,429	191
Transaction with equity holders						
Dividends	-	-	-	(11,164,901)	(11,164,901)	(10,580)
Balance at December 31, 2013	<u>₩ 111,649,010</u>	<u>₩ (15,172,087)</u>	<u>₩ 65,837,192</u>	<u>₩ 250,122,723</u>	<u>₩ 412,436,838</u>	<u>\$ 390,825</u>

The accompanying notes are an integral part of these separate financial statements.
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separate financial statements. Refer to Note 7.

HYUNDAI CORPORATION
Separate Statements of Cash Flows
Years Ended December 31, 2013 and 2012

<i>(in thousands of Korean won and thousands of US dollars)</i>	Notes	2013	2012	2013 (in US dollars) (Note 7)
Cash flows from operating activities				
Cash generated from operations	35	₩ 87,125,791	₩ 110,334,753	\$ 82,560
Interest received		6,119,677	5,670,932	5,799
Interest paid		(11,491,962)	(14,447,871)	(10,890)
Dividend received		37,284,393	35,279,111	35,331
Income tax paid		(5,614,358)	(14,557,996)	(5,320)
Net cash generated from operating activities		<u>113,423,541</u>	<u>122,278,929</u>	<u>107,480</u>
Cash flows from investing activities				
Proceeds from acquisition of short-term financial instruments, net		-	(34,827,140)	-
Proceeds from disposal of available-for-sale financial assets		-	1,585,515	-
Disposal of investments in subsidiaries and associates		1	-	-
Collection of investments in petroleum and mineral development projects		38,838,274	-	36,803
Collection of long-term loans receivable		32,095,498	6,698,443	30,414
Disposal of property and equipment		17,326	1,867,594	16
Disposal of intangible assets		481,818	426,185	457
Acquisition of investments in subsidiaries and associates		(15,906,000)	(45,594,000)	(15,072)
Acquisition of investments in petroleum and mineral development projects		(1,998,820)	(1,559,952)	(1,894)
Long-term loans receivables provided		(1,060,814)	(4,349,473)	(1,005)
Acquisition of property and equipment		(189,557)	(308,854)	(180)
Acquisition of intangible assets		(3,339,702)	(4,133,107)	(3,165)
Net cash provided by (used in) investing activities		<u>48,938,024</u>	<u>(80,194,789)</u>	<u>46,374</u>
Cash flows from financing activities				
Decrease in short-term borrowings, net		(69,332,375)	(41,702,515)	(65,699)
Increase in long-term borrowings		-	34,182,000	-
Payment of current portion of long-term borrowing		(50,696,996)	(7,854,292)	(48,040)
Dividends paid		(11,164,901)	(11,164,901)	(10,580)
Repayment of bond		(50,000,000)	-	(47,380)
Net cash used in financing activities		<u>(181,194,272)</u>	<u>(26,539,708)</u>	<u>(124,319)</u>
Net increase(decrease) in cash and cash equivalents		(18,832,707)	15,544,433	(17,846)
Exchange rate effect of cash and cash equivalents		(459,496)	(308,585)	(436)
Cash and cash equivalents at the beginning of year		<u>219,945,184</u>	<u>204,709,336</u>	<u>208,420</u>
Cash and cash equivalents at the end of year		<u>₩ 200,652,981</u>	<u>₩ 219,945,184</u>	<u>\$ 190,138</u>

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 7.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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, 2013, the Company has nine overseas subsidiaries, six 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, 2013, 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, 2013, 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 separate 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 separate financial statements.

The separate financial statements of the Company 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.

HYUNDAI CORPORATION

Notes to Separate Financial Statements

December 31, 2013 and 2012

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.

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

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

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

The amendment requires entities to company items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Company applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss.

- Amendment to Korean IFRS 1019, Employee Benefits

The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the separate financial statements.

- Korean IFRS 1110, Consolidated Financial Statements

Korean IFRS 1110, Consolidated Financial Statements introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the separate financial statements.

- Korean IFRS 1111, Joint Arrangements

Korean IFRS 1111, Joint Arrangements, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an impact on the separate financial statements.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities.

- Korean IFRS 1027, *Separate Financial Statements*

Korean IFRS 1027, *Separate Financial Statements*, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Controlling Company.

- Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Company has applied this standard prospectively according to the transitional provisions of K-IFRS 1113 and there is no material impact of the application of this standard on the separate financial statements.

(b) New standards and interpretations not yet adopted

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

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

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

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

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company is assessing the impact of application of this amendment on its separate financial statements.

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

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this amendment would not have a material impact on its separate financial statements.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its separate financial statements.

2.3 Investments in Subsidiaries and Associates

The financial statements of the Company are separate financial statements based on Korean IFRS 1027, *Separate 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.

2.4 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 each 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.

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

2.5 Financial Assets

(a) Classification and measurement

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

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

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

(b) Impairment

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.

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

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a prolonged delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties. A significant and prolonged decline in the fair value of an available-for-sale equity instrument from its cost is also objective evidence of impairment.

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the statement of financial position (Note 10).

2.6 Derivative Instruments

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

The Company only applies fair value hedge accounting for hedging price risk on metal commodity (aluminum). The effective portion of changes in fair value of derivatives that are designated and qualify as fair value hedges is recognized in 'net sales' and the ineffective portion is recognized in 'other non-operating income (expenses)'.

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

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

2.8 Non-current Assets (or Disposal Company) Held-for-sale

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

2.9 Property and Equipment

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

Land is not depreciated. 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 years
Machinery and equipment	4 years
Leasehold improvements	4 years

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

2.10 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.11 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.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

2.12 Impairment of Non-financial Assets

Goodwill or intangible assets 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. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Financial Liabilities

(a) Classification and measurement

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

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

(b) Derecognition

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

2.14 Financial Guarantee Contracts

Financial guarantee contracts provided by the Company 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.

- 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*.

2.15 Provisions

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

2.16 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

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

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

2.17 Post-employment 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. 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 and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

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

2.18 Revenue Recognition

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

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The 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. Revenue from the sales of goods is recognized when products are delivered to the purchaser.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

(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.

2.19 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.20 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, makes strategic decisions.

2.21 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2013 separate financial statements of the Company was approved by the Board of Directors on March 5, 2014, which is subject to change with approval of the shareholders at the annual shareholders' meeting.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

3. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future. The estimates 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 resulting accounting estimates will, by definition, seldom equal the related actual results. 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 (Note 26).

(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 (Note 5).

(c) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 24).

(d) Provisions

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 (Note 25).

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.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The Company operates hedging policies (reduction of exposure 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, 2013, 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:

<i>(in millions of Korean won)</i>	2013		2012	
	10% increase	10% decrease	10% increase	10% decrease
Income effect before tax	(10,109)	10,109	(2,251)	2,251

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, 2013 and 2012, are as follows:

<i>(in thousands of US dollars, in millions of Korean won)</i>	2013		2012	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
Assets				
Cash and cash equivalents	45,548	48,066	85,217	91,276
Trade accounts receivable	621,977	656,372	776,491	831,699
Other accounts receivable	7,148	7,543	10,296	11,029
Long-term loans receivable	19,995	21,101	48,922	52,400
Investments in petroleum and mineral development projects	51,845	54,712	83,944	89,912
Other non-current assets	366	386	410	439
	<u>746,879</u>	<u>788,180</u>	<u>1,005,280</u>	<u>1,076,755</u>
Liabilities				
Trade accounts and notes payable	408,397	430,982	493,595	528,689
Short-term borrowings	309,115	326,209	369,285	395,542
Other payables	44,110	46,549	45,157	48,368
Current portion of long-term borrowings	43,771	46,192	44,131	47,269
Provisions	10,910	11,513	2,088	2,236
Long-term borrowings	26,368	27,826	72,374	77,520
	<u>842,671</u>	<u>889,271</u>	<u>1,026,630</u>	<u>1,099,624</u>

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 ₩90,506 million (2012: ₩97,338 million) (Note 17).

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.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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:

<i>(in millions of Korean won)</i>	2013		2012	
	0.1% increase	0.1% decrease	0.1% increase	0.1% decrease
Interest Expense	(77)	77	(129)	129
Interest Income	262	(262)	313	(313)

(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. For 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.

The maximum exposure to credit risk as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cash and cash equivalents	200,619	219,935
Short-term financial instruments	40,000	40,000
Trade accounts receivable, net	639,371	824,709
Other accounts receivable, net	9,076	9,804
Derivative financial assets	1,227	339
Long-term financial instruments	28	28
Long-term loans receivables	21,315	52,665
Investments in petroleum and mineral development projects	59,498	100,237
Other non-current assets	3,980	1,788
Financial guarantee contracts	163,711	225,852
Performance guarantee contracts	10,553	121,323
	1,149,378	1,596,680

(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.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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)

	2013				Total
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	
Trade accounts and notes payable	431,005	-	-	-	431,005
Other payables	54,782	-	-	-	54,782
Other current liabilities	4,347	-	-	-	4,347
Derivative financial liabilities	287	-	-	-	287
Short-term borrowings	326,209	-	-	-	326,209
Long-term borrowings	47,481	15,469	9,478	8,469	80,897
Financial guarantee contracts	163,711	-	-	-	163,711
Performance guarantee contracts	10,553	-	-	-	10,553
	<u>1,038,375</u>	<u>15,469</u>	<u>9,478</u>	<u>8,469</u>	<u>1,071,791</u>

(in millions of Korean won)

	2012				Total
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	
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
Debentures	51,781	-	-	-	51,781
Long-term borrowings	50,244	25,664	25,464	40,018	141,390
Financial guarantee contracts	225,852	-	-	-	225,852
Performance guarantee contracts	121,323	-	-	-	121,323
	<u>1,436,164</u>	<u>25,664</u>	<u>25,464</u>	<u>40,018</u>	<u>1,527,310</u>

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, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013	2012
Liabilities	986,743	1,260,257
Equity	412,437	381,394
Debt-to-equity ratio (%)	239.3	330.4

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

There are no significant differences between carrying value and fair value of financial instruments except for available-for-sale financial assets measured at cost, which do not have a quoted price in an active market and their fair value cannot be measured reliably and thus excluded from the fair value disclosures.

5.2 Financial Instruments Measured at Cost

Details of available-for-sale financial assets measured at cost as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
SEGINIAGA(M)SDN. BHD.	159	159

The above securities are measured at cost as the variability of estimated cash flows is significant and the probabilities of the various estimates cannot be reasonably assessed.

5.3 Fair Value Hierarchy

Financial instruments measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are 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, 2013:

<i>(in millions of Korean won)</i>	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	1,227	-	1,227
Available-for-sale financial assets	-	-	90,347	90,347
Derivative financial liabilities	-	287	-	287

5.4 Changes in Level 3 of the fair value hierarchy for the recurring fair value measurements

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements are as follows:

<i>(in millions of Korean won)</i>	Available-for-sale financial assets
Beginning balance	97,179
Amount recognized in other comprehensive income	(6,832)
Ending balance	90,347
Unrealized gains	86,857

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

5.5 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair values categorized within Level 3 of the fair value hierarchy as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Fair value	Valuation techniques	Inputs	Range of inputs
		Present value technique	Discount rate Unit cost of major products(\$/mmbtu) Period of cash flow projections	11.20% 13.0 ~ 14.64 FY 2029
KOREA Ras Laffan LNG Ltd.	90,347			

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. As the business plan of Ras Laffan Liquefied Natural Gas Company Limited (2014 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.

5.6 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Company's finance team performs the fair value measurements each period through the independent appraiser, these fair value measurements are classified as level 3.

5.7 Sensitivity analysis for Recurring Fair Value Measurements Categorized Within Level 3

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

The results of the sensitivity analysis from changes in inputs for available-for-sale financial assets, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

<i>(in millions of Korean won)</i>	Favorable changes	Unfavorable changes
Change in value of available-for-sale financial assets	4,728	(4,348)

For equity securities, changes in their fair value are calculated by considering changes of discount rate (1% increase/decrease) which are significant unobservable inputs.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

6. Segment Information

The Company's business is segmented into shipbuilding /plant/electricity, vehicle/construction equipment, steel, chemicals, petroleum and mineral development, 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, 2013 and 2012, the Company's financial information by segments is as follows:

(in millions of Korean won)

Segment	2013			
	Sales	Operating income(loss)	Depreciation	Amortization
Shipbuilding /plant/electricity	426,783	(8,189)	95	77
Vehicle/construction equipment	1,143,811	14,066	254	205
Steel	1,458,893	7,769	324	262
Chemicals	1,277,245	378	283	229
Petroleum and mineral development ¹	13,784	4,523	3	3,193
Others	57,401	8,617	12	10
	<u>4,377,917</u>	<u>27,164</u>	<u>971</u>	<u>3,976</u>

(in millions of Korean won)

Segment	2012			
	Sales	Operating income(loss)	Depreciation	Amortization
Shipbuilding /plant/electricity	653,344	2,340	150	102
Vehicle/construction equipment	1,262,437	26,655	290	197
Steel	1,825,532	7,682	419	285
Chemicals	904,660	(489)	208	141
Petroleum and mineral development ¹	13,466	2,624	3	4,975
Others	57,740	23,242	13	10
	<u>4,717,179</u>	<u>62,054</u>	<u>1,083</u>	<u>5,710</u>

¹This represents amounts excluding dividend income of ₩36,188 million (2012: ₩34,412 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. Other non-operating income (expenses) and financial income (expenses), which are not included in segments' income (loss), are not presented in the above tables.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

For the years ended December 31, 2013 and 2012, the Company's sales information by regions is as follows:

<i>(in millions of Korean won)</i>	2013	2012
America	999,927	1,167,371
Asia	2,211,525	2,195,429
Europe	496,072	726,701
Others	670,393	627,678
	<u>4,377,917</u>	<u>4,717,179</u>

7. 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 : ₩1055.30, the exchange rate in effect on December 31, 2013. 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.

8. Financial Instruments by Category

As of December 31, 2013 and 2012, financial assets by category, are as follows:

<i>(in millions of Korean won)</i>	2013				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Available -for-sale	Derivative financial instruments for hedging	
Financial assets					
Cash and cash equivalents	200,619	-	-	-	200,619
Short-term financial instruments	40,000	-	-	-	40,000
Trade accounts receivable, net	639,371	-	-	-	639,371
Other accounts receivable, net	9,076	-	-	-	9,076
Derivative financial assets	-	1,224	-	3	1,227
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	90,506	-	90,506
Long-term loans receivable	21,315	-	-	-	21,315
Investments in petroleum and mineral development projects	59,498	-	-	-	59,498
Other non-current assets	3,980	-	-	-	3,980
	<u>973,887</u>	<u>1,224</u>	<u>90,506</u>	<u>3</u>	<u>1,065,620</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

(in millions of Korean won)

	2012				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Available -for-sale	Derivative financial instruments for hedging	
Financial assets					
Cash and cash equivalents	219,935	-	-	-	219,935
Short-term financial instruments	40,000	-	-	-	40,000
Trade accounts receivable, net	824,709	-	-	-	824,709
Other accounts receivable, net	9,804	-	-	-	9,804
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
Investments in petroleum and mineral development projects	100,237	-	-	-	100,237
Other non-current assets	1,788	-	-	-	1,788
	<u>1,249,389</u>	<u>329</u>	<u>97,338</u>	<u>10</u>	<u>1,347,066</u>

As of December 31, 2013 and 2012, financial liabilities by category, are as follows:

(in millions of Korean won)

	2013				Total
	Carried at amortized cost	Financial liabilities at fair value through profit	Derivative financial instruments for hedging	Others	
Financial liabilities					
Trade accounts and notes payable	431,005	-	-	-	431,005
Other accounts payable	54,782	-	-	-	54,782
Other current liabilities	4,347	-	-	-	4,347
Derivative financial liabilities	-	285	3	-	288
Short-term borrowings	-	-	-	326,209	326,209
Long-term borrowings	78,805	-	-	-	78,805
Financial guarantee liability	-	-	-	8,794	8,794
	<u>568,939</u>	<u>285</u>	<u>3</u>	<u>335,003</u>	<u>904,230</u>

(in millions of Korean won)

	2012				Total
	Carried at amortized cost	Financial liabilities at fair value through profit	Derivative financial instruments for hedging	Others	
Financial liabilities					
Trade accounts and notes payable	528,693	-	-	-	528,693
Other accounts payable	61,677	-	-	-	61,677
Other current liabilities	4,540	-	-	-	4,540
Derivative financial liabilities	-	97	10	-	107
Short-term borrowings	-	-	-	395,542	395,542
Debentures	49,950	-	-	-	49,950
Long-term borrowings	133,691	-	-	-	133,691
Financial guarantee liability	-	-	-	510	510
	<u>778,551</u>	<u>97</u>	<u>10</u>	<u>396,052</u>	<u>1,174,710</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

Income and loss of financial instruments by category for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Interest income	Interest expense	Others	Other comprehensive income
Loans and receivables	6,866	-	(15,375)	-
Financial assets (liabilities) at fair value through profit or loss	-	-	1,137	-
Available-for-sale financial assets	-	-	14,272	(5,179)
Financial liabilities carried at amortized cost	-	(10,951)	7,347	-
Other financial liabilities	-	-	(12,393)	-
	<u>6,866</u>	<u>(10,951)</u>	<u>(5,012)</u>	<u>(5,179)</u>

(in millions of Korean won)

	2012			
	Interest income	Interest expense	Others	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)
Financial liabilities carried at amortized cost	-	(14,823)	20,359	-
Other financial liabilities	-	-	(4,385)	-
	<u>6,531</u>	<u>(14,823)</u>	<u>15,250</u>	<u>(5,442)</u>

9. Credit Quality of Financial Assets

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

(in millions of Korean won)

	2013	2012
Financial assets neither past due nor impaired	842,711	1,182,708
Past due but not impaired	-	-
Impaired	207,831	94,133
	<u>1,050,542</u>	<u>1,276,841</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The Company classifies credit quality of financial assets depending on counterparty and nature. As of December 31, 2013 and 2012, details of the classified financial assets are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Subsidiaries	122,442	225,406
Associates	23,002	37,816
Equity method investor ¹	1,062	92
Financial institutions	242,510	260,599
Trade accounts receivable ²	367,568	499,512
Investments in petroleum and mineral development projects	59,498	100,237
Loans for petroleum and mineral	21,101	52,400
Loans for employees	392	443
Others	5,136	6,203
	842,711	1,182,708

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

² Some of the trade accounts receivable are covered with export insurance with Korea Trade Insurance Corporation in order to avoid credit risk.

As of December 31, 2013, the Company has recognized provision and impairment losses for financial assets amounting to ₩75,428 million (2012: ₩27,335 million).

10. Transfers of Financial Assets

10.1 Transferred Financial Assets that are not Derecognized in Their Entirety

The D/A export receivables that have not matured have been discounted with banks(categorized as 'borrowing' transaction). Financial assets which are transferred but not derecognized as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Loans and receivables (Trade receivables)
Type	
Book value of asset	326,209
Book value of related liabilities ¹	325,447

¹ Net amount after deducting prepaid interest amount.

10.2 Transferred Financial Assets that are Derecognized in Their Entirety

For the D/A export receivables that have not matured, the Company has export insurance (Korea Trade Insurance Corporation) at the time when the receivables were discounted with the banks. The Company derecognized the export receivables from the financial statements on transfer date by transferring substantially all the risks and rewards. As of December 31, 2013, the carrying amount of receivables which have not matured amounts to ₩77,429 million.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

11. Restricted Financial Instruments

As of December 31, 2013 and 2012, restricted financial instruments are as follows:

<i>(in millions of Korean won)</i>	2013	2012	Remarks
Long-term financial instruments	28	28	Maintaining deposit for checking accounts

12. Cash and Cash Equivalents

As of December 31, 2013 and 2012, cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cash in bank and on hand	12,210	24,460
Short-term bank deposits	188,443	195,485
	<u>200,653</u>	<u>219,945</u>

13. Trade Accounts Receivable

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

<i>(in millions of Korean won)</i>	2013	2012
Receivables	708,590	846,267
Less: allowance for bad debts	(69,219)	(21,558)
Receivables, net	<u>639,371</u>	<u>824,709</u>

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, 2013 and 2012, the aging analysis of trade receivables is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Receivables not past due	<u>507,395</u>	<u>755,335</u>
Impaired		
up to 1 year	74,338	44,758
over 1 year	126,857	46,174
	<u>201,195</u>	<u>90,932</u>
	<u>708,590</u>	<u>846,267</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

For the years ended December 31, 2013 and 2012, movements on the Company provision for impairment of trade receivables are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	21,558	67,325
Provision for receivables impairment	6,534	(12,828)
Receivables written off during the year as uncollectible	(274)	(21)
Others	41,401	(32,918)
At December 31	<u>69,219</u>	<u>21,558</u>

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

14. Inventories

As of December 31, 2013 and 2012, inventories are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Goods	128,587	104,288
Materials-in-transit	7,451	5,622
	<u>136,038</u>	<u>109,910</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩4,181,689 million (2012: ₩4,575,106 million).

15. Other Current Assets

As of December 31, 2013 and 2012, other current assets are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Advance payments	52,694	53,184
Prepaid expenses	1,579	2,018
	<u>54,273</u>	<u>55,202</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

16. Other Accounts Receivable

As of December 31, 2013 and 2012, other accounts receivable are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Other accounts receivable	7,782	8,804
Less: allowance for bad debts	(5,987)	(5,555)
Accrued income	6,127	5,380
Guarantee deposits	1,154	1,175
	<u>9,076</u>	<u>9,804</u>

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, 2013 and 2012, the aging analysis of other accounts receivable is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Receivables not past due	<u>1,190</u>	<u>3,025</u>
Impaired		
up to 1 year	634	303
over 1 year	5,958	5,476
	<u>6,592</u>	<u>5,779</u>
	<u>7,782</u>	<u>8,804</u>

For the years ended December 31, 2013 and 2012, movements on the Company provision for impairment of other accounts receivable are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	5,555	20,643
Provision(Reversal) for receivables impairment	151	(2,423)
Others	281	(12,665)
At December 31	<u>5,987</u>	<u>5,555</u>

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

17. Available-for-sale financial assets

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

<i>(in millions of Korean won)</i>	2013	2012
At January 1	97,338	105,173
Disposals	-	(656)
Net losses transfer from equity ¹	-	(63)
Net losses transfer to equity ¹	(6,832)	(7,116)
At December 31	<u>90,506</u>	<u>97,338</u>

¹ The amount is before income tax effect.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

<i>(in millions of Korean won)</i>	2013			2012
	Acquisition cost	FMV or net asset value	Book value	Book value
Investee				
Non-marketable equity				
Korea Ras Laffan LNG Ltd. ¹	3,490	90,347	90,347	97,179
SEGINIAGA(M) SDN. BHD. ²	159	27	159	159
Others ²	24,786	1,601	-	-
	<u>28,435</u>	<u>91,975</u>	<u>90,506</u>	<u>97,338</u>

¹ The Company recognized a gain of ₩86,857 million (2012: ₩93,689 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 2014 Work Program and Budget paper by applying the future cash flow discount method (profit approach method) (Note 5).

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.

18. Subsidiaries and Associates

As of December 31, 2013 and 2012, subsidiaries and associates are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	2013	Percentage of ownership (%)	2012
Subsidiaries					
Hyundai Corp. USA	USA	100.00	7,200	100.00	7,200
Hyundai Australia Pty., Ltd.	Australia	100.00	5,253	100.00	5,253
Hyundai Japan Co., Ltd.	Japan	100.00	8,229	100.00	8,229
Hyundai Canada Inc.	Canada	100.00	3,723	100.00	3,723
Hyundai Corp. Europe GMBH	Germany	100.00	10,794	100.00	10,794
Hyundai Sangsa H.K., Ltd.	Hong Kong	100.00	-	100.00	-
Hyundai Corp. Singapore Pte. Ltd.	Singapore	100.00	11,108	100.00	11,108
Hyundai Corp. (Shanghai) Co., Ltd.	China	100.00	5,652	100.00	5,652
POS-Hyundai Steel MFG.(I) Pvt. Ltd.	India	94.00	9,543	70.50	9,543
Qingdao H.D Shipbuilding Co., Ltd. ⁴	China	-	-	96.36	-
			<u>61,502</u>		<u>61,502</u>
Associates					
PTHD Intl. DEVE. ¹	Indonesia	55.00	1,697	55.00	1,697
Korea LNG Limited	England	20.00	2,749	20.00	2,749
Hyundai Yemen LNG Company Limited ¹	Bermuda	51.00	-	51.00	-
PT. Hyundai Machinery Indonesia ²	Indonesia	48.61	-	48.61	406
Hyundai-ENR ³	Korea	10.00	5,000	10.00	5,000
Qingdao H.D Shipbuilding Co., Ltd. ⁴	China	30.46	15,906	-	-
			<u>25,352</u>		<u>9,852</u>
			<u>86,854</u>		<u>71,354</u>

¹ The Company cannot exercise control due to agreement with investors, the above companies were excluded from subsidiaries.

² In 2013, the Company recognized impairment loss amounting to ₩406 million.

³ Hyundai-ENR has been classified as an associate in relation to mutual interaction of management.

⁴ The Company was excluded from subsidiaries due to the sale of shares in 2013.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

For the years ended December 31, 2013 and 2012, changes in ownership interests in subsidiaries and associates are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	71,354	71,354
Acquisitions ¹	15,906	45,594
Others	(406)	(45,594)
At December 31	<u>86,854</u>	<u>71,354</u>

¹The Company has acquired additional shares through capital increase of Qingdao Hyundai Shipbuilding Co., Ltd (Note 39).

19. Investments in Exploration of Resources

As of December 31, 2013 and 2012, the Company organized a consortium that includes Korea National Oil Corporation to invest in resource exploration projects, and the details are as follows:

<i>(in millions of Korean won)</i>				
Project name	Accounts	2013	2012	Remarks
Vietnam (11-2 prospect)	Mining rights	22,215	24,672	Commenced in 2007
Yemen LNG ¹	Investments in petroleum development projects	54,711	79,673	Commenced in 2009
	Long-term loans	21,101	37,479	
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	90,347	97,179	Commenced in 1999
Peru Prospect ³	Investments in petroleum development projects	-	3,080	Completed liquidation
Ambatovy Nickel Mine ⁴	Investments in petroleum development projects	-	12,697	Disposed in 2013
	Long-term loans	-	14,921	

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) whose liquidation is in progress are valued at their recoverable amount.

³ Liquidation has completed in 2013.

⁴ The Company exercised the right to resell to Korea Resources Corporation (KORES) a portion of investment at an exercise price.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

As of December 31, 2013 and 2012, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2013	2012
Vietnam (11-2 prospect)	Sales	13,784	13,466
Qatar LNG (KORAS)	Dividend income	14,192	12,874
Oman LNG (KOLNG)	Dividend income	21,996	21,538
		<u>49,972</u>	<u>47,878</u>

The percentages of ownership in investments in the exploration of resources as of December 31, 2013, 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%

¹ Ownership of the consortium in these entities.

² The Company's share in the consortium.

20. Property and Equipment

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

(in millions of Korean won)

	2013			2012		
	Buildings	Others	Total	Buildings	Others	Total
At January 1	-	1,904	1,904	226	2,720	2,946
Acquisition/capital expenditures	-	190	190	-	309	309
Disposal	-	-	-	(211)	(57)	(268)
Depreciation	-	(971)	(971)	(15)	(1,068)	(1,083)
At December 31	-	1,123	1,123	-	1,904	1,904
Acquisition cost	1,839	4,972	6,811	1,839	4,833	6,672
Accumulated depreciation	-	(3,849)	(3,849)	-	(2,929)	(2,929)
Accumulated impairment	(1,839)	-	(1,839)	(1,839)	-	(1,839)

Depreciation expense is classified as in 'selling, marketing and administrative expenses' in the statements of income.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

21. Intangible Assets

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

(in millions of Korean won)

	2013		
	Mining rights	Other intangible assets	Total
At January 1	24,672	30,918	55,590
Acquisition/capital expenditures	733	2,607	3,340
Amortization ¹	(3,190)	(786)	(3,976)
Disposal	-	(368)	(368)
At December 31	22,215	32,371	54,586
Acquisition cost	40,439	34,369	74,808
Accumulated depreciation	(18,224)	(1,998)	(20,222)

(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)

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, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013	2012
Trademark ¹	20,700	20,700
Membership rights	9,628	7,462
Others	2,043	2,756
	32,371	30,918

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

22. Other Current Liabilities

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

(in millions of Korean won)

	2013	2012
Deposits	4,372	2,950
Guarantee deposits	76	76
Accrued expenses	858	1,514
	5,306	4,540

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

As of December 31, 2013 and 2012, debentures are as follows:

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

As of December 31, 2013 and 2012, short-term and long-term borrowings are as follows:

<i>(in millions of Korean won)</i>			Interest rate	2013	2012
Type	Creditor	Purpose	(%)		
Foreign currency short-term borrowings ¹	The Korea Development Bank and others	Trading finance	-	326,209	395,542
Foreign currency long-term borrowings	Korea National Oil Corporation and others	Investments in petroleum development projects	0.69~7.00	13,919	23,821
	Korea Exim Bank	Investments in petroleum development projects	Libor (6M)+2.20	-	16,067
	Korea Exchange Bank	Operational borrowings	Libor (1M)+3.00	9,319	9,459
	Woori Bank	Operational borrowings	Libor (3M)+2.85	21,848	22,175
	NH Bank	Operational borrowings	Libor (3M)+3.08	7,925	8,044
	Korea Exim Bank	Operational borrowings	Libor (6M)+3.80	10,052	32,133
	CREDIT-AGRICOLE and others	Financial investments in overseas ²	Libor (6M)+0.40	15,742	20,957
Korean Won long-term borrowings	Kores Corp.	Investments in petroleum development projects	-	-	1,035
				<u>78,805</u>	<u>133,691</u>
	Less : Current portion of long-term liabilities			<u>(46,192)</u>	<u>(47,269)</u>
				<u>32,613</u>	<u>86,422</u>

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.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The Company has the borrowings of ₩4,786 million, which will not be repaid if the overseas resource exploration project fails.

24. Post-employment benefits

Details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Present value of funded obligations	13,261	13,523
Fair value of plan assets ¹	<u>(12,997)</u>	<u>(10,755)</u>
Net defined benefit liabilities	<u>264</u>	<u>2,768</u>

¹ Includes deposits to the National Pension Fund of ₩40 million (2012: ₩40 million).

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

<i>(in millions of Korean won)</i>	2013	2012
At January 1	13,524	13,846
Current service cost	2,825	2,217
Interest expense	350	402
Remeasurements	(323)	693
Transfer from/to associates	-	759
Benefits paid	<u>(3,115)</u>	<u>(4,394)</u>
At December 31	<u>13,261</u>	<u>13,523</u>

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Pension benefits	1,216	1,314	4,303	7,271	14,104

The weighted average duration of the defined benefit obligations is 7.4 years.

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

<i>(in millions of Korean won)</i>	2013	2012
At January 1	10,755	9,650
Interest income	370	338
Remeasurements	(58)	(61)
Employer contribution	3,568	4,048
Benefits paid	<u>(1,638)</u>	<u>(3,220)</u>
At December 31	<u>12,997</u>	<u>10,755</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The principal actuarial assumptions as of December 31, 2013 and 2012, were as follows:

<i>(in %)</i>	2013	2012
Discount rate	3.86	4.56
Future salary growth rate	3.38	5.66

The sensitivity of the overall pension liability as of December 31, 2013, to changes in the weighted principal assumptions is:

<i>(in %)</i>	Changes in principal assumption	Changes in liabilities
Discount rate	0.50%	4.24% decrease/increase
Salary growth rate	0.50%	4.36% increase/decrease

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

<i>(in millions of Korean won)</i>	2013		2012	
	Amount	Composition(%)	Amount	Composition(%)
Contributions to the National Pension Fund	40	0.3	40	0.4
Financial Instruments	12,957	99.7	10,715	99.6
	<u>12,997</u>	<u>100.0</u>	<u>10,755</u>	<u>100.0</u>

25. Provisions

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

<i>(in millions of Korean won)</i>	2013			
	Warranty	Restoration¹	Others²	Total
At January 1	701	3,207	510	4,418
Addition	-	165	8,529	8,694
Reversal	-	(344)	(245)	(589)
Other changes	-	(44)	-	(44)
At December 31	<u>701</u>	<u>2,984</u>	<u>8,794</u>	<u>12,479</u>
Less: Current	(701)	-	(8,529)	(9,230)
Non-current	-	2,984	265	3,249

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

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

¹ The carrying amount of restoration as of December 31, 2013, is netted against the restoration reserve of ₩818 million (2012: ₩491 million).

² Includes provisions amounting to ₩8,529 million in accordance to an agreement assuming liability for the borrowings of Qingdao Hyundai Shipbuilding Co., Ltd., which is an associate of the Company.

26. Tax Expense and Deferred Tax

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

	2013		2012	
(in millions of Korean won)				
Current tax on profits for the year	6,380		7,738	
Origination and reversal of temporary differences	258		4,304	
	<u>6,638</u>		<u>12,042</u>	

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, 2013 and 2012, follows:

	2013		2012	
(in millions of Korean won)				
Income before tax	53,823		83,852	
Tax calculated at domestic tax rates	13,025		20,292	
Tax effects of:				
Income not subject to tax/Expenses not deductible for tax purposes	(13,004)		(2,257)	
Impact of tax credit	(8,715)		(7,926)	
Others	15,332		1,933	
Income tax expense	<u>6,638</u>		<u>12,042</u>	

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The income tax (charged) / credited directly to equity for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

	2013			2012		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Fair value gains from available-for-sale financial assets	(6,832)	1,653	(5,179)	(7,179)	1,737	(5,442)
Remeasurements	265	(64)	201	(754)	196	(558)

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

(in millions of Korean won)

	2013	2012
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	415	287
Deferred tax assets to be recovered after more than 12 months	10,424	11,689
	<u>10,839</u>	<u>11,976</u>
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	(154)	(1,223)
Deferred tax liabilities to be recovered after more than 12 months	(26,314)	(27,713)
	<u>(26,468)</u>	<u>(28,936)</u>
Deferred tax liabilities, net	<u>(15,629)</u>	<u>(16,960)</u>

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

(in millions of Korean won)

	2013			
	January 1	Income Statement	Other comprehensive income	December 31
Available-for-sale financial assets	(17,452)	(118)	1,653	(15,917)
Held-to-maturity financial assets	1,678	(445)	-	1,233
Investments in petroleum and mineral development projects	642	(642)	-	-
Investments in subsidiaries, joint ventures and associates	(1,467)	-	-	(1,467)
Intangible assets	(730)	(14)	-	(744)
Allowance for bad debts	581	-	-	581
Gain (loss) on foreign currency translation	(1,151)	1,182	-	31
Provisions	946	(54)	-	892
Defined benefit liabilities	120	(44)	(64)	12
Others	(127)	(123)	-	(250)
	<u>(16,960)</u>	<u>(258)</u>	<u>1,589</u>	<u>(15,629)</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	2012			
	January 1	Income Statement	Other comprehensive income	December 31
Available-for-sale financial assets	(15,804)	(3,385)	1,737	(17,452)
Held-to-maturity financial assets	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
Loss on foreign currency translation	(839)	(312)	-	(1,151)
Provisions	721	225	-	946
Defined benefit liabilities	307	(383)	196	120
Others	(70)	(57)	-	(127)
	<u>(14,589)</u>	<u>(4,304)</u>	<u>1,933</u>	<u>(16,960)</u>

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 ₩62,830 million related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

27. Accumulated Other Comprehensive Income and Other Components of Equity

As of December 31, 2013 and 2012, accumulated other comprehensive income and other components of equity are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Other components of equity		
Adjustment on other components of equity	(15,172)	(15,172)
Accumulated other comprehensive income		
Fair value gains from available-for-sale financial assets	65,837	71,016

Changes in accumulated other comprehensive income after tax for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	71,016	76,458
Reclassification to profit or loss	-	(47)
Other increase/decrease	(5,179)	(5,395)
At December 31	<u>65,837</u>	<u>71,016</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

28. Retained Earnings

As of December 31, 2013 and 2012, retained earnings consist of:

<i>(in millions of Korean won)</i>	2013	2012
Legal reserve ¹	2,791	1,675
Unappropriated retained earnings	247,332	212,226
	<u>250,123</u>	<u>213,901</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, 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 cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

The appropriation of retained earnings for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Unappropriated retained earnings carried over from prior year	199,945	140,974
Remeasurements	201	(558)
Income for the year	47,185	71,810
	<u>247,331</u>	<u>212,226</u>
Appropriation of retained earnings		
Legal reserves	(1,116)	(1,116)
Dividends ¹	(11,165)	(11,165)
	<u>(12,281)</u>	<u>(12,281)</u>
Unappropriated retained earnings carried over to succeeding year	<u>235,050</u>	<u>199,945</u>

¹ Details of cash dividend for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Dividend per share <i>(in Korean won)</i>	500	500
Dividend ratio (%)	10.0	10.0

The dividends paid in 2013 and 2012 were ₩11,165 million (₩500 per share), respectively. A dividend in respect of the year ended December 31, 2013, of ₩500 per share, amounting to total dividends of ₩11,165 million, is to be proposed at the annual general meeting on March 21, 2014. These financial statements do not reflect this dividend payable.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

29. Sales and Cost of sales

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

<i>(in millions of Korean won)</i>	2013	2012
Sales		
Sales	4,317,320	4,666,126
Commissions	46,813	37,587
Resource development	13,784	13,466
	<u>4,377,917</u>	<u>4,717,179</u>

Cost of sales for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	2013	2012
Cost of sales		
Cost of sales	4,248,608	4,575,106
Cost of commissions	16,098	9,289
Cost of resource development	9,261	10,843
	<u>4,273,967</u>	<u>4,595,238</u>

30. Selling, Marketing and Administrative Expenses

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

<i>(in millions of Korean won)</i>	2013	2012
Wages and salaries	30,554	30,221
Severance benefits	2,805	2,281
Employee benefits	3,241	3,114
Travel expense	3,381	3,939
Taxes and dues	1,167	1,511
Entertainment expenses	1,588	1,625
Overseas branches expenses	13,477	14,830
Rental expenses	1,542	1,504
Service fees	5,037	5,417
Computer system expense	1,954	2,092
Depreciation expense	971	1,083
Amortization	785	737
Others	10,285	(8,467)
	<u>76,787</u>	<u>59,887</u>

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

31. 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, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Changes in inventories	4,181,689	4,575,106
Wages and salaries	33,359	32,502
Employee benefits	3,241	3,114
Depreciation	971	1,083
Amortization	3,976	5,710
Others	127,518	37,610
	<u>4,350,754</u>	<u>4,655,125</u>

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

32. Other non-operating Income and Expenses

Other non-operating income for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Gain on foreign currency assets and liabilities	75,845	101,020
Dividends	37,284	35,279
Gain on derivatives	5,352	4,394
Others ¹	61,368	7,890
	<u>179,849</u>	<u>148,583</u>

¹ An amount of ₩58.6 billion from a successful lawsuit for a tax refund in relation to value added tax refund on gold bullion standard was recognized as other non-operating income (Note 36).

Other non-operating expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Loss on foreign currency assets and liabilities	75,358	108,192
Loss on derivatives	4,215	4,225
Financial expenses of disposal of trade receivables	4,108	4,341
Others ¹	63,231	7,800
	<u>146,912</u>	<u>124,558</u>

¹ The Company recognized ₩52.7 billion as expense in relation to the disposal of shares of QINGDAO HYUNDAI SHIPBUILDING CO., LTD., which is an associate of the Company (Note 39).

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

33. Finance Income and Expenses

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

<i>(in millions of Korean won)</i>	2013	2012
Gain on foreign currency assets and liabilities	19,734	32,139
Interest income	6,866	6,531
	<u>26,600</u>	<u>38,670</u>

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

<i>(in millions of Korean won)</i>	2013	2012
Loss on foreign currency assets and liabilities	21,521	26,074
Interest expense	10,951	14,823
	<u>32,472</u>	<u>40,897</u>

34. Earnings per Share

Earnings per share for the years ended December 31, 2013 and 2012, is computed as follows:

<i>(in Korean won)</i>	2013	2012
Income for the year attributable to ordinary shares	47,185,003,073	71,810,017,823
Weighted-average number of common stock outstanding	22,329,802 shares	22,329,802 shares
Basic earnings per share	2,113	3,216

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

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

35. Cash Generated from Operations

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

<i>(in millions of Korean won)</i>	2013	2012
Income for the year	47,185	71,810
Adjustment		
Interest income	(6,866)	(6,531)
Interest expense	10,951	14,823
Dividends	(37,284)	(35,279)
Tax expense	6,638	12,042
Depreciation	971	1,083
Amortization	3,976	5,710
Provision for severance benefits	2,805	2,281
Bad debts expense	6,534	(12,828)
Other bad debts expense	151	-
Reversal of allowance for bad debts	-	(2,423)
Gain on valuation of derivatives	(940)	(233)
Loss on foreign currency translation	40	3,488
Finance expenses of disposal of trade receivables	4,108	4,341
Impairment loss on investments in associates	406	-
Others	49,411	(2,907)
	<u>40,901</u>	<u>(16,433)</u>
Changes in operating assets and liabilities		
Trade accounts receivable	127,323	60,546
Inventories	(26,128)	20,325
Other accounts receivable	921	27,758
Other current assets	930	77,432
Other non-current assets	(2,015)	303
Trade accounts and notes payable	(91,474)	(19,752)
Other payables	(6,183)	(24,974)
Advances from customers	(701)	(81,487)
Other operating assets and liabilities	(3,633)	(5,193)
	<u>(960)</u>	<u>54,958</u>
Cash generated from operations	<u>87,126</u>	<u>110,335</u>

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Reclassification to current portion from long-term borrowings	46,192	47,269
Reclassification to current portion from debentures	-	49,950

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

36. Commitments and Contingencies

As of December 31, 2013, the Company is contingently liable for guarantees of its overseas subsidiaries and associates amounting to approximately US\$ 155,132 thousand for local financial transactions, including US\$ 38,332 thousand for Qingdao Hyundai Shipbuilding Co., Ltd. The Company is provided with performance guarantees, amounting to ₩320 million by Seoul Guarantee Insurance Corporation.

As of December 31, 2013, the Company provided notes and checks, including 12 blank notes and two 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, 2013, the Company has filed three lawsuits claiming US\$ 22,545 thousand in damages. As the outcome of these cases cannot be reasonably determined, the Company has not reflected any adjustments, except for ₩2,702 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 bullion standard 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 filed a lawsuit over a corporate tax including value added tax for a disagreement in the levied amount appeal proceedings and recognized tax refund, interests and others amounting to ₩58.6 billion resulting from the Supreme Court's final favorable judgement in 2013 as profit for the year.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2013, are as follows:

<i>(in thousands of US dollars)</i>	Maximum amount ¹	Used amount
D/A, D/P ²	1,256,212	388,376
L/C and others	398,000	394,624
Bonds and others	242,225	124,755
	<u>1,896,437</u>	<u>907,755</u>

¹ Maximum amount including comprehensive limit.

² Includes USD 73,371 thousand used for disposal of D/A, D/P trade receivables without recourse.

37. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Gain	Losses	Gain	Losses
Foreign currency forward	1,224	285	329	97
Commodity futures	2	1	6	4
	<u>1,226</u>	<u>286</u>	<u>335</u>	<u>101</u>

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 ₩1,224 million and ₩285 million, respectively).

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

Details of foreign currency forward contracts that are not past due as of December 31, 2013, are as follows:

Position	Contract amounts	
USD Selling	USD	28,974,264
USD Buying	USD	12,699,360
EUR Selling	EUR	4,575,889
JPY Selling	JPY	61,692,000

In addition, per the commodity futures contract, the Company applies fair value hedge accounting. These agreements are measured at fair value, and the related derivatives assets and liabilities amount to ₩2 million and ₩1 million, respectively, and firm contract assets and liabilities amounting to ₩1 million and ₩2 million, respectively.

38. Related Party Transactions

Details of the subsidiaries as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership in 2013 (%)	Percentage of ownership in 2012 (%)
Hyundai Corp. USA	USA	100.0	100.0
Hyundai Sangsa H.K., Ltd.	Hong Kong	100.0	100.0
Hyundai Corp. Europe GMBH	Germany	100.0	100.0
Hyundai Canada Inc.	Canada	100.0	100.0
Hyundai Japan Co., Ltd.	Japan	100.0	100.0
Hyundai Australia Pty., Ltd.	Australia	100.0	100.0
Hyundai Corp. Singapore PTE. Ltd.	Singapore	100.0	100.0
Hyundai Corp. (Shanghai) Co., Ltd.	China	100.0	100.0
POS-Hyundai Steel MFG. (I) PVT. Ltd.	India	94.00	70.50
Qingdao Hyundai Shipbuilding Co., Ltd. ¹	China	-	96.36

¹ Qingdao Hyundai Shipbuilding Co., Ltd. is reclassified to associates of the Company due to disposal of shares.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

Details of associates and other related parties that have sales and other transactions with the Company or have receivables and payables balances as of December 31, 2013 and 2012, are as follows:

	2013	2012
Equity method investor ¹	HYUNDAI HEAVY INDUSTRIES CO.,LTD	HYUNDAI HEAVY INDUSTRIES CO.,LTD
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA KOREA LNG LIMITED Hyundai Energy & Resources Cp., Ltd. HYUNDAI YEMEN LNG COMPANY LIMITED PT HYUNDAI INTI DEVELOPMENT QINGDAO H.D SHIPBUILDING CO.,LTD.	PT. HYUNDAI MACHINERY INDONESIA KOREA LNG LIMITED Hyundai Energy & Resources Cp., Ltd. HYUNDAI YEMEN LNG COMPANY LIMITED PT HYUNDAI INTI DEVELOPMENT -
Other related parties (Subsidiaries of HYUNDAI HEAVY INDUSTRIES CO.,LTD)	HYUNDAI MIPO DOCKYARD CO.,LTD HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD. Hyundai Oilbank Co., Ltd. HI INVESTMENT & SECURITIES CO.,LTD. -	HYUNDAI MIPO DOCKYARD CO.,LTD HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD. Hyundai Oilbank Co., Ltd. HI INVESTMENT & SECURITIES CO.,LTD. Hyundai Construction Equipment America Inc.

¹ Equity method investor exercising significant influence over the Company.

Significant transactions with related parties for years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

		2013		2012	
		Sales and others ¹	Purchase and others ²	Sales and others ¹	Purchase and others ²
Equity method investor	HYUNDAI HEAVY INDUSTRIES CO.,LTD	4,165	795,212	2,878	985,240
Subsidiaries	HYUNDAI CORP. USA	261,023	141	316,758	284
	HYUNDAI JAPAN CO., LTD.	140,350	146	161,360	819
	HYUNDAI CORP. EUROPE GMBH	13,506	2,260	10,890	1,136
	HYUNDAI CANADA INC.	60,235	49	57,539	-
	HYUNDAI AUSTRALIA PT., LTD.	10,515	41	7,948	23
	POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	8,515	1	13,273	-
	HYUNDAI CORPORATION SINGAPORE PTE. LTD.	16,064	281	29,174	100
	HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	1,508	6,309	21	6,388
	QINGDAO H.D SHIPBUILDING CO.,LTD.	-	-	530	-
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	31,160	-	28,269	-
	KOREA LNG LIMITED	21,996	-	21,538	-
	QINGDAO H.D SHIPBUILDING CO.,LTD.	-	8,193	-	-
	HYUNDAI YEMEN LNG COMPANY LIMITED	571	-	590	-
Other related parties	Others	-	1,529	676	1,459
	Hyundai Oilbank Co., Ltd.	-	391,680	-	319,924
	Others	1,450	2	24,577	2
		<u>571,058</u>	<u>1,205,844</u>	<u>676,021</u>	<u>1,315,375</u>

¹ Includes merchandise sales, commission income, gain on investments in exploration of resources, and other revenues.

² Includes purchase of goods and services.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

Significant receivables and payables with related parties as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

		2013		2012	
		Receivables and others ¹	Payables and others ²	Receivables and others ¹	Payables and others ²
Equity method investor	HYUNDAI HEAVY INDUSTRIES CO.,LTD	39,158	181,589	42,338	293,408
Subsidiaries	HYUNDAI CORP. USA	70,706	9,835	113,410	15,527
	HYUNDAI JAPAN CO., LTD.	23,324	1,392	28,342	3,462
	HYUNDAI CORP. EUROPE GMBH	6,598	6,087	10,865	5,295
	HYUNDAI CANADA INC.	19,282	1,895	29,801	-
	HYUNDAI AUSTRALIA PTY., LTD.	-	582	326	447
	POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	1,383	-	3,293	-
	HYUNDAI CORPORATION SINGAPORE PTE. LTD.	1,146	-	2,980	28
	HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	4	40	-	16
	QINGDAO H.D SHIPBUILDING CO.,LTD.	-	-	51,306	2,077
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	21,771	-	30,526	-
	KOREA LNG LIMITED	-	-	2,206	-
	QINGDAO H.D SHIPBUILDING CO.,LTD.	52,718	10,615	-	-
	HYUNDAI YEMEN LNG COMPANY LIMITED	5,491	75	5,084	76
Other related parties	Others	-	929	-	883
	Hyundai Oilbank Co., Ltd.	-	10,778	-	10,291
	Others	2,297	1	1,835	-
		<u>243,878</u>	<u>223,818</u>	<u>322,312</u>	<u>331,510</u>

¹ The amounts include trade accounts receivable, other accounts receivable, other current assets, investments in petroleum and mineral development projects, long-term loans receivables (related to investments in exploration of resources) and other non-current assets.

² The amounts include trade accounts and notes payable, other payables, advances from customers and other current liabilities, others.

Fund transactions with HYUNDAI YEMEN LNG COMPANY LIMITED as related parties for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	Beginning balance	Recovery	Foreign currency translation	Ending balance
Investments in exploration of resource	79,673	(25,671)	709	54,711
Long-term loans	37,479	(17,079)	701	21,101
	<u>117,152</u>	<u>(42,750)</u>	<u>1,410</u>	<u>75,812</u>

As of December 31, 2013, bad debt provision was made with respect to the receivables from related parties amounting to ₩50,821 million.

As of December 31, 2013, the Company provided payment guarantee amounting to USD 155,132 thousand for overseas subsidiaries.

(in millions of Korean won)

	Guaranteed by	Guaranteed amount
Subsidiaries		
HYUNDAI CORP. USA	Korea Exchange Bank	10,000
HYUNDAI JAPAN CO., LTD.	Korea Exchange Bank	1,800
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	Woori Bank and others	66,000
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	Shinhan Bank and others	39,000
Investments in associates		
QINGDAO H.D SHIPBUILDING CO.,LTD.	Woori Bank and others	38,332

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

The compensation paid or payable to key management for the years ended December 31, 2013 and 2012, consists of:

<i>(in millions of Korean won)</i>	2013	2012
Wages and salaries	2,209	2,342
Servance benefits	439	529
	<u>2,648</u>	<u>2,871</u>

In 2013, the Company disposed of Qingdao Hyundai Shipbuilding Co., Ltd., which was a subsidiary, and participated capital increase amounting to USD 15,000 thousand. The Company recognized other expenses amounting to ₩44.2 billion in relation to this disposal, and provisions amounting to ₩8.5 billion in relation to payment guarantees (Note 39).

39. Disposal of subsidiary and additional investments

In 2013, the Company disposed of its interest in Qingdao Hyundai Shipbuilding Co., Ltd. The details of the contract are as follows:

Equity ratio of disposal	66.25%
Disposal cost	USD 1
Disposal date	December 26, 2013
Counterparties	Shandong Sanfod Group Co.,Ltd. and Guaqing Holding Group Co.,Ltd.
The Company's portion of Qingdao Hyundai Shipbuilding Co.,Ltd.'s capital increase	USD 25,000,000
Expected ratio after the disposal	30.59%

After the disposal of its interest, the Company and two counterparties were scheduled to increase capital of Qingdao Hyundai Shipbuilding Co., Ltd., totaling USD 80,000 thousand, as follows:

<i>(In thousands of US dollars)</i>	1st	2nd	Total
The Company	15,000	10,000	25,000
Two counterparties	33,000	22,000	55,000
	<u>48,000</u>	<u>32,000</u>	<u>80,000</u>

In 2013, the Company carried out the first increase of capital under the contracts.

Others

(a) Payments guarantee and others

Under this contract, the proceeds from the increase in capital amounting to USD 80,000 thousand are expected to be used to redeem the borrowings of Qingdao Hyundai Shipbuilding Co., Ltd. and the Company's guarantee of borrowings for Qingdao Hyundai Shipbuilding Co., Ltd. will be revoked. In addition, the Company recognized allowances amounting to ₩50.6 billion and provisions amounting to ₩8.5 billion in relation to the disposal of investments.

HYUNDAI CORPORATION
Notes to Separate Financial Statements
December 31, 2013 and 2012

(b) Share purchase rights

The Company granted options for two counterparties to purchase the Company's remaining interests in Qingdao Hyundai Shipbuilding Co., Ltd. at their fair value (the minimum exercise price is USD 8,000 thousand) within the period of one to five years after completion of the increase of capital for Qingdao Hyundai Shipbuilding Co., Ltd. The relevant options are regarded as exercised at the end of five-year period.

40. Event After the Reporting Period

After the reporting period, the Company participated the second capital increase of Qingdao Hyundai Shipbuilding Co., Ltd. amounting to US\$ 10,000 thousand.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
HYUNDAI CORPORATION

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of HYUNDAI CORPORATION (the "Company") as of December 31, 2013. 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, 2013, the Company's IACS has been designed and is operating effectively as of December 31, 2013, 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, 2013, and we did not review management's assessment of its IACS subsequent to December 31, 2013. 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 13, 2014