HYUNDAI CORPORATION
and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013

HYUNDAI CORPORATION and Subsidiaries
Index
December 31, 2014 and 2013

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

We have audited the accompanying consolidated financial statements of HYUNDAI CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Other Matters

The consolidated financial statements of the Group as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

The accompanying consolidated financial statements as of and for the years ended December 31, 2014 and 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 39 to the consolidated 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.

Seoul, Korea
March 12, 2015

This report is effective as of March 12, 2015, 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 consolidated 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 and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014 and 2013

(in thousands of Korean won and thousands of US dollars)	Notes		2014		2013		2014 (in US dollars) (Note 39)
Assets							
Current assets							
Cash and cash equivalents	4,7,8,11	₩	305,561,694	₩	254,856,503	$	277,986
Short-term financial instruments	4,7,8		13,100,000		40,000,000		11,918
Trade accounts receivable	4,7,8,9,12,37		773,620,594		629,438,126		703,803
Inventories	13		267,359,107		210,435,239		243,231
Derivative financial assets	4,5,7,8,36		1,379,627		1,227,110		1,255
Current tax asset			89,531		82,594		81
Other accounts receivable	4,7,8,14,37		20,886,097		22,751,884		19,001
Other current assets	15,37		51,087,862		66,770,097		46,477
			1,433,084,512		1,225,561,553		1,303,752
Non-current assets							
Long-term financial instruments	4,7,8,10		27,581		27,581		25
Available-for-sale financial assets	4,5,7,16,18		64,658,498		90,775,040		58,823
Held-to-maturity investments			-		2		-
Investments in associates	17,18,37		341,297,785		246,814,250		310,497
Long-term loans receivable	4,7,8,18,37		16,792,817		21,492,874		15,277
Investments in petroleum and mineral development projects	4,7,8,18,37		4,786,493		59,498,109		4,355
Property and equipment	19		5,084,267		3,761,859		4,625
Intangible assets	18,20		55,919,142		60,828,359		50,873
Deferred income tax assets	25		698,679		868,908		636
Other non-current assets	4,7,8,15,37		4,310,712		8,502,053		3,922
			493,575,974		492,569,035		449,033
Total assets		₩	1,926,660,486	₩	1,718,130,588	$	1,752,785
Liabilities							
Current liabilities							
Trade accounts and notes payable	4,7,37	₩	577,009,535	₩	498,710,927	$	524,936
Other payables	4,7,37		40,061,949		46,274,533		36,446
Advances from customers	37		70,234,912		73,597,641		63,896
Short-term borrowings	4,7,9,22		437,269,688		328,847,449		397,807
Current portion of long-term borrowings	4,7,22		7,430,238		46,191,870		6,760
Current portion of provisions	24		717,059		9,245,358		652
Current tax liabilites			5,291,202		7,099,723		4,814
Derivative financial liabilities	4,5,7,36		248,782		287,468		226
Other current liabilities	4,7,21,37		7,753,886		7,214,572		7,055
			1,146,017,251		1,017,469,541		1,042,592
Non-current liabilities							
Long-term borrowings	4,7,22		14,786,074		32,613,121		13,452
Net defined benefit liability	23		1,329,365		447,164		1,209
Provisions	24		4,874,524		2,984,357		4,435
Deferred income tax liabilities	25		92,631,446		70,217,976		84,272
Other non-current liabilities	4,7,21		-		15,024		-
			113,621,409		106,277,642		103,368
Total liabilities			1,259,638,660		1,123,747,183		1,145,960
Equity							
Equity attributable to owners of the Parent							
Paid-in capital							
Capital stock	1		111,649,010		111,649,010		101,573
Other components of equity	26		(18,865,482)		(18,865,482)		(17,163)
Accumulated other comprehensive income	5,26		279,919,031		228,688,089		254,657
Retained earnings	27		293,600,720		272,298,698		267,104
Non-controlling interest			718,547		613,090		654
Total equity			667,021,826		594,383,405		606,825
Total liabilities and equity		₩	1,926,660,486	₩	1,718,130,588	$	1,752,785

The accompanying notes are an integral part of these consolidated financial statements.
The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 39.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2014 and 2013

(in thousands of Korean won and thousands of US dollars, except per share amounts)	**Notes**		**2014**		**2013**		**2014 (in US dollars) (Note 39)**
Net sales	6,28,37	₩	5,366,814,854	₩	5,082,501,673	$	4,882,473
Cost of sales	28,29,37		(5,241,248,876)		(4,959,485,464)		(4,768,240)
Gross profit			125,565,978		123,016,209		114,233
Selling and administrative expenses	29,30		(86,657,997)		(101,059,948)		(78,837)
Operating income	6		38,907,981		21,956,261		35,396
Other non-operating income	31		104,990,099		243,183,689		95,515
Other non-operating expenses	31		(101,761,948)		(155,018,668)		(92,577)
Gain on investments in associates	17		9,552,234		21,639,977		8,690
Finance income	32		24,590,537		27,744,215		22,371
Finance expenses	32		(25,322,908)		(37,658,039)		(23,037)
Income before income tax			50,955,995		121,847,435		46,358
Income tax expense	25		(17,097,535)		(13,601,320)		(15,555)
Income for the year		₩	33,858,460	₩	108,246,115	$	30,803
Profit attributable to:							
Owners of the parent			33,762,779		108,685,148		30,716
Non-controlling interests			95,681		(439,033)		87
Earnings per share during the year (in won and US dollars)							
Basic earnings per share	33	₩	1,512	₩	4,867	$	1

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HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

(in thousands of Korean won and thousands of US dollars)		2014		2013		2014 (in US dollars) (Note 39)
Income for the year	₩	33,858,460	₩	108,246,115	$	30,803
Other comprehensive income						
Items not to be subsequently reclassifiable to profit or loss :						
Changes in retained earnings under the equity method		(9,428)		(5,259)		(9)
Remeasurements of net defined benefit liabilities		(1,286,428)		201,428		(1,170)
Items to be subsequently reclassifiable to profit or loss :						
Loss on valuation of available-for-sale financial assets		(19,801,684)		(5,178,735)		(18,015)
Changes in equity of equity method investees		73,734,947		90,777,049		67,081
Changes in foreign operation currency translation differences		(2,692,545)		(1,094,843)		(2,450)
Other comprehensive loss for the year, net of tax		49,944,862		84,699,640		45,437
Total comprehensive income for the year	₩	83,803,322	₩	192,945,755	$	76,240
Comprehensive income attributable to:						
Owners of the parent		83,697,865		193,326,003		76,144
Non-controlling interests		105,457		(380,248)		96

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HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2014 and 2013

(in thousands of Korean won and thousands of US dollars)	Attributable to equity holders of the Company							
	Capital Stock	**Other components of equity**	**Accumulated other comprehensive income**	**Retained earnings**	**Total**	**Non-controlling Interest**	**Total Equity**	**U.S. Dollars (Note 39)**
Balance at January 1, 2013	₩ 111,649,010	₩ (19,093,609)	₩ 141,000,354	₩ 174,582,281	₩ 408,138,036	₩ 1,765,487	₩ 409,903,523	$ 372,911
Comprehensive income								
Income for the year	-	-	-	108,685,148	108,685,148	(439,033)	108,246,115	98,477
Loss on valuation of available-for-sale financial assets	-	-	(5,178,736)	-	(5,178,736)	-	(5,178,736)	(4,711)
Changes in equity of equity method investees	-	-	90,777,049	-	90,777,049	-	90,777,049	82,585
Changes in retained earnings under equity method	-	-	-	(5,259)	(5,259)	-	(5,259)	(5)
Remeasurements of net defined liabilities	-	-	-	201,428	201,428	-	201,428	183
Changes in foreign operation currency translation differences	-	-	(1,153,628)	-	(1,153,628)	58,786	(1,094,842)	(996)
Changes in scope of consolidation	-	-	3,243,050	-	3,243,050	2,869,789	6,112,839	5,561
Transaction with equity holders								
Dividends	-	-	-	(11,164,900)	(11,164,900)	-	(11,164,900)	(10,157)
Non-controlling interest	-	228,127	-	-	228,127	(3,641,939)	(3,413,812)	(3,106)
Balance at December 31, 2013	₩ 111,649,010	₩ (18,865,482)	₩ 228,688,089	₩ 272,298,698	₩ 593,770,315	₩ 613,090	₩ 594,383,405	$ 540,742
Balance at January 1, 2014	₩ 111,649,010	₩ (18,865,482)	₩ 228,688,089	₩ 272,298,698	₩ 593,770,315	₩ 613,090	₩ 594,383,405	$ 540,742
Comprehensive income								
Income for the year	-	-	-	33,762,779	33,762,779	95,681	33,858,460	30,803
Loss on valuation of available-for-sale financial assets	-	-	(19,801,684)	-	(19,801,684)	-	(19,801,684)	(18,015)
Changes in equity of equity method investees	-	-	73,734,947	-	73,734,947	-	73,734,947	67,081
Changes in retained earnings under equity method	-	-	-	(9,428)	(9,428)	-	(9,428)	(9)
Remeasurements of net defined liabilities	-	-	-	(1,286,428)	(1,286,428)	-	(1,286,428)	(1,170)
Changes in foreign operation currency translation differences	-	-	(2,702,321)	-	(2,702,321)	9,776	(2,692,545)	(2,450)
Transaction with equity holders								
Dividends	-	-	-	(11,164,901)	(11,164,901)	-	(11,164,901)	(10,157)
Balance at December 31, 2014	₩ 111,649,010	₩ (18,865,482)	₩ 279,919,031	₩ 293,600,720	₩ 666,303,279	₩ 718,547	₩ 667,021,826	$ 606,825

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HYUNDAI CORPORATION and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

(in thousands of Korean won and thousands of US dollars)	**Notes**		**2014**		**2013**		**2014 (in US dollars) (Note 39)**
Cash flows from operating activities							
Cash generated from operations	34	₩	(82,112,852)	₩	58,745,008	$	(74,702)
Interest received			6,943,208		6,869,342		6,317
Interest paid			(6,415,745)		(16,308,851)		(5,837)
Dividends			34,543,767		37,346,138		31,426
Income tax paid			(13,308,487)		(9,084,582)		(12,107)
Net cash generated from (used in) operating activities			(60,350,109)		77,567,055		(54,903)
Cash flows from investing activities							
Proceeds from disposal of short-term financial instruments, net			26,900,000		96,365		24,472
Collection of short-term loans receivable			10,690,100		-		9,725
Disposal of investments in subsidiaries			-		1		-
Collection of investments in petroleum and mineral development projects			54,711,616		38,838,274		49,774
Collection of long-term loans receivable			5,560,925		32,095,497		5,059
Disposal of property and equipment			29,786		490,583		27
Disposal of intangible assets			454,545		481,818		414
Acquisition of investments in associates			(10,719,000)		(15,906,000)		(9,752)
Short-term loans receivables provided			(1,099,200)		(2,737,600)		(1,000)
Long-term loans receivables provided			(202,534)		(1,060,814)		(184)
Acquisition of investments in petroleum and mineral development projects			-		(1,998,820)		-
Acquisition of property and equipment			(3,023,220)		(304,088)		(2,750)
Acquisition of intangible assets			(7,522,544)		(5,380,895)		(6,844)
Decrease in cash due to changes in scope of consolidation			-		(231,540)		-
Net cash provided by investing activities			75,780,474		44,382,781		68,941
Cash flows from financing activities							
Increase(decrease) in short-term borrowings, net			110,190,160		(64,693,352)		100,246
Payment of current portion of borrowing			(48,824,920)		(50,696,997)		(44,419)
Payment of long-term borrowings			(11,092,923)		-		(10,092)
Repayment of bond			-		(50,000,000)		-
Dividends paid			(11,164,901)		(11,164,900)		(10,157)
Acquisition of non-controlling interest			-		(3,413,812)		-
Net cash provided by (used in) financing activities			39,107,416		(179,969,061)		35,578
Net increase(decrease) in cash and cash equivalents			54,537,781		(58,019,225)		49,616
Exchange rate effect of cash and cash equivalents			(3,832,590)		(993,396)		(3,486)
Cash and cash equivalents at the beginning of year			254,856,503		313,869,124		231,856
Cash and cash equivalents at the end of year		₩	305,561,694	₩	254,856,503	$	277,986

The accompanying notes are an integral part of these consolidated financial statements.
The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 39.

1. Organization

The consolidated financial statements, which include those of the Parent Company, HYUNDAI CORPORATION (the “Company”), and its nine consolidated subsidiaries, including Hyundai Corp. USA (collectively referred to as the “Group”), and five associates, including PTHD INTI. DEVE., which are accounted for using the equity method.

1.1 Company

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, 2014, the Company has 30 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, 2014, it has 22,329,802 common shares issued and outstanding, and its capital stock amounts to ₩111,649 million after several capital increases, conversions of bonds and capital reduction.

As of December 31, 2014, 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
National Pension Service	1,722,941	7.72
HANA BANK	1,023,163	4.58
Kookmin Bank	513,044	2.30
Chung Mong-seok	446,596	2.00
Hyundai Development Co. - Engineering & Construction	446,596	2.00
Halla Holdings Corporation	446,596	2.00
Others	8,205,814	36.74
	22,329,802	100.00

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2014 and 2013, are as follows:

Name	Country	Percentage of ownership (%) 2014	2013	Closing month	Main business
HYUNDAI CORP. USA	U.S.A	100	100	December	Trading
HYUNDAI AUSTRALIA PTY., LTD.	Australia	100	100	December	Trading and Mining
HYUNDAI JAPAN CO., LTD.	Japan	100	100	December	Trading
HYUNDAI CANADA INC.	Canada	100	100	December	Trading
HYUNDAI CORP. EUROPE GMBH	German	100	100	December	Trading
HYUNDAI SANGSA H.K, LTD.	Hong Kong	100	100	December	Trading
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	China	100	100	December	Trading
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	India	94	94	March	Manufacture of steel
HYUNDAI ONE ASIA PTE. LTD.	Singapore	100	-	December	Trading

Although the Group owns over 50% of the voting rights in PTHD INTI. DEVE. and HYUNDAI YEMEN LNG COMPANY LIMITED, these are excluded from the consolidated subsidiaries as the Group is unable to excise its control by virtue of an agreement with other investors.

1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)	2014					
	Assets	Liabilities	Equity	Sales	Profit(loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	221,014	196,756	24,258	463,085	7,259	8,242
HYUNDAI AUSTRALIA PTY., LTD.	13,516	10,774	2,742	24,907	(4,603)	(4,682)
HYUNDAI JAPAN CO., LTD.	38,703	31,623	7,080	175,331	923	280
HYUNDAI CANADA INC.	36,472	29,973	6,499	72,360	993	728
HYUNDAI CORP. EUROPE GMBH	31,610	23,244	8,366	38,009	(499)	(1,269)
HYUNDAI SANGSA H.K., LTD.	288	-	288	-	(15)	(4)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	69,918	59,497	10,421	643,906	(592)	(177)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	12,121	7,879	4,242	16,476	(289)	(229)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	23,833	11,857	11,976	34,946	1,595	1,758
HYUNDAI ONE ASIA PTE. LTD.	311	-	311	-	(18)	1

(in millions of Korean won)	2013					
	Assets	Liabilities	Equity	Sales	Profit(loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	139,292	123,276	16,016	400,419	7,876	7,464
HYUNDAI AUSTRALIA PTY., LTD.	8,937	1,513	7,424	22,484	(257)	(1,624)
HYUNDAI JAPAN CO., LTD.	34,363	27,564	6,799	158,715	728	(835)
HYUNDAI CANADA INC.	36,468	30,697	5,771	73,824	(283)	(783)
HYUNDAI CORP. EUROPE GMBH	19,514	9,878	9,636	27,906	265	523
HYUNDAI SANGSA H.K., LTD.	303	11	292	-	(16)	(20)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	41,439	30,840	10,599	493,202	(120)	(276)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	4,685	214	4,471	11,110	(415)	(344)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	17,267	7,049	10,218	31,561	1,337	79

1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2014:

Subsidiary	Reason
HYUNDAI ONE ASIA PTE. LTD.	Newly established

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 Group 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 consolidated 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 Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

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

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the 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 application of this interpretation does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1102, *Share-based payment*

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the consolidated 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.

- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- 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.

Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2014, do not have a material impact on the financial statements of the Group.

(b) New standards and interpretations not yet adopted by the Group

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014, and not early adopted would not have a material impact on its consolidated financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the each entity operates (the functional currency). The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional and presentation currency.

(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.

(c) Translation into the presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of income are translated at average exchange rates; and
- equity is translated at the historical exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification and measurement

The Group 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 consolidated 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.

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 Group 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 Group 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. 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 Group transfers a financial asset and the transfer does not result in derecognition because the Group 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 Group 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 consolidated statement of financial position (Note 9).

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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 consolidated statement of income within 'other non-operating income (expenses)' according to the nature of transactions.

The Group 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.

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 are directly attributable to the acquisition of the items.

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	20, 30 years
Machinery	10~14 years
Vehicles	4~10 years
Machinery and equipment	4~21 years
Leasehold improvements	4 years
Leased assets	5 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at each financial year-end 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 Group 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) Usage rights

The land usage right that POS-HYUNDAI STEEL MFG. (I) PVT. LTD., a subsidiary, obtained from the government of its country is amortized over the expected usage period for 99 years.

(c) Others

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

2.12 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 Group 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' and 'long and short-term borrowings' in the consolidated statement of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated 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 guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group'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 consolidated 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.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

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 Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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

(a) Defined benefit liabilities

The Group 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 consolidated 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.

(b) Other long-term employee benefits

The Group provides long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements 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 Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

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

(b) Rendering of services

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

(c) Royalty income

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

(d) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans 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 Group 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 Group 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, 2014 financial statements of the Group was approved by the Board of Directors on February 6, 2015, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

3. Critical Accounting Estimates and Assumptions

The Group 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 Group 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 25).

(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 Group 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 23).

(d) Provisions

The Group 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 24).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

i) Foreign exchange risk

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

The Group operates hedging policies (reduction of exporsure through matching) for each Group within the Group, considering the nature of business and the existence of instruments to cope with the risks of exchange rate fluctuation. Additionally, the Group 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, 2014, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on net income before tax would be as follows:

(in millions of Korean won)	**2014**		**2013**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Income effect before tax	(9,191)	9,191	(10,109)	10,109

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

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated 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 Group (excluding subsidiaries and associates) amounts to ₩64,658 million (2013: ₩90,775 million) (Note 16).

iii) Cash flow and interest rate risk

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

The Group 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 Group calculates the impact on profit and loss of a defined interest rate shift.

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

(in millions of Korean won)	2014		2013	
	0.1% increase	0.1% decrease	0.1% increase	0.1% decrease
Interest expense	(49)	49	(80)	80
Interest income	294	(294)	316	(316)

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with excellent credit rating are accepted. Per the general customers, the Group 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, 2014 and 2013, is as follows:

(in millions of Korean won)	2014	2013
Cash and cash equivalents	305,538	254,814
Short-term financial instruments	13,100	40,000
Trade accounts receivable, net	773,621	629,438
Other accounts receivable, net	20,886	22,752
Derivative finanacial assets	1,380	1,227
Long-term financial instruments	28	28
Long-term loans receivables	16,793	21,493
Investments in petroleum and mineral development projects	4,786	59,498
Other non-current assets	3,893	7,849
Financial guarantee contracts	2,949	42,485
Performance guarantee contracts	31,323	10,622
	1,174,297	1,090,206

(c) Liquidity Risk

In order to maintain appropriate amount of liquidity, the Group manages liquidity risk by making cyclical expectations and adjustments of capital inflows and outflows. The Group management team monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

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

(in millions of Korean won)	2014				
	Less than 1 year	**1 ~ 2 years**	**2 ~ 3 years**	**Over 3 years**	**Total**
Trade accounts and notes payable	577,010	-	-	-	577,010
Other payables	40,062	-	-	-	40,062
Other current liabilities	2,860	-	-	-	2,860
Derivative financial liabilities	249	-	-	-	249
Short-term borrowings	437,283	-	-	-	437,283
Long-term borrowings	7,569	7,082	3,003	4,798	22,452
Financial guarantee contracts	2,949	-	-	-	2,949
Performance guarantee contracts	31,323	-	-	-	31,323
	1,099,305	7,082	3,003	4,798	1,114,188

(in millions of Korean won)	2013				
	Less than 1 year	**1 ~ 2 years**	**2 ~ 3 years**	**Over 3 years**	**Total**
Trade accounts and notes payable	498,711	-	-	-	498,711
Other payables	46,275	-	-	-	46,275
Other current liabilities	2,900	-	-	-	2,900
Derivative financial liabilities	287	-	-	-	287
Short-term borrowings	328,854	-	-	-	328,854
Long-term borrowings	47,481	15,469	9,478	8,469	80,897
Other non-current liabilities	-	15	-	-	15
Financial guarantee contracts	42,485	-	-	-	42,485
Performance guarantee contracts	10,622	-	-	-	10,622
	977,615	15,484	9,478	8,469	1,011,046

The table above analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings is based on the remaining period at the consolidated 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 Group's objectives when managing capital are to safeguard the Group'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 Group uses debt-to-equity ratio for capital management. This ratio is calculated as total debts divided by total equity as shown in the consolidated statement of financial position.

Debt-to-equity ratios as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Liabilities	1,259,639	1,123,747
Equity	667,022	594,383
Debt-to-equity ratio (%)	188.8	189.1

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, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Drayton Coal Shipping Pty Limited	258	269
SEGINIAGA(M) SDN. BHD.	159	159
EUROTEM DEMIRYOLU ARA-LARI SAN	19	-

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 Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2014:

(in millions of Korean won)	**2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Derivative financial assets	-	1,380	-	1,380
Available-for-sale financial assets	-	-	64,223	64,223
Derivative financial liabilities	-	249	-	249

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:

(in millions of Korean won)	**2014**	**2013**
Beginning balance	90,347	97,179
Amount recognized in other comprehensive income[1]	(26,124)	(6,832)
Ending balance	64,223	90,347
Unrealized gains[1]	60,733	86,857

[1] This represents gain or loss on valuation of available-for-sale financial assets as changes in unrealized gains or losses related to available-for-sale equity securities as of December 31, 2014 and 2013. .

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, 2014, are as follows:

(in millions of Korean won)	**Fair value**	**Valuation techniques**	**Inputs**	**Range of inputs**
KOREA Ras Laffan LNG Ltd.	₩ 64,223	Present value technique	Discount rate	10.30%
			Unit cost of major products($/mmbtu)	9.04 ~ 10.56
			Period of cash flow projections	FY 2029

The Group measured Korea Ras Laffan LNG Ltd., an available-for-sale financial asset related to the investments in exploration of resources, at fair value. As the 2015 Work Program and Budget, the business plan of Ras Laffan Liquefied Natural Gas Company Limited 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 Group'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:

(in millions of Korean won)	**Favorable change**	**Unfavorable change**
Change in value of available-for-sale financial assets	3,271	(3,007)

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

6. Segment Information

Management who making strategic decisions determines the group's business. Management makes decisions about allocation of resources, and reviews to assess performance of the operating segments on the basis of sales. The Group's business is segmented into shipbuilding /plant/electricity, vehicle/construction equipment, steel, chemicals, brand, new business, petroleum and mineral development, and others.

For the years ended December 31, 2014 and 2013, the Group's financial information by segments is as follows:

(in millions of Korean won)	2014			
Segment	**Sales**	**Operating income(loss)**	**Depreciation**	**Amortization**
Shipbuilding/ plant/ electricity	643,285	2,573	133	64
Vehicle/ construction equipment	1,214,657	13,330	355	212
Steel	2,147,983	18,677	773	629
Chemicals	1,936,712	(553)	390	233
Brand	18,793	9,789	5	3
New business	83,728	574	25	15
Petroleum and mineral development[1]	14,595	(2,309)	3	10,728
Others	292	(1,594)	1	-
Adjustment of intergroup transactions	(693,230)	(1,579)	-	-
	5,366,815	38,908	1,685	11,884

(in millions of Korean won)	2013			
Segment	**Sales**	**Operating income(loss)**	**Depreciation**	**Amortization**
Shipbuilding/ plant/ electricity	789,887	(19,514)	4,116	251
Vehicle/ construction equipment	1,157,501	14,029	256	206
Steel	1,812,553	14,167	794	273
Chemicals	1,759,688	(51)	300	229
Brand	19,103	10,227	7	3
New business	38,821	(534)	8	7
Petroleum and mineral development[1]	23,132	4,723	3	5,246
Others	1,107	(1,578)	10	-
Adjustment of intergroup transactions	(519,290)	487	-	-
	5,082,502	21,956	5,494	6,215

[1]This represents amounts excluding gains on equity-method valuation and other non-operating income (dividend income) of ₩34,631 million (2013: ₩36,099 million).

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.

For the years ended December 31, 2014 and 2013, the Group's sales information by regions is as follows:

(in millions of Korean won)	2014	2013
Asia	3,190,141	2,627,200
America	1,790,729	1,621,162
Europe	613,507	596,782
Others	465,668	756,648
Adjustment of intergroup transactions	(693,230)	(519,290)
	5,366,815	5,082,502

7. Financial Instruments by Category

As of December 31, 2014 and 2013, financial assets by category, are as follows:

(in millions of Korean won)	2014				
	Loans and receivables	Financial assets at fair value throught profit or loss	Available -for-sale	Derivative financial instruments for hedging	Total
Financial assets					
Cash and cash equivalents	305,562	-	-	-	305,562
Short-term financial instruments	13,100	-	-	-	13,100
Trade accounts receivable, net	773,621	-	-	-	773,621
Other accounts receivable, net	20,886	-	-	-	20,886
Derivative financial assets	-	1,375	-	5	1,380
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	64,658	-	64,658
Long-term loans receivable	16,793	-	-	-	16,793
Investments in petroleum and mineral development projects	4,786	-	-	-	4,786
Other non-current assets	3,893	-	-	-	3,893
	1,138,669	1,375	64,658	5	1,204,707

(in millions of Korean won)	2013				
	Loans and receivables	Financial assets at fair value throught profit or loss	Available -for-sale	Derivative financial instruments for hedging	Total
Financial assets					
Cash and cash equivalents	254,814	-	-	-	254,814
Short-term financial instruments	40,000	-	-	-	40,000
Trade accounts receivable, net	629,438	-	-	-	629,438
Other accounts receivable, net	22,752	-	-	-	22,752
Derivative financial assets	-	1,224	-	3	1,227
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	90,775	-	90,775
Long-term loans receivable	21,493	-	-	-	21,493
Investments in petroleum and mineral development projects	59,498	-	-	-	59,498
Other non-current assets	7,849	-	-	-	7,849
	1,035,872	1,224	90,775	3	1,127,874

As of December 31, 2014 and 2013, financial liabilities by category, are as follows:

(in millions of Korean won)	2014				
	Carried at amortized cost	Financial liabilities at fair value throught profit	Derivative financial instruments for hedging	Others	Total
Financial liabilities					
Trade accounts and notes payable	577,010	-	-	-	577,010
Other accounts payable	40,062	-	-	-	40,062
Other current liabilities	26,930	-	-	410,340	437,270
Derivative financial liabilities	2,860	-	-	-	2,860
Short-term borrowings	-	246	3	-	249
Long-term borrowings	22,216	-	-	-	22,216
	669,078	246	3	410,340	1,079,667

(in millions of Korean won)	2013				
	Carried at amortized cost	Financial liabilities at fair value throught profit	Derivative financial instruments for hedging	Others	Total
Financial liabilities					
Trade accounts and notes payable	498,711	-	-	-	498,711
Other accounts payable	46,275	-	-	-	46,275
Other current liabilities	2,638	-	-	326,209	328,847
Derivative financial liabilities	2,900	-	-	-	2,900
Short-term borrowings	-	284	3	-	287
Long-term borrowings	78,805	-	-	-	78,805
Other non-current liabilities	15	-	-	-	15
Financial guarantee liability	-	-	-	8,529	8,529
	629,344	284	3	334,738	964,369

Income and loss of financial instruments by category for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014			
	Interest income	Interest expense	Others	Other comprehensive income(loss)
Loans and receivables	7,146	-	27,779	-
Financial assets at fair value through profit or loss	-	-	1,746	-
Available-for-sale fianacial assets	-	-	11,458	(19,802)
Financial liabilities carried at amortized cost	-	(6,366)	-	-
Other financial liabilities	-	-	7	-
	7,146	(6,366)	40,990	(19,802)

(in millions of Korean won)	2013			
	Interest income	Interest expense	Others	Other comprehensive income(loss)
Loans and receivables	7,663	-	(15,405)	-
Financial assets at fair value through profit or loss	-	-	1,137	-
Available-for-sale fianacial assets	-	-	14,334	(5,179)
Financial liabilities carried at amortized cost	-	(15,995)	-	-
Other financial liabilities	-	-	(3,689)	-
	7,663	(15,995)	(3,623)	(5,179)

8. Credit Quality of Financial Assets

As of December 31, 2014 and 2013, financial assets exposed to credit risk are as follows:

(in millions of Korean won)	**2014**	**2013**
Fianacial assets neither past due nor impaired	971,223	898,592
Past due but not impaired	-	-
Impaired	206,569	216,779
	1,177,792	1,115,371

The Group classifies credit quality of financial assets depending on counterparty and nature. As of December 31, 2014 and 2013, details of the classified financial assets are as follows:

(in millions of Korean won)	**2014**	**2013**
Associates	20,387	33,614
Equity method investor[1]	8,026	3,455
Fianacial institution	320,175	296,769
Trade accounts receivable[2]	586,135	471,096
Investments in petroleum and mineral development projects	4,786	59,498
Loans for petroleum and mineral	16,484	21,101
Employees and others	309	392
Others	14,921	12,667
	971,223	898,592

[1] Hyundai Heavy Industries Co., Ltd., the major shareholder of the Group, 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, 2014, the Group has recognized provision and impairment losses for financial assets amounting to ₩37,768 million (2013: ₩78,272 million).

9. Transfers of Financial Assets

9.1 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 were transferred but not derecognized as of December 31, 2014, are as follows:

(in millions of Korean won)

Type	**Loans and receivables (trade receivables)**
Book value of asset	410,340
Book value of related liabilities[1]	409,505

[1] Net amount after deducting prepaid interest amount.

9.2 Transferred Financial Assets that are Derecognized in Their Entirety

For the D/A export receivables that have not matured, the Group has export insurance (Korea Trade Insurance Corporation) at the time when the receivables were discounted with the banks. The Group derecognized the export receivables from the financial statements on transfer date by transferring substantially all the risks and rewards. As of December 31, 2014, the carrying amount of receivables which have not matured amounts to ₩129,245 million.

10. Restricted Financial Instruments

As of December 31, 2014 and 2013, restricted financial instruments are as follows:

(in millions of Korean won)	2014	2013	Remarks
Long-term financial instruments	28	28	Maintaining deposit for checking accounts

11. Cash and Cash Equivalents

As of December 31, 2014 and 2013, cash and cash equivalents are as follows:

(in millions of Korean won)	2014	2013
Cash in bank and on hand	90,893	61,176
Short-term bank deposits	214,669	193,681
	305,562	254,857

12. Trade Accounts Receivable

As of December 31, 2014 and 2013, trade receivables are as follows:

(in millions of Korean won)	2014	2013
Receivables	808,015	701,115
Less: allowance for bad debts	(34,394)	(71,677)
Receivables, net	773,621	629,438

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, 2014 and 2013, the aging analysis of trade receivables is as follows:

(in millions of Korean won)	2014	2013
Receivables not past due	605,946	489,036
Impaired		
Up to 1 year	94,336	86,999
Over 1 year	107,733	125,080
	202,069	212,079
	808,015	701,115

For the years ended December 31, 2014 and 2013, movements in the Group provision for impairment of trade receivables are as follows:

(in millions of Korean won)	**2014**	**2013**
At January 1	71,677	18,140
Provision for receivables impairment	2,959	6,411
Receivables written off during the year as uncollectibe	(47,974)	-
Other changes	7,917	47,682
Effects of changes in foreign exchange rates	(185)	(556)
At December 31	34,394	71,677

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

13. Inventories

As of December 31, 2014 and 2013, inventories are as follows:

(in millions of Korean won)	**2014**	**2013**
Goods and others	260,031	209,226
Finished goods	999	1,078
Raw materials	6,230	107
Work in progress	99	24
	267,359	210,435

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩5,084,919 million (2013: ₩4,802,854 million).

14. Other Accounts Receivable

As of December 31, 2014 and 2013, other accounts receivable are as follows:

(in millions of Korean won)	**2014**	**2013**
Other accounts receivable	15,674	11,190
Less: allowance for bad debts	(3,329)	(6,551)
Accrued income	6,209	6,249
Guarantee deposits	1,233	1,311
Short-term loans	1,099	10,553
	20,886	22,752

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, 2014 and 2013, the aging analysis of other accounts receivable is as follows:

(in millions of Korean won)	**2014**	**2013**
Receivables not past due	11,218	6,535
Impaired		
Up to 1 year	44	636
Over 1 year	4,412	4,019
	4,456	4,655
	15,674	11,190

For the years ended December 31, 2014 and 2013, movements in the Group provision for impairment of other accounts receivable are as follows:

(in millions of Korean won)	**2014**	**2013**
At January 1	6,551	3,681
Provision for receivables impairment	8	151
Receivables written off during the year as uncollectibe	(3,217)	-
Other changes	-	2,834
Effects of changes in foreign exchange rates	(13)	(115)
At December 31	3,329	6,551

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

15. Other Assets

As of December 31, 2014 and 2013, other assets are as follows:

(in millions of Korean won)	**2014**	**2013**
Advance payments	47,673	63,065
Prepaid expenses	2,125	2,842
Other quick assets	1,290	863
	51,088	66,770
Deposits	3,893	4,985
Long-term accrued income	-	2,864
Long-term prepaid expenses	418	653
	4,311	8,502

16. Available-for-sale financial assets

The changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014	2013
At January 1	90,775	97,656
Acquisitions	19	-
Net losses transfer to equity[1]	(26,124)	(6,832)
Effects of changes in foreign exchange rates	(12)	(49)
At December 31	64,658	90,775

[1] The amount is before income tax effect.

As of December 31, 2014 and 2013, available-for-sale financial assets are as follows:

(in millions of Korean won)	2014			2013
Investee	**Acquisition Cost**	**FMV or net asset value**	**Book Value**	**Book Value**
Non-marketable equity				
Korea Ras Laffan LNG Ltd.[1]	3,490	64,223	64,223	90,347
Drayton Coal Shipping Pty Limited[2]	257	257	257	269
SEGINIAGA(M) SDN. BHD.[2]	159	141	159	159
Others[2]	24,805	1,577	19	-
	28,711	66,198	64,658	90,775

[1] The Group recognized a gain of ₩60,733 million (2013: ₩86,857 million) (before reflecting tax effects) as a result of measuring Korea Ras Laffan LNG Ltd. shares at fair value(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 consolidated statements of income.

17. Investments in Associates

As of December 31, 2014 and 2013, associates are as follows:

(in millions of Korean won)	Percentage of ownership (%) 2014	2013	Location	Date of financial statements	Description
Associates					
PTHD Intl. DEVE.[1]	55.0	55.0	Indonesia	December 31	Management of facaility
KOREA LNG LIMITED	20.0	20.0	Bermuda	December 31	OMAN LNG development
HYUNDAI YEMEN LNG COMPANY LIMITED[1]	51.0	51.0	Bermuda	December 31	Yemen LNG development
PT. HYUNDAI MACHINERY INDONESIA	48.6	48.6	Indonesia	December 31	Manufature and sale of heavy equipment
Hyundai Energy & Resources Co., Ltd.[2]	10.0	10.0	Korea	December 31	Management of petroleum development projects
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	30.6	30.5	China	December 31	Shipbuilding and repairs

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

[2] Hyundai Energy & Resources Co., Ltd. has been classified as an associate in relation to mutual interaction of management.

Details of valuation of investments in associates under the equity method for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014					
	Beginning balance	**Acquisition (Disposal)**	**Gain or loss on equity method investments**	**Other comprehensive income or loss**	**Others**	**Ending balance**
PTHD INTI. DEVE.	1,189	-	565	21	(483)	1,292
KOREA LNG LIMITED	76,261	-	18,629	2,431	(18,614)	78,707
HYUNDAI YEMEN LNG COMPANY LIMITED	148,528	-	4,684	94,741	(3,930)	244,023
PT. HYUNDAI MACHINERY INDONESIA	-	-	11	(11)	-	-
Hyundai-ENR	4,930	-	(28)	-	(10)	4,892
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	15,906	10,719	(14,309)	68	-	12,384
	246,814	10,719	9,552	97,250	(23,037)	341,298

(in millions of Korean won)	2013					
	Beginning balance	**Acquisition (Disposal)**	**Gain or loss on equity method investments**	**Other comprehensive income or loss**	**Others**	**Ending balance**
PTHD INTI. DEVE.	1,945	-	537	(276)	(1,017)	1,189
KOREA LNG LIMITED	106,406	-	21,907	(30,055)	(21,997)	76,261
HYUNDAI YEMEN LNG COMPANY LIMITED	-	-	(583)	149,929	(818)	148,528
PT. HYUNDAI MACHINERY INDONESIA	-	-	(201)	201	-	-
Hyundai-ENR	4,955	-	(20)	-	(5)	4,930
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	-	15,906	-	-	-	15,906
	113,306	15,906	21,640	119,799	(23,837)	246,814

Summary of condensed financial information of associates and dividends received from associates as of and for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014					
	Assets	**Liabilities**	**Sales and others**	**Profit or loss for the year**	**Total comprehensive income(loss)**	**Dividends**
PTHD INTI. DEVE.	2,779	430	2,991	1,028	1,066	484
KOREA LNG LIMITED	393,581	45	94,983	93,148	105,302	18,614
HYUNDAI YEMEN LNG COMPANY LIMITED	523,092	44,616	8,223	7,001	192,768	3,930
PT. HYUNDAI MACHINERY INDONESIA	12,885	13,891	23,129	744	722	-
Hyundai-ENR	49,394	472	2,983	(280)	(374)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	16,231	9,011	145	(46,775)	(46,552)	-

(in millions of Korean won)	2013					
	Assets	**Liabilities**	**Sales and others**	**Profit or loss for the year**	**Total comprehensive income(loss)**	**Dividends**
PTHD INTI. DEVE.	2,495	333	2,884	981	472	1,016
KOREA LNG LIMITED	381,403	98	111,627	109,534	107,088	21,996
HYUNDAI YEMEN LNG COMPANY LIMITED	450,608	159,376	-	(1,143)	(12,146)	-
PT. HYUNDAI MACHINERY INDONESIA	18,597	20,315	43,688	(2,588)	33	-
Hyundai-ENR	49,667	360	2,797	(201)	(242)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	70,232	98,045	4,654	(17,118)	(17,521)	-

Details of adjustments from financial information of associates to their book value for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014				
	Interests in net assets	**Goodwill**	**Intergroup transactions**	**Others**	**Book value**
PTHD INTI. DEVE.	1,291	-	-	-	1,291
KOREA LNG LIMITED	78,707	-	-	-	78,707
HYUNDAI YEMEN LNG COMPANY LIMITED	244,023	-	-	-	244,023
PT. HYUNDAI MACHINERY INDONESIA	(489)	-	(77)	566	-
Hyundai-ENR	4,893	-	-	-	4,893
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	2,209	10,175	-	-	12,384

(in millions of Korean won)	2013				
	Interests in net assets	**Goodwill**	**Intergroup transactions**	**Others**	**Book value**
PTHD INTI. DEVE.	1,189	-	-	-	1,189
KOREA LNG LIMITED	76,261	-	-	-	76,261
HYUNDAI YEMEN LNG COMPANY LIMITED	148,528	-	-	-	148,528
PT. HYUNDAI MACHINERY INDONESIA	(835)	-	(82)	917	-
Hyundai-ENR	4,930	-	-	-	4,930
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	6,022	9,884	-	-	15,906

Accumulated unrecognized changes in equity due to discontinued use of equity method for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014		2013	
	Unrecognized loss	**Unrecognized accumulated losses**	**Unrecognized loss**	**Unrecognized accumulated losses**
Cash and cash equivalents	(351)	566	854	917

The Group has acquired additional shares through capital increase of QINGDAO HYUNDAI SHIPBUILDING CO., LTD., an associate (Note 38).

18. Investments in Exploration of Resources

As of December 31, 2014 and 2013, the Group organized a consortium that includes Korea National Oil Corporation to invest in resource exploration projects, and the details are as follows:

(in millions of Korean won)

Progect name	Accounts	2014	2013	Remarks
Vietnam (11-2prospect)	Mining rights	20,406	22,215	Commernced in 2007
Yemen LNG[1]	Investments in petroleum development projects	-	54,711	Commernced in 2009
	Equity method investments	244,023	148,528	
	Long-term loans	16,484	21,101	
West Kamchatka Prospect[2]	Investments in petroleum development projects	4,786	4,787	Under liquidation
Oman LNG (KOLNG)	Equity method investments	78,707	76,261	Commernced in 2000
Qatar LNG(KORAS)	Available-for-sale financial assets	64,223	90,347	Commernced in 1999
Drayton Coal Mine and others	Available-for-sale financial assets	258	269	Commernced in 1983
	Mining rights	2,749	5,348	

[1] The Group 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.

As of December 31, 2014 and 2013, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2014	2013
Vietnam (11-2prospect)	Sales	7,701	13,784
Yemen LNG	Gain on equity-method valuation	4,684	-
Oman LNG (KOLNG)	Gain on equity-method valuation	18,629	21,907
Qatar LNG(KORAS)	Dividend income	11,317	14,192
Drayton Coal Mine	Sales	6,824	9,348
		49,155	59,231

The percentages of ownership in investments in the exploration of resources as of December 31, 2014, are as follows:

	Consortium ownership in investments[1]	Percentage of ownership of the Company in consortium[2]
Vietnam (11-2prospect)	75.0 %	6.5 %
Yemen LNG	5.9 %	51.0 %
Oman LNG (KOLNG)	5.0 %	20.0 %
Qatar LNG(KORAS)	5.0 %	8.0 %
Drayton Coal Mine	100.0 %	2.5 %

[1] Ownership of the consortium in these entities.

[2] The Group's share in the consortium.

19. Property and Equipment

Changes in property and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014				
	Buildings and structures	**Machinery**	**Machinery and equipment**	**Others**	**Total**
At January 1	2,055	262	786	659	3,762
Acquisition	-	-	1,363	1,660	3,023
Disposal	-	-	(9)	(38)	(47)
Depreciation	(123)	(78)	(799)	(685)	(1,685)
Changes in foreign exchange rates	31	4	-	(4)	31
At December 31	1,963	188	1,341	1,592	5,084
Acquisition cost	5,587	3,408	4,472	3,676	17,143
Accumulated depreciation	(1,785)	(3,220)	(3,131)	(2,084)	(10,220)
Accumulated impairment losses	(1,839)	-	-	-	(1,839)

(in millions of Korean won)	2013				
	Buildings and structures	**Machinery**	**Machinery and equipment**	**Others**	**Total**
At January 1	27,601	11,334	3,548	1,157	43,640
Acquisition	-	52	81	171	304
Disposal	-	(877)	(76)	(30)	(983)
Depreciation	(1,808)	(2,168)	(938)	(580)	(5,494)
Changes in foreign exchange rates	62	155	25	(14)	228
Changes in consolidation scope	(23,800)	(8,234)	(1,854)	(45)	(33,933)
At December 31	2,055	262	786	659	3,762
Acquisition cost	5,530	3,357	3,511	3,035	15,433
Accumulated depreciation	(1,636)	(3,095)	(2,725)	(2,376)	(9,832)
Accumulated impairment losses	(1,839)	-	-	-	(1,839)

Depreciation expense of ₩188 million (2013: ₩903 million) was charged to ‘cost of sales’ and ₩1,497 million (2013: ₩4,591 million) to ‘selling, marketing and administrative expenses’.

20. Intangible Assets

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014			
	Usage rights	**Mining rights**	**Others**	**Total**
At January 1	171	27,563	33,094	60,828
Acquisition and others	-	6,747	776	7,523
Amortization[1]	(2)	(11,055)	(827)	(11,884)
Other changes	-	-	(469)	(469)
Changes in foreign exchange rates	3	(100)	18	(79)
Changes in consolidation scope	-	-	-	-
At December 31	172	23,155	32,592	55,919

(in millions of Korean won)	2013			
	Usage rights	**Mining rights**	**Others**	**Total**
At January 1	4,587	31,009	32,449	68,045
Acquisition and others	-	2,774	2,607	5,381
Amortization[1]	(109)	(5,243)	(863)	(6,215)
Other changes	-	-	(368)	(368)
Changes in foreign exchange rates	34	(977)	(24)	(967)
Changes in consolidation scope	(4,341)	-	(707)	(5,048)
At December 31	171	27,563	33,094	60,828

[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, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Trademark[1]	20,700	20,700
Membership rights	9,865	10,313
Others	2,027	2,081
	32,592	33,094

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

21. Other Liabilities

As of December 31, 2014 and 2013, other current liabilities are as follows:

(in millions of Korean won)	**2014**	**2013**
Deposits	6,070	5,734
Guarantee deposits	93	76
Accrued expenses	1,549	1,263
Other current liabilities	42	142
	7,754	7,215
Long-term non-trade payables	-	15

22. Long- term and Short-term Borrowings

As of December 31, 2014 and 2013, long-term and short-term borrowings are as follows:

(in millions of Korean won)

Type	Creditor	Purpose	Interest rate (%)	2014	2013
Foreign currency short-term borrowings[1]	The Korea Development Bank and others	Trading finance	-	410,340	328,847
	HANA BANK	Operational borrowings	LIBOR(1M)+1.2%	11,542	-
	HSBC BANK	Operational borrowings	LIBOR(1M)+0.9%	15,388	-
				437,270	328,847
Foreign currency long-term borrowings	Korea National Oil Corporation and others	Investments in petroleum development projects	0.69~7.00	10,929	13,919
	Korea Exchange Bank	Operational borrowings	-	-	9,319
	Woori Bank	Operational borrowings	-	-	21,848
	NH Bank	Operational borrowings	-	-	7,925
	Korea Exim Bank	Operational borrowings	-	-	10,052
	CREDIT-AGRICOLE and others	Financial investments in overseas[2]	LIBOR(6M)+0.4%	11,287	15,742
				22,216	78,805
		Less: Current portion of long-term liabilities		(7,430)	(46,192)
				14,786	32,613

[1] Trade accounts receivable are provided as collateral (Note 9).

[2] The Group is guaranteed by the foreign investment insurance contract with Korea Trade Insurance Corporation in relation to borrowings of foreign investment finance.

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

23. Defined Benefit Liability

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Present value of funded obligations	15,782	13,444
Fair value of plan assets[1]	(14,453)	(12,997)
Defined benefit liabilities	1,329	447
Present value of other long-term employee benefits obligations	335	-
	1,664	447

[1] Includes deposits to the National Pension Fund of ₩35 million (2013: ₩40 million).

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
At January 1	13,444	13,828
Current service cost	2,240	2,898
Interest expense	343	350
Remeasurements	1,548	(323)
Actuarial gains and losses arising from changes in demographic assumptions	96	2
Actuarial gains and losses arising from changes in financial assumptions	728	(1,054)
Actuarial gains and losses arising from experience adjustments	724	729
Benefits paid	(1,888)	(3,260)
Changes in foreign exchange rates	95	(49)
At December 31	15,782	13,444

Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

(in millions of Korean won)	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Pension benefits	2,884	8,822	7,660	22,133	41,499

The weighted average duration of the defined benefit obligations is 7.9 years.

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014	2013
At January 1	12,997	10,755
Interest income	439	370
Remeasurements	(149)	(58)
Employer contribution	3,000	3,568
Benefits paid	(1,834)	(1,638)
At December 31	14,453	12,997

The principal actuarial assumptions as of December 31, 2014 and 2013, were as follows:

	2014	2013
Discount rate	2.76	3.86
Future salary growth rate	3.66	3.38

The sensitivity of the overall pension liability as of December 31, 2014, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Changes in liabilities
Discount rate	1% increase/decrease	5.10%decrease/5.85% increase
Salary growth rate	1% increase/decrease	5.74% increase/5.11% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets as of December 31, 2014 and 2013, consist of:

(in millions of Korean won)	2014		2013	
	Amount	Composition(%)	Amount	Composition(%)
Contributions to the National Pension	35	0.2	40	0.3
Financial Instruments	14,418	99.8	12,957	99.7
	14,453	100.0	12,997	100.0

24. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2014 and 2013, are as follows:

	Warranty	Restoration[1]	Others	Total
At January 1	716	2,984	8,529	12,229
Addition	-	150	2,068	2,218
Reversal	-	(334)	-	(334)
Other changes	1	116	(8,638)	(8,521)
At December 31	717	2,916	1,959	5,592
Current	717	-	-	717
Non-current	-	2,916	1,959	4,875

(in millions of Korean won)	2013			
	Warranty	Restoration[1]	Others	Total
At January 1	1,114	3,207	430	4,751
Addition	-	165	8,529	8,694
Reversal	(407)	(344)	(445)	(1,196)
Other changes	9	(44)	15	(20)
At December 31	716	2,984	8,529	12,229
Current	716	-	8,529	9,245
Non-current	-	2,984	-	2,984

[1] The carrying amount of restoration as of December 31, 2014, is netted against the restoration reserve of ₩1,200 million (2013: ₩818 million).

25. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2014 and 2013, consists of:

(in millions of Korean won)	2014	2013
Current tax on profits for the year	11,411	13,342
Origination and reversal of temporary differences	5,687	259
	17,098	13,601

The difference between tax on the Group'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, 2014 and 2013, is as follows:

(in millions of Korean won)	2014	2013
Income before tax	50,956	121,847
Tax calculated at domestic tax rates applicable to profits in the respective countries	15,946	31,715
Tax effects of:		
Income not subject to tax/ Expenses not deductible for tax purposes	8,087	(9,399)
Impact of tax credit	(6,935)	(8,715)
Income tax expense	17,098	13,601

The income tax (charged) / credited directly to equity for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)	2014		
	Before tax	Tax (charge credit)	After tax
Fair value gains from available-for-sale	(26,124)	6,322	(19,802)
Changes in equity of equity method investees	97,251	(23,516)	73,735
Foreign operation currency translation differences	(2,579)	(114)	(2,693)
Remeasurement of net defined benefit liability	(1,697)	411	(1,286)

(in millions of Korean won)	2013		
	Before tax	Tax (charge credit)	After tax
Fair value gains from available-for-sale	(6,832)	1,653	(5,179)
Changes in equity of equity method investees	119,799	(29,022)	90,777
Foreign operation currency translation differences	(1,675)	580	(1,095)
Remeasurement of net defined benefit liability	265	(64)	201

As of December 31, 2014 and 2013, the analyses of deferred tax assets and deferred tax liabilities are as follows:

(in millions of Korean won)	2014	2013
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	470	598
Deferred tax asset to be recovered after more than 12 months	10,282	11,923
	10,752	12,521
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	(13)	(154)
Deferred tax liability to be recovered after more than 12 months	(102,672)	(81,716)
	(102,685)	(81,870)
Deferred tax assets (liabilities), net	(91,933)	(69,349)

Changes in the deferred assets and liabilities for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014				
	January 1	**Income statement**	**Other comprehensive income**	**Exchange difference**	**December 31**
Available-for-sale financial assets	(15,916)	-	6,322	-	(9,594)
Held-to-maturity financial assets	1,234	(1,234)	-	-	-
Investments in petroleum and mineral development projects	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	(55,483)	(1,631)	(23,630)	-	(80,744)
Intangible assets	(744)	(6)	-	-	(750)
Allowance for bad debts	581	-	-	-	581
Gain (loss) on foreign currency translation	31	(100)	-	-	(69)
Provisions	892	(16)	-	-	876
Net defined benefit liabilities	11	(303)	411	-	119
Others	45	(2,397)	-	-	(2,352)
	(69,349)	(5,687)	(16,897)	-	(91,933)

(in millions of Korean won)	2013				
	January 1	**Income statement**	**Other comprehensive income**	**Exchange difference**	**December 31**
Available-for-sale financial assets	(17,451)	(118)	1,653	-	(15,916)
Held-to-maturity financial assets	1,679	(445)	-	-	1,234
Investments in petroleum and mineral development projects	642	(642)	-	-	-
Investments in subsidiaries, joint ventures and associates	(27,041)	-	(28,442)	-	(55,483)
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
Net defined benefit liabilities	119	(44)	(64)	-	11
Others	152	(124)	-	17	45
	(42,254)	(259)	(26,853)	17	(69,349)

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Group'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 Group has not recognized deferred tax assets of ₩92,349 million related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

26. Accumulated Other Comprehensive Income and Other Components of Equity

As of December 31, 2014 and 2013, accumulated other comprehensive income and other components of equity are as follows:

(in millions of Korean won)	**2014**	**2013**
Other components of equity		
Adjustment on other components of equity	(18,865)	(18,865)
Accumulated other comprehensive income		
Fair value gains from available-for-sale fianacial assets	46,035	65,837
Changes in equity of equity method investees	243,246	169,532
Changes in equity method investees with accumulated comprehensive expense	(502)	(523)
Foreign operation currency translation differences	(8,860)	(6,158)
	279,919	228,688

Changes in accumulated other comprehensive income after tax for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
At January 1	228,688	141,000
Changes in consolidation scope	-	3,243
Other increase/decrease	51,231	84,445
At December 31	279,919	228,688

27. Retained Earnings

As of December 31, 2014 and 2013, retained earnings consist of:

(in millions of Korean won)	**2014**	**2013**
Legal reserve[1]	3,908	2,791
Unappropriated retained earnings	289,693	269,508
	293,601	272,299

[1] The Commercial Code of the Republic of Korea requires the Group 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 dividends paid in 2014 and 2013 were ₩11,165 million (₩500 per share), respectively. A dividend in respect of the year ended December 31, 2014, of ₩500 per share, amounting to total dividends of ₩11,165 million, is to be proposed at the annual general meeting on March 20, 2015. These financial statements do not reflect this dividend payable.

28. Sales and Cost of sales

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

(in millions of Korean won)	**2014**	**2013**
Sales		
Sales	5,315,719	5,008,068
Commisions	36,571	46,649
Resource development	14,525	23,131
Shipbuilding	-	4,654
	5,366,815	5,082,502

Cost of sales for the years ended December 31, 2014 and 2013, consist of:

(in millions of Korean won)	**2014**	**2013**
Cost of sales		
Cost of sales	5,216,805	4,918,759
Cost of connisions	9,502	14,535
Cost of resource development	14,942	18,408
Cost of shipbuilding	-	7,783
	5,241,249	4,959,485

29. Expenses by Nature

Expenses by nature included in the cost of sales, selling, marketing, and administrative expenses, and other expenses in the income statements for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Changes in inventories	5,084,919	4,802,854
Wages and salaries	39,953	47,730
Employee benefits	4,388	5,503
Depreciation	1,685	5,494
Amortization	11,884	6,215
Others	185,078	192,749
Total[1]	5,327,907	5,060,545

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

30. Selling, Marketing and Administrative Expenses

Selling, marketing and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Wages and salaries	37,956	39,424
Severance benefits	1,997	2,878
Employee benefits	4,388	5,156
Travel expense	3,579	4,225
Taxes and dues	1,379	2,150
Entertainment expense	1,933	1,940
Overseas branches expense	12,907	13,477
Rental expenses	3,227	2,877
Service fees	5,695	7,160
Bad debts expense	2,959	6,411
Computer system expense	2,136	1,960
Depreciation	1,497	4,591
Amortization	828	967
Others	6,177	7,844
	86,658	101,060

31. Other non-operating Income and Expenses

Other non-operating income for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)	**2014**	**2013**
Gain on foreign curreny assets and liabilities	76,288	79,911
Dividends	11,458	14,334
Gain on derivatives	7,984	5,352
Gain on disposal of subsidiary[1]	-	73,609
Others[2]	9,260	69,978
	104,990	243,184

[1] In 2013, the Group disposed of QINGDAO HYUNDAI SHIPBUILDING CO., LTD.

[2] In 2013, 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.

Other non-operating expenses for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	**2014**	**2013**
Loss on foreign curreny assets and liabilities	77,470	78,180
Loss on derivatives	6,238	4,215
Finansial expenses of disposal of trade receivables	4,474	4,108
Others	13,580	68,516
	101,762	155,019

32. Finance Income and Expenses

Finance income for the years ended December 31, 2014 and 2013, consists of:

(in millions of Korean won)	**2014**	**2013**
Gain on foreign curreny assets and liabilities	17,445	20,081
Interest income	7,146	7,663
	24,591	27,744

Finance expenses for the years ended December 31, 2014 and 2013, consist of:

(in millions of Korean won)	**2014**	**2013**
Loss on foreign curreny assets and liabilities	18,957	21,663
Interest expense	6,366	15,995
	25,323	37,658

33. Earnings per Share

Earnings per share for the years ended December 31, 2014 and 2013, is computed as follows:

(in Korean won)	**2014**	**2013**
Income for the year attributable to ordinary shares	33,762,778,782	108,685,148,633
Weighted-average number of common stock outstanding[1]	22,329,802 shares	22,329,802 shares
Basic earnings per share	1,512	4,867

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

34. Cash Generated from Operations

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

(in millions of Korean won)	**2014**	**2013**
Income for the year	33,858	108,246
Adjustment		
Interest income	(7,146)	(7,663)
Interest expense	6,366	15,995
Dividends	(11,458)	(14,334)
Tax expense	17,098	13,601
Depreciation	1,685	5,494
Amortization	11,884	6,215
Provision for severance benefits	2,262	2,878
Bad debts expense	2,959	6,411
Other bad debts expense	8	151
Finanace expenses of disposal of trade receivables	4,474	4,108
Gain on equity-method of investments in associates	(9,552)	(21,640)
Gain on valuation of derivatives	(1,132)	(940)
Gain on foreign currency translation	(744)	(1,556)
Gain on disposal of subsidiary	-	(73,609)
Others	6,599	53,556
	23,303	(11,333)
Changes in operating assets and liabilities		
Trade accounts receivable	(144,131)	122,964
Inventories	(54,905)	(13,638)
Other accounts receivable	(7,041)	(8,641)
Other current assets	9,311	3,839
Other non-current assets	4,211	(114)
Trade accounts and notes payable	72,327	(132,612)
Other payables	(5,671)	26,444
Advances from customers	(3,278)	(11,815)
Other assets and liabilities	(10,096)	(24,595)
	(139,273)	(38,168)
Cash generated from operations	(82,112)	58,745

Significant transactions not affecting cash flows are as follows:

(in millions of Korean won)	**2014**	**2013**
Reclassification to current portion from long-term borrowings	7,430	46,192

35. Commitments and Contingencies

As of December 31, 2014, the Group is contingently liable for guarantees amounting to US$ 50,364 thousand for operating activities to financial institutions.

As of December 31, 2014, the Group 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 Group’s various borrowings and guarantees of indebtedness.

As of December 31, 2014, the Group has filed two lawsuits claiming US$ 19,700 thousand in damages. As the outcome of these cases cannot be reasonably determined, the Group has not reflected any adjustments that may arise from this uncertainty.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2014, are as follows:

(in thousands of US dollars)	**Maximum amount[1]**	**Used amount**
D/A, D/P[2]	1,201,423	375,310
L/C and others	452,602	284,546
Bonds and others	152,046	77,854
	1,806,071	737,710

[1] Maximum amount including comprehensive limit.

[2] Includes USD 117,582 thousand used for disposal of D/A, D/P trade receivables without recourse.

36. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2014 and 2013, are as follows:

	2014		**2013**	
(in millions of Korean won)	**Gain**	**Loss**	**Gain**	**Loss**
Foreign currency forward	1,375	244	1,224	285
Commodity futures	3	2	2	1
	1,378	246	1,226	286

The Group 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 and related derivatives assets and liabilities amount to ₩1,375 million and ₩244 million, respectively.

Details of foreign currency forward contracts that are not past due as of December 31, 2014, are as follows:

Position	**Contract amounts**	
USD Selling	USD	18,174,780
USD Buying	USD	13,750,065
EUR Selling	EUR	10,240,290
EUR Buying	EUR	1,138,309

In addition, per the commodity futures contract, the Group applies fair value hedge accounting. These agreements are measured at fair value, and the related derivatives assets and liabilities amount to ₩3 million and ₩2 million, respectively, and firm contract assets and liabilities amount to ₩2 million and ₩3 million, respectively.

37. Related Party Transactions

Details of the subsidiaries as of December 31, 2014 and 2013, are as follows:

Name	Country	Percentage of ownership (%)		Main business
		2014	2013	
HYUNDAI CORP. USA	U.S.A	100	100	Trading
HYUNDAI CORP. EUROPE GMBH	German	100	100	Trading
HYUNDAI AUSTRALIA PTY., LTD.	Austrailia	100	100	Trading and Mining
HYUNDAI JAPAN CO., LTD.	Japan	100	100	Trading
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	Singapore	100	100	Trading
HYUNDAI CANADA INC.	Canada	100	100	Trading
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	China	100	100	Trading
HYUNDAI SANGSA H.K, LTD.	Hong Kong	100	100	Trading
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	India	94	94	Manufacture of steel
HYUNDAI ONE ASIA PTE. LTD.	Singapore	100	-	Trading

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of December 31, 2014 and 2013, are as follows:

	2014	2013
Equity method investor[1]	HYUNDAI HEAVY INDUSTRIES CO., LTD.	HYUNDAI HEAVY INDUSTRIES CO., LTD.
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	PT. HYUNDAI MACHINERY INDONESIA
	KOREA LNG LIMITED	KOREA LNG LIMITED
	Hyundai Energy & Resources Co., Ltd.	Hyundai Energy & Resources Co., Ltd.
	HYUNDAI YEMEN LNG COMPANY LIMITED	HYUNDAI YEMEN LNG COMPANY LIMITED
	PT HYUNDAI INTI DEVELOPMENT	PT HYUNDAI INTI DEVELOPMENT
	QINGDAO H.D SHIPBUILDING CO.,LTD.	QINGDAO H.D SHIPBUILDING CO.,LTD.
Other related parties	HYUNDAI MIPO DOCK YARD CO., LTD.	-
(Subsidiary of HYUNDAI HEAVY	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.	HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.
INDISTRIES CO., LTD.)	Hyundai Oil Bank Co., Ltd.	Hyundai Oil Bank Co., Ltd.
	Hyundai Oilbank(Shanghai) Co., Ltd.	-
	Hyundai Oilbank(Singapore) Co., Ltd.	-
	HI INVESTMENT & SECURITIES CO., LTD.	HI INVESTMENT & SECURITIES CO., LTD.
	Hyundai Power Transformers USA, Inc.	Hyundai Power Transformers USA, Inc.
	Hyundai Heavy Industries Europe N.V.	-

[1] Equity method investor exercising significant influence over the Group.

Significant transactions with related parties for years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

		2014		2013	
		Sales and others[1]	Purchase and others[2]	Sales and others[1]	Purchase and others[2]
Equity method investor	HYUNDAI HEAVY INDUSTRIES CO., LTD.	13,119	802,960	14,833	907,069
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	17,028	1,502	31,160	-
	KOREA LNG LIMITED	18,614	-	-	-
	QINGDAO HYUNDAI SHIPBUILDING CO.,LTD.	-	-	12	8,193
	HYUNDAI YEMEN LNG COMPANY LIMITED	4,352	-	571	-
	Others	484	1,783	-	1,529
Other related parties	Hyundai Oil Bank Co., Ltd.	29,379	442,115	-	721,817
	Hyundai Oilbank(Shanghai) Co., Ltd.	-	11,484	-	-
	Hyundai Oilbank(Singapore) Co., Ltd.	29,431	173,669	-	-
	Others	1,305	10,236	1,450	591
		113,712	1,443,749	48,026	1,639,199

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

[2] Includes purchase of goods and services.

Significant receivables and payables with related parties as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

		2014		2013	
		Receivables and others[1]	Payables and others[2]	Receivables and others[1]	Payables and others[2]
Equity method investor	HYUNDAI HEAVY INDUSTRIES CO., LTD.	46,215	254,214	49,718	210,463
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	12,913	-	21,771	-
	QINGDAO HYUNDAI SHIPBUILDING CO.,LTD.	-	-	52,777	10,624
	HYUNDAI YEMEN LNG COMPANY LIMITED	6,100	-	5,491	75
	Others	-	1,154	-	929
Other related parties	Hyundai Oil Bank Co., Ltd.	39	29,356	-	23,756
	Others	2,897	9,380	2,297	60
		68,164	294,104	132,054	245,907

[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), other non-current assets and others.

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

Fund transactions with related parties for year ended December 31, 2014, are as follows:

(in millions of Korean won)

		2014				
		Beginning balance	Increase	Recovery	Foreign currency translation	Ending balance
HYUNDAI YEMEN LNG COMPANY LIMITED	Investments in exploration of resource	54,711	-	(54,711)	-	-
	Long-term loans	21,101	-	(5,275)	658	16,484
QINGDAO H.D SHIPBUILDING CO.,LTD.	Short-term loans	10,553	-	(10,690)	137	-
		86,365	-	(70,676)	795	16,484

In 2014, the Group paid US$ 10,000 thousand to Qingdao Hyundai Shipbuilding Co., Ltd., a subsidiary, through the second capital increase; and borrowings of Qingdao Hyundai Shipbuilding Co., Ltd. amounting to US$ 7,900 thousand were redeemded by the Group under the payment guarantee agreement within the sales contract (Note 38).

As of December 31, 2014, bad debt provision was made with respect to the receivables from related parties amounting to ₩11 million.

The compensation paid or payable to key management for the years ended December 31, 2014 and 2013, consists of:

(in millions of Korean won)	**2014**	**2013**
Wages and salaries	1,622	2,209
Servance benefits	381	439
	2,003	2,648

38. Disposal of Qingdao Hyundai Shipbuilding Co., Ltd.

In 2013, as the Group disposed of its interest in Quingdao Hyundai Shipbuilidng Co., Ltd., the entity has been reclassified from a subsidiary to an associate. The details of the contract are as follows:

Equity ratio of disposal	66.25%
Diposal cost	USD 1
Disposal date	26-Dec-13
Counterparties	Shandong Sanfod Group Co., Ltd. and Guaqing Holding Group Co., Ltd.
The Company's portion of Quingdao Hyundai Shipbuilding Co., Ltd.'s capital increase[1]	USD 25,000,000
Expected ratio after the disposal	30.59%

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

(in thousands of US dollars)	**1st**	**2nd**	**Total**
The Company	15,000	10,000	25,000
Two counterparties	33,000	22,000	55,000
	48,000	32,000	80,000

Share purchase rights

The Group granted options for two counterparties to purchase the Group's remaining interests (30.59%) in Qingdao Hyundai Shipbuilding Co., Ltd. at their fair value (the minumum 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 relevent options are regarded as exercised at the end of the five-year period.

39. United States Dollar Amounts

The Group 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: ₩1099.20, the exchange rate in effect on December 31, 2014. 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.