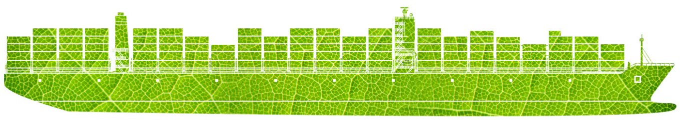
More Reliable. More Sustainable.



HYUNDAI
HEAVY INDUSTRIES CO.,LTD.

More Reliable. More Sustainable.

These are the simple goals that inspire and motivate us every day at Hyundai Heavy Industries. Over the past four decades, we have built much more than world-class ships and heavy machinery. We have built a global reputation for reliability by delivering the solutions our customers need to build a more sustainable future for their customers around the globe.

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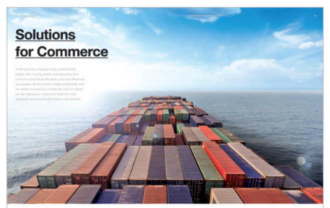

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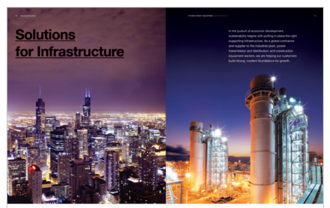

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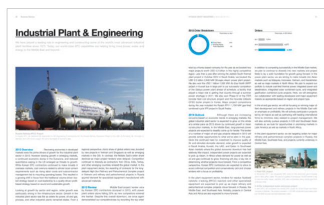

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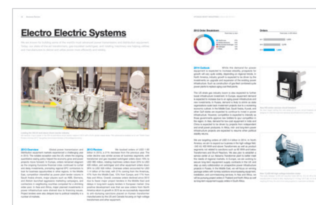

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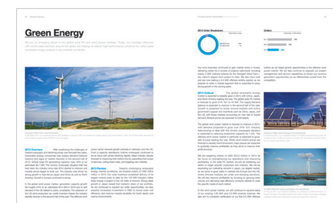

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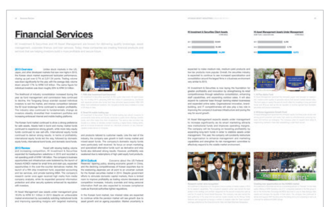

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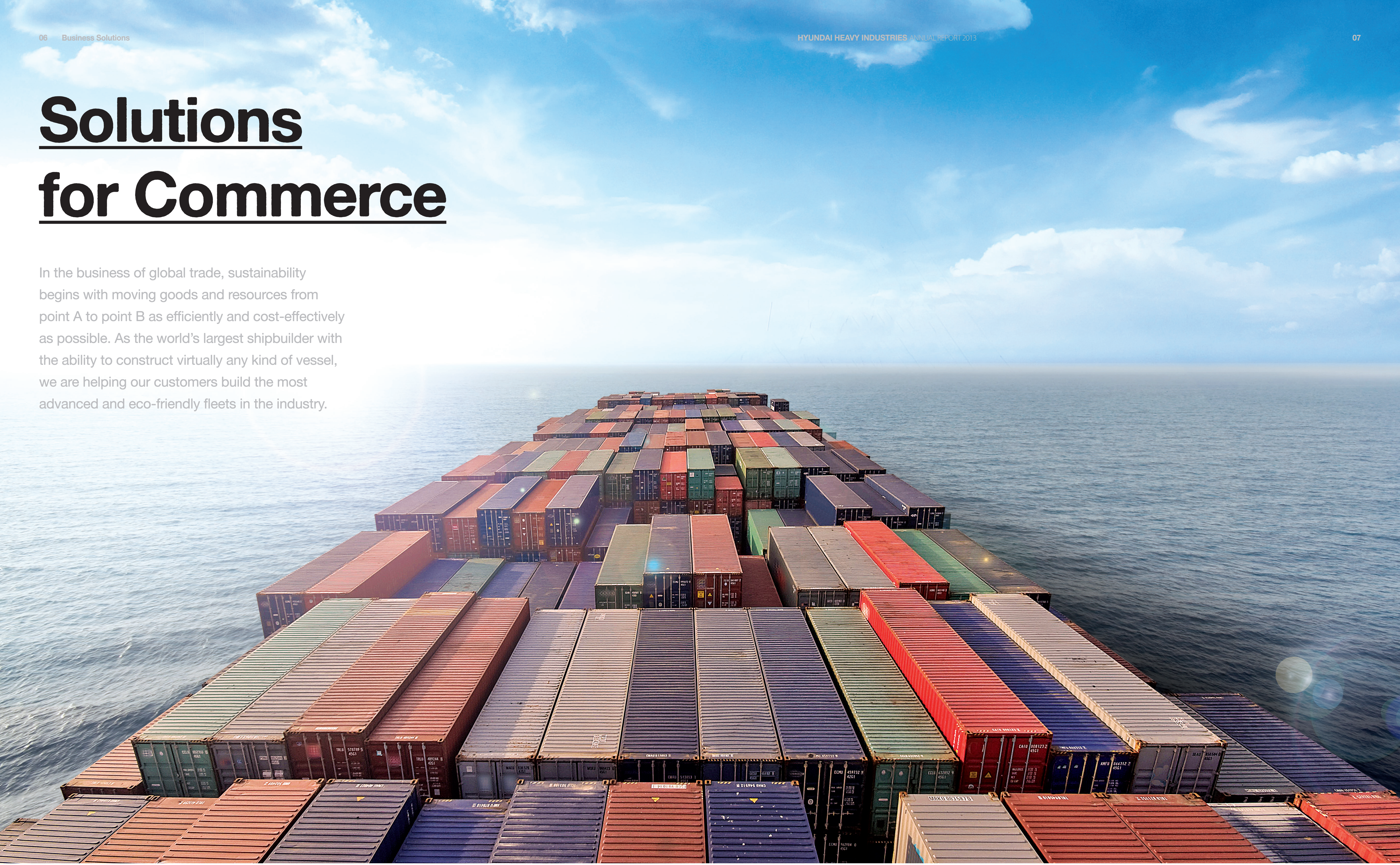
More Reliable.
More Sustainable.

At Hyundai Heavy Industries, we are innovating behind the scenes to create bigger, better, more reliable solutions to make the world a more sustainable place. From the fields of commerce, energy, and infrastructure to life itself, we are making those goals a reality in a big way.

Solutions for Commerce
Solutions for Energy
Solutions for Infrastructure
Solutions for Life

Solutions for Commerce

In the business of global trade, sustainability begins with moving goods and resources from point A to point B as efficiently and cost-effectively as possible. As the world's largest shipbuilder with the ability to construct virtually any kind of vessel, we are helping our customers build the most advanced and eco-friendly fleets in the industry.



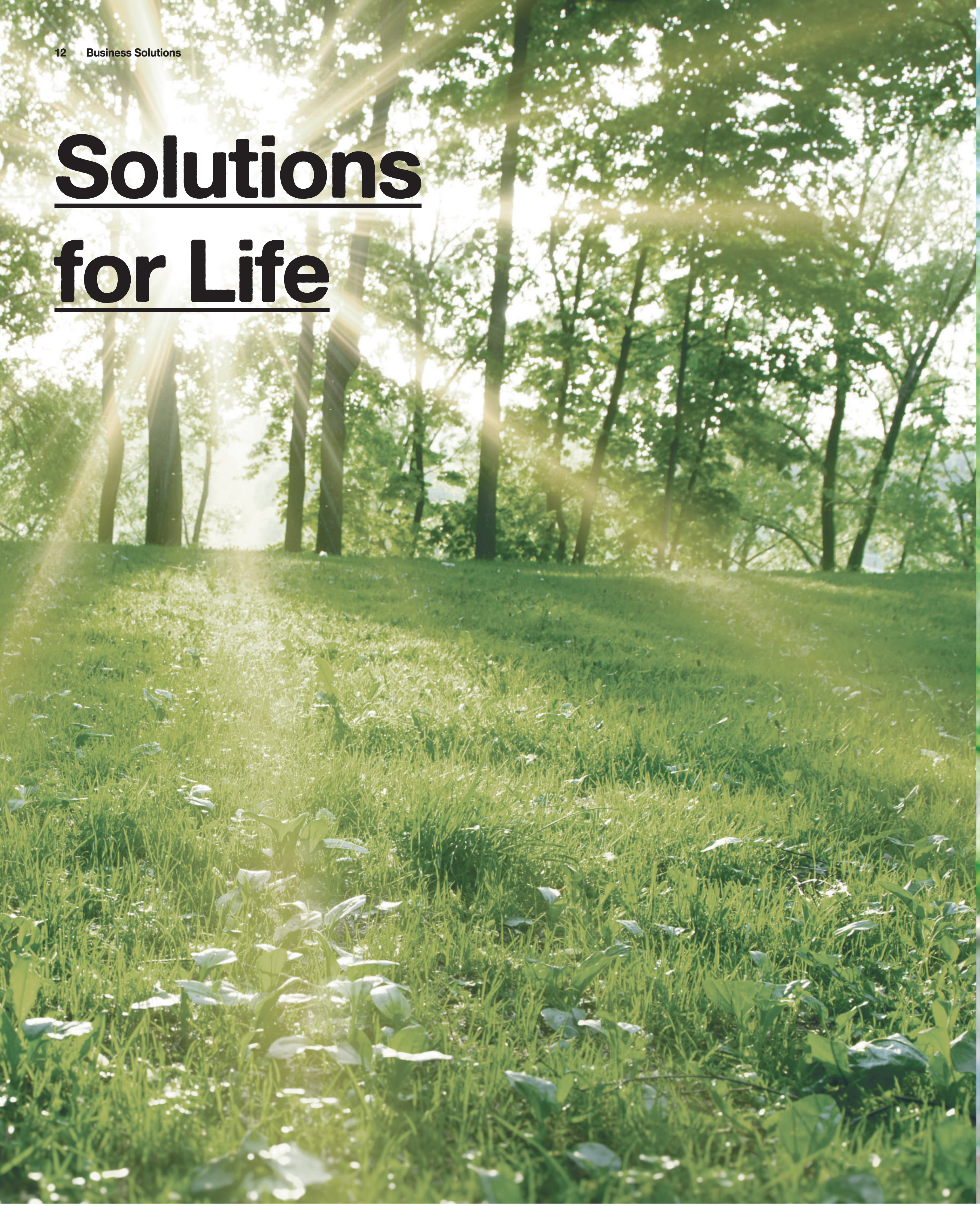
Solutions for Energy

In the quest for new sources of energy, sustainability begins with making the best use of all available resources. As a global contractor and supplier to the offshore oil and gas, renewable energy, and petroleum and petrochemical sectors, we are helping our customers make the most of nature's resources.

Solutions for Infrastructure

In the pursuit of economic development, sustainability begins with putting in place the right supporting infrastructure. As a global contractor and supplier to the industrial plant, power transmission and distribution, and construction equipment sectors, we are helping our customers build strong, modern foundations for growth.

Solutions for Life



In the field of corporate social responsibility, sustainability begins with taking care of the local community. As we create good jobs, lend a helping hand where it is needed, and protect the environment, we are sharing greater opportunities for growth and prosperity with our closest stakeholders.

Operational Review

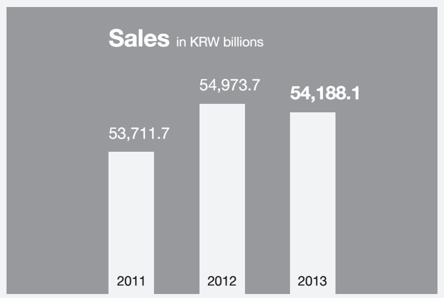
At Hyundai Heavy Industries, our diversified business portfolio has been the driving force behind our remarkable growth over the years. Today, that momentum continues to grow as we chart a course toward a more sustainable future.

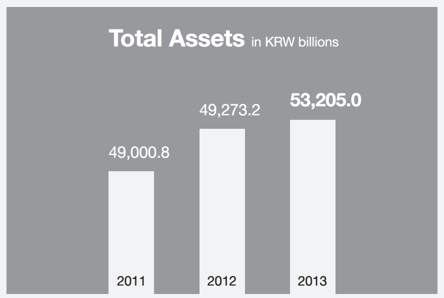
Financial Highlights

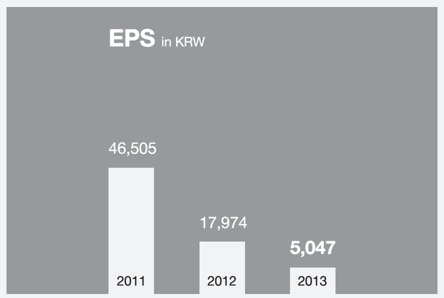
(Consolidated)

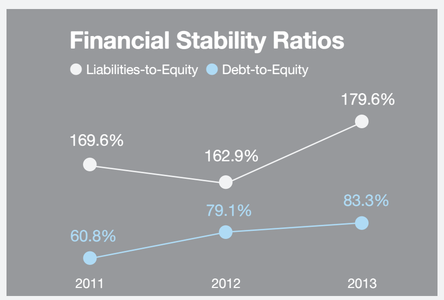
	2013 in USD millions	2013 in KRW billions	2012 in KRW billions	2011 in KRW billions
For the Year (Consolidated)				
Sales	51,348.5	54,188.1	54,973.7	53,711.7
Gross Profit	3,084.5	3,255.1	4,653.2	6,938.5
Operating Income	760.0	802.0	2,005.5	4,574.5
Net Income	138.6	146.3	1,029.6	2,753.4
At Year-End (Consolidated)				
Total Assets	50,416.9	53,205.0	49,273.2	49,000.8
Total Liabilities	32,384.5	34,175.4	30,531.8	30,824.3
Total Debt	15,013.0	15,843.2	14,826.5	11,057.0
Total Shareholders' Equity	18,032.4	19,029.6	18,741.4	18,176.5
Financial Indicators				
Liabilities-to-Equity	179.6%	179.6%	162.9%	169.6%
Debt-to-Equity	83.3%	83.3%	79.1%	60.8%
EPS	USD 4.78	KRW 5,047	KRW 17,974	KRW 46,505
EBITDA	1,689.7	1,783.1	3,000.9	5,512.1
ROA	0.5%	0.5%	2.0%	5.4%
ROE	1.6%	1.6%	6.0%	16.7%

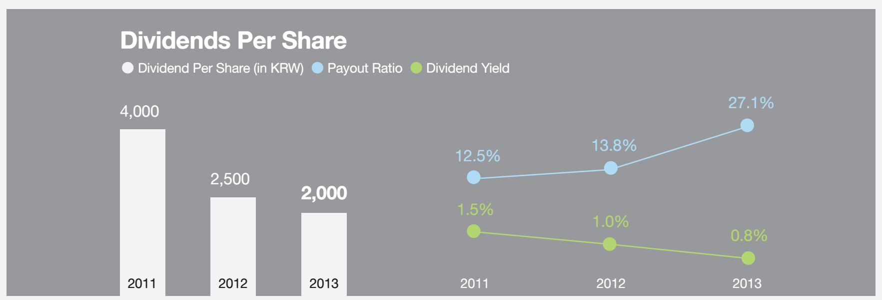
- Won amounts for FY2013 have been translated at KRW 1,055.30 per USD 1.00, the basic rate as of Dec. 31, 2013.
- EBITDA = Operating Income + Depreciation + Amortization
- The financial information of 2011 and 2012 has been restated based on the revised standards of K-IFRS.











Share Performance

Foreign investors continued their sell-off of Korean stocks in early 2013, influenced by the Vanguard Group's switch to FTSE Group as its benchmark provider. The deepening security risk from North Korea also contributed to market weakness.

In the second quarter, fears about the US Federal Reserve's tapering policy put the spotlight on currency issues in emerging Asian markets. Combined with concerns about slowing growth and tight credit in China, this prompted a sell-off by foreign investors that pushed the KOSPI index to a year-low of 1,780.63 on June 25.

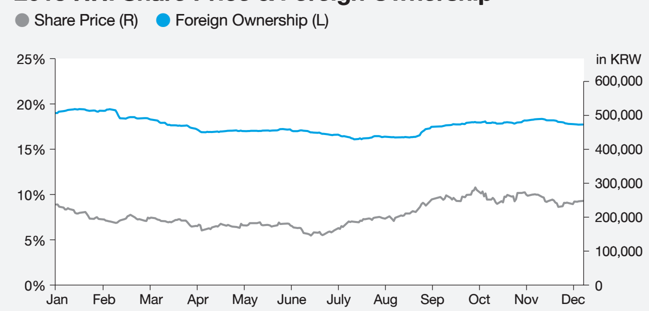
In the second half, easing concerns about the Fed's tapering policy and favorable economic signs in major markets spurred foreign investors to scoop up KRW 13.2 trillion of shares, propelling the KOSPI to its year-high of 2,059.58 on October 30. In the closing months of the year, foreign investors once again became net sellers due to growing concerns about the competitiveness of domestic manufacturers. The KOSPI closed the year at 2,011.34, just 0.72% above its 2012 close at 1,997.05.

The liquidity problems faced by some Korean shipbuilders due to weak newbuild orders raised market concerns in the first quarter of the year and worsening earnings fears pushed our shares down to a year-low of KRW 176,000 on June 26.

In the second half of the year, shipbuilding shares were buoyed by rising newbuild orders and prices. Both foreign and institutional investors bought into the sector, pushing our shares to a year-high of KRW 288,500 on October 17. However, concerns about the weakening export competitiveness of Korean manufacturers and lower-than-expected earnings by shipbuilders led to profit-taking. Our shares closed the year up 6.2% at KRW 257,000.

2013 HHI Share Performance vs. KOSPI

2013 HHI Share Price & Foreign Ownership



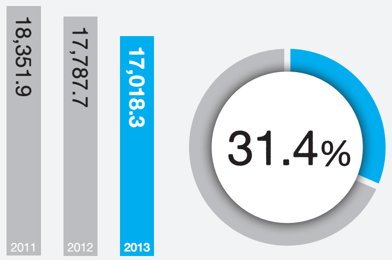
Stock Facts	2013	2012	2011
Face Value (in KRW)	5,000	5,000	5,000
Number of Shares Issued	76,000,000	76,000,000	76,000,000
Total Market Capitalization (in KRW billions, year end)	19,532	18,392	19,532
Share Price			
- High (in KRW)	288,500	345,000	547,000
- Low (in KRW)	176,000	195,500	237,000
- End (in KRW)	257,000	242,000	257,000
Foreign Ownership	18.2%	19.3%	16.9%
Dividend Per Share (in KRW)	2,000	2,500	4,000
Payout Ratio	27.1%	13.8%	12.5%

Shareholder Structure As of Dec. 31, 2013

Shareholder	Ownership
Chung Mong-joon	10.15%
Hyundai Mipo Dockyard	7.98%
National Pension Service	6.31%
KCC	3.12%
Hyundai Motor Company	2.88%
Asan Foundation	2.53%
POSCO	1.94%
Asan Nanum Foundation	0.65%
Treasury Shares	19.36%
Others	45.08%

HHI at a Glance

Shipbuilding



Sales (Consolidated)
in KRW billions

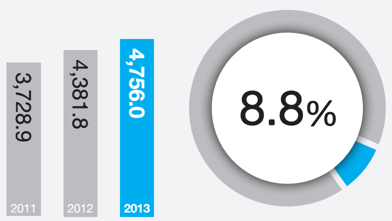
Portion of 2013 Sales

Since 1983, we have held the distinction of being the world's No. 1 shipbuilder. We and our shipbuilding subsidiaries have delivered approximately 2,981 vessels to date. Today, the 18 dry docks—ten at HHI, six at Hyundai Mipo Dockyard (including two at Hyundai-Vinashin Shipyard Co., Ltd.), and two at Hyundai Samho Heavy Industries—build vessels for the shipping, energy transport and exploration, and naval markets. Together with our shipbuilding subsidiaries, we continue to chart the future of the global shipbuilding industry.

Major Products

- VLCCs, Tankers, Product Carriers
- Containerships, Bulk Carriers, OBO Carriers
- LNG Carriers, LPG Carriers, FSRUs
- Drillships
- Pure Car Carriers, Ro-Ro Ships, Ro-Pax Ships
- Submarines, Destroyers, Frigates
- Semi Submersible Rigs

Offshore & Engineering



Sales (Consolidated)
in KRW billions

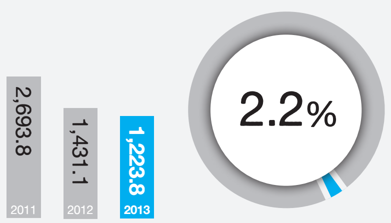
Portion of 2013 Sales

Since 1976, we have handled EPIC/EPC projects in the fields of oil and gas field development and production facilities for more than 30 international clients. Boasting the 1-million-ton capacity H-Dock with two 1,600-ton gantry cranes and a 10,000-ton floating crane (now under construction), our Ulsan yard facilities greatly enhance our ability to win and build the world's largest floating offshore units. Our new Onsan yard will also help meet growing module demand for these projects.

Major Products

- Floating Units: FPSOs, FLNGs, FPUs, Spars, TLPs
- Fixed Platforms: Topsides, Jackets & Piles, Jack-ups, Modules & Quarters
- Pipelines & Subsea Facilities: Subsea Pipeline Systems
- Offshore Installations: Platforms, Pipelines
- Land-Based Modules

Industrial Plant & Engineering



Sales (Consolidated)
in KRW billions

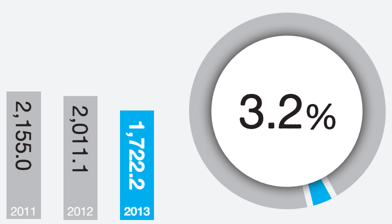
Portion of 2013 Sales

Since 1975, we have delivered a wide range of power, desalination, and process plant facilities to customers around the globe. Today, we are a global EPC contractor executing some of the industry's largest power and oil and gas projects to date in the Middle East and Africa regions, including the Riyadh PP11 1,756 MW combined-cycle power plant in Riyadh, Saudi Arabia.

Major Products

- Power Plants: Combined-Cycle, Cogeneration, and Thermal Power Plants
- Process Plants: Oil & Gas, Gas Processing, Refinery, Tank Farm, GTL, and LNG Facilities

Engine & Machinery



Sales (Consolidated)
in KRW billions

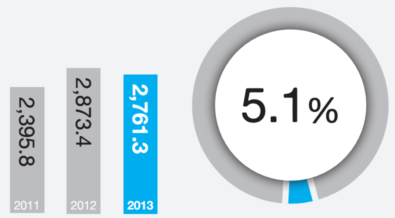
Portion of 2013 Sales

Since 1979, we have established ourselves as the world's No. 1 producer of two-stroke diesel engines with over 133 million bhp produced to date. Today, we produce state-of-the-art engines for the marine and power generation industries as well as a wide range of equipment for the shipbuilding, steelmaking, automobile, semiconductor, and other industries.

Major Products

- Two-Stroke Diesel Engines
- Four-Stroke HiMSEN Engines
- Marine Equipment
- Diesel Power Plants
- Industrial & Marine Pumps
- Ballast Water Treatment Systems
- Side Thrusters, Compressors
- Robots, Press, Conveyor Systems

Electro Electric Systems



Sales (Consolidated)
in KRW billions

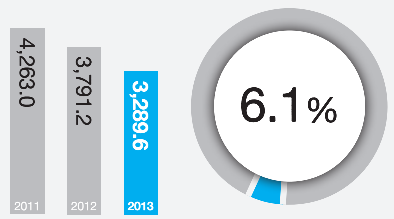
Portion of 2013 Sales

Since 1977, we have established ourselves as a world-class manufacturer of electrical solutions for power generation, transmission, and distribution that are second to none. Today, our global production network includes plants in China, Bulgaria, the United States, and Russia as we position ourselves to meet the growing needs of markets around the globe.

Major Products

- Transformers
- Gas Insulated Switchgear
- Switchgear
- Low- and Medium-Voltage Circuit Breakers
- Rotating Machinery
- Integrated Control & Monitoring Systems
- Power Electronics
- Marine Electrical Equipment

Construction Equipment



Sales (Consolidated)
in KRW billions

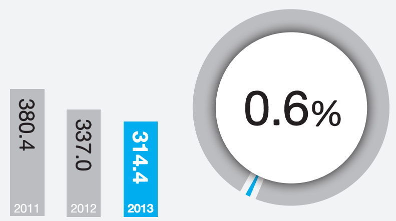
Portion of 2013 Sales

Since 1985, we have been delivering quality construction equipment and industrial vehicles to customers around the world. Today, our state-of-the-art automated manufacturing facilities in Korea, China, India, and Brazil produce equipment that is sold and serviced through a global network of over 480 dealers in some 134 countries worldwide.

Major Products

- Excavators
- Wheel Loaders
- Forklifts
- Skid Loaders

Green Energy



Sales (Consolidated)
in KRW billions

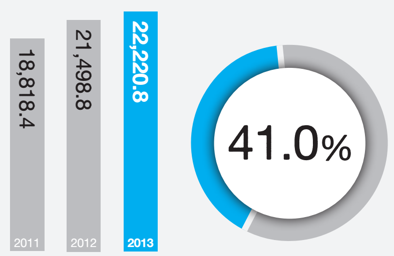
Portion of 2013 Sales

Since 2005, we have been developing renewable energy solutions that tap the power of the wind, sun to make energy greener. Today, we are an emerging player in global solar and wind power markets with state-of-the-art manufacturing capabilities in Korea and projects installed or underway in Asia, Europe, and North America.

Major Products

- Wind Power Systems
- Solar Power Systems

Refinery



Sales (Consolidated)
in KRW billions

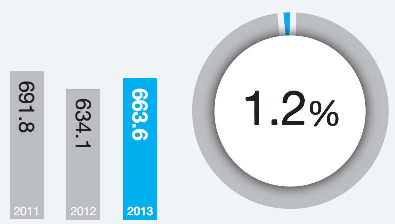
Portion of 2013 Sales

Since 1964, Hyundai Oilbank has helped meet Korea's petroleum and petrochemical needs. An affiliate since 2010, the company now has a daily refining capacity of 390,000 barrels and an industry-leading 34.4% upgrading ratio, providing quality products to consumers through over 2,300 gas stations nationwide as well as manufacturers at home and abroad.

Major Products

- Petroleum: LPG, Gasoline, Kerosene, Jet Fuel, Ultra-Low-Sulfur Diesel, Fuel Oil
- Petrochemicals: Propylene, Alkylate, BTX, Naphtha
- Lubricant Oil: For Automobiles, Industrial Purposes, and Ships

Financial Services



Sales (Consolidated)
in KRW billions

Portion of 2013 Sales

Since 1989, HI Investment & Securities and HI Asset Management have delivered quality brokerage and asset management services to Korean investors. Affiliates since 2008, the firms continue to diversify their portfolios into growth areas such as the pension and over-the-counter derivatives markets, focusing on delivering quality products and services to help investors profit in uncertain times.

Major Products

- Securities Brokerage
- Asset Management
- Futures
- Corporate Finance
- Leasing

Message from the CEO

Dear Valued Stakeholder,

Fledgling economic recoveries in developed markets such as the US and Europe helped us grow orders 39% to USD 27.4 billion in 2013. However, slower growth in China, India, and other emerging markets and a rising proportion of revenue from low-priced orders booked in recent years resulted in slightly lower sales of KRW 24,282.7 billion for the year.

While our business performance fell short of our ambitious targets, we had a number of noteworthy accomplishments during the year. From an order perspective, we won orders for five 19,000 TEU containerships and a semisubmersible drilling rig, both the largest to date of their kind. We demonstrated our technical leadership by building the world's first newbuild LNG floating storage and regasification unit for Höegh LNG of Norway. We also won a steady stream of orders for major offshore facilities as well as a USD 3.3 billion thermal power plant order in Saudi Arabia, our largest order to date.

Behind the scenes, we poured significant effort into bolstering our technical leadership during the year. We completed type approval testing of two new eco-friendly G-type two-stroke marine engines designed to meet increasing industry demand for cleaner, more fuel-efficient ships. We also developed and won design approval for an advanced LNG cargo containment system design with a 10% lower boil-off rate.

While the global economy is expected to begin to pick up momentum in 2014, it is unlikely to break out of its current low-growth slump. Competition will continue to intensify as barriers between industries steadily fall, making the business environment even more complex and uncertain. Despite these challenges, we believe that our solid foundation for growth will enable us to achieve our 2014 targets of USD 29.6 billion in orders and KRW 26,570 billion in sales. The following four strategic directions will guide us as we strive to achieve these objectives and effectively respond to the challenges we face to deliver greater value to you, our stakeholders.

Our first focus will be on laying the foundation for technical leadership in all our businesses. We will bolster the collaborative ties between our business divisions and R&D centers and cultivate top talent to give us a clear technical edge that will enable us to deliver market-leading products.

Our second focus will be on methodical planning and faultless execution to succeed in an uncertain business environment. We will redouble our efforts to address inefficiencies in our existing practices and systems as we put in place a culture that fosters initiative and responsibility to cultivate the core capabilities that will drive our mid- to long-term growth.

Our third focus will be on securing world-class transparency and integrity in management. We will root out the bad practices of the past and establish and transparently enforce sound standards of conduct. We will also strengthen the ethical awareness of our entire workforce to regain the trust of all our stakeholders.

Our final focus will be on overcoming the current challenges we face through labor-management cooperation as we continue to create a safe and desirable workplace where every employee can achieve their dreams.

The business environment in the coming year will undoubtedly bring numerous challenges. However, our determination and drive over the past 41 years since our founding has helped us turn countless challenges into opportunities to make us the leading shipbuilding and heavy manufacturing company we are today. We invite you to join us as we chart a course for more reliable, more sustainable growth in the coming year and beyond.

Lee Jai-seong
Chairman & CEO

Corporate Governance

About the Board of Directors

The Hyundai Heavy Industries board is composed of seven directors, four of which are outside directors. Collectively, the directors assume ultimate responsibility for decisions regarding corporate affairs and the financial well-being of shareholders. All board appointments are made pursuant to the Articles of Incorporation, including due consideration of each individual's professional experience and expertise in fields such as law, economics, finance, and accounting.

The board meets to discuss and resolve corporate matters. Its responsibilities include deciding on material matters as stipulated in relevant by-laws and the Articles of Incorporation, dealing with issues delegated to it at the annual general shareholders' meeting, and addressing issues related to the basic direction and execution of company operations. The board also has the authority to appoint the CEO and board chair as well as conduct oversight of its members and company management. The board held a total of eight meetings in 2013.

Audit Committee

The Audit Committee is a standing committee composed of three outside directors. Its responsibilities include (1) deciding on matters related to shareholders' meetings such as the calling of interim shareholders' meetings and setting forth its views on the agenda and the documents to be presented; (2) conducting oversight of the board and its members, producing independent annual audits, and supervising the financial reporting process; and (3) addressing matters relating to audits, including contracts with independent auditors and the evaluation of their qualifications, eligibility, and performance. The committee held a total of five meetings in 2013.

Outside Director Nominating Committee

The Outside Director Nominating Committee is a standing committee responsible for nominating qualified individuals to serve as outside directors on the board. The committee consists of one inside and two outside directors.

Board of Directors

Inside Directors	**Lee Jai-seong** Chairman & CEO	**Kim Oi-hyun** President & COO	**Kim Jung-rae** President & COO
Outside Directors	**Ju Soon-sik** • Juridical counselor, Yulchon LLC • Ph.D. in Economics, University of Hawaii	**Noh Young-bo** • Representative partner, Bae, Kim & Lee LLC • LLM, Georgetown University	
	Lee Jang-yung • President, Korea Banking Institute • Ph.D. in Economics, New York University	**Kim Jong-seok** • Dean, College of Business Administration, Hongik University • Ph.D. in Economics, Princeton University	
Audit Committee	Ju Soon-sik	Noh Young-bo	Lee Jang-yung
Outside Director Nominating Committee	Lee Jai-seong	Noh Young-bo	Kim Jong-seok

Business Review

At Hyundai Heavy Industries, we believe that the future belongs to those who build it. Across our business portfolio, we're working to create the products and solutions that will make the future as profitable as it is sustainable.

Shipbuilding

As the world's No. 1 shipbuilder since 1983, we've played a leading role in the global shipbuilding industry for over three decades. Today, that leadership is enabling us to chart a new course to the future with the industry's largest, safest, and greenest ships.

Noble Don Taylor drillship delivered
In April 2013, we delivered this deepwater drillship to Noble Drilling of the US. Capable of drilling at depths of up to 12,000 ft, this purpose-designed vessel is optimized to improve fuel efficiency as well as for improved position-holding during drilling operations. The thruster canisters allow maintenance and repairs to be carried out in the field, saving both time and money.

2013 Overview

As the shipbuilding industry closed a five-year up and five-year down cycle and began a new one, robust demand spurred by shipowners interested in high-spec ships and attractive pricing produced a relatively active newbuild market in 2013.

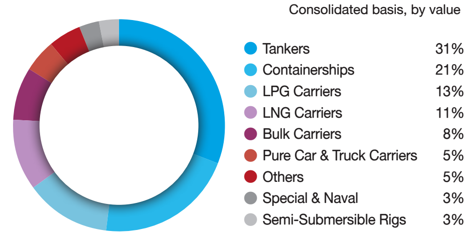
According to Clarkson Research Services, the industry booked orders for approximately 100.4 million gross tons (mgt) in 2013, a dramatic jump over the 40.2 mgt ordered in 2012. Virtually all vessel categories experienced growth during the year, including commercial vessels such as tankers, bulk carriers, and containerships as well as gas carriers such as LNG and LPG carriers. Orders for drillships and other specialized offshore vessels saw orders slow from the pace set over the previous two years due to the uncertain outlook for global oil prices. Buoyed by rising shipping rates and an increase in newbuild vessel inquiries, vessel prices for most categories enjoyed a modest recovery during the year, snapping the steady downward trend that began in 2008.

2013 Review

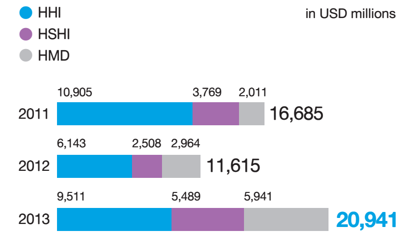
The recovering global shipping and shipbuilding industries helped us achieve a solid performance in 2013 as we and our shipbuilding subsidiaries booked orders for 322 vessels worth USD 20.9 billion and delivered 172 vessels worth USD 12.9 billion.

While we continued to see success in winning orders for high-tech, high-value-added vessel categories such as ultra-large containerships, and LNG and LPG carriers, we did see a slowdown in orders for drillships and semi-submersible rigs due to the uncertain outlook for oil prices and inventory of unchartered vessels from previous orders. Notably, our win of an order for five 18,000 TEU ultra-large containerships from United Arab Shipping Company in August reaffirmed our world-leading technology and competitiveness in that segment.

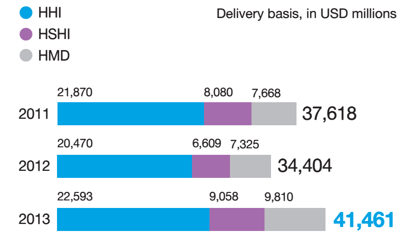
2013 Order Breakdown



Orders



Backlog



2014 Outlook

Given the weak newbuild order volume in 2012 and the greater-than-expected order volume in 2013 as shipbuilders offered new eco-friendly features and attractive prices, we expect demand to weaken in 2014, leading to lower orders. On a positive note, we expect market interest and demand for eco-friendly vessels to steadily grow due to high fuel costs and increasingly strict environmental regulations.

Looking at market opportunities by vessel category, demand for very-large crude carriers is expected to hold steady as Asian markets increase their crude oil imports and diversify import sources. Demand for bulk carriers is also expected to grow, spurred by firm freight rates driven by rising demand for iron ore imports from China. Demand for ultra-large containerships is expected to increase slightly as shipowners compete for market share and reduce operating costs by taking advantage of expanded capacity at the Panama Canal. Demand for LNG carriers is expected to grow thanks to rising shale gas exports from North America. Demand for drillships is expected to decline due to the fact that a considerable number of vessels under construction remain unchartered.

We will be focusing on securing the order volume necessary to keep our shipbuilding operations profitably at work in 2014. We will continue to aggressively respond to the changing market, focusing heavily on winning vessels in categories that are expected to be in higher demand such as LNG carriers, LPG carriers, and containerships. We will also continue to leverage our competitiveness in large bulk carriers, tankers, and offshore vessels to win orders in these key segments of our portfolio.

Given the challenging business environment, we will be actively promoting our eco-friendly ship design capabilities to give us a competitive advantage in the newbuild market as stricter environmental regulations come into effect. On a more general level, our ongoing corporate-wide cost-reduction initiatives will aid us in cutting manufacturing costs as we upgrade our customer service to further strengthen our position as the global market leader.

Clipper Quito LPG carrier delivered
In June 2013, we delivered this 84,000 cbm LPG carrier to Solvang ASA of Norway. In addition to an improved hull form that maximizes fuel efficiency, the vessel is equipped with an advanced exhaust gas cleaning system that enables it to meet new IMO emissions regulations while running on low-cost heavy fuel oil rather than high-cost low-sulfur fuels such as marine gas oil.

Thalassa Hellas containership delivered
In September 2013, we delivered this 13,800 TEU containership to Enesel of Greece, the first of ten vessels ordered in 2012. In addition to optimized fuel efficiency thanks to an improved hull form, main engine low-load tuning with exhaust gas boiler, and other energy-saving features, the vessel is equipped with our Hi-Ballast ballast water treatment system, helping it earn the GL Environmental Passport notation.

Offshore & Engineering

We have played a key role in building some of the world's largest and most advanced offshore facilities for the global oil and gas industries since 1976. Today, our world-class EPIC capabilities are enabling us to deliver the next-generation floating units and platforms that will help meet tomorrow's energy needs.

Dedicated FPSO dry dock facilities
Our H-Dock is the industry's first dry dock dedicated to building offshore projects. Equipped with two 1,600-ton gantry cranes, the 490 m long by 115 m wide by 13.5 m deep dock has a capacity of 1 million deadweight tons. The dock is currently simultaneously building two FPSOs for North Sea projects, including the world's largest cylindrical FPSO to date with a weight of 52,000 tons and a 1 million barrel capacity FPSO.

2013 Overview

Global demand for oil and gas continued to rise in 2013, driven by global economic growth and rising energy consumption in developing markets, fueling order growth for offshore oil and gas production facilities.

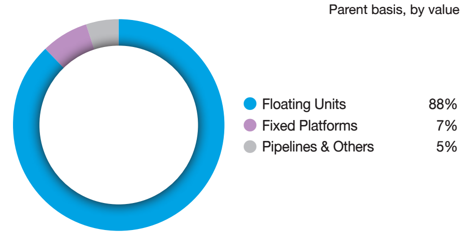
Looking at industry growth by region, rising demand for gas in Australia and Southeast Asia continued to spur major gas field development projects, leading to increased orders and inquiries for both floating LNG (FLNG) units and onshore LNG modules. In West African states such as Nigeria and Angola, development of oil resources to fund national infrastructure continued as planned. In Brazil, the UK, and the Congo, orders for floating production units were brisk. In North America and Latin America, demand for offshore platforms and drilling facilities continued to grow, a trend that shows no signs of slowing anytime soon.

2013 Review

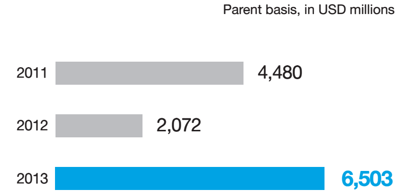
We booked orders of USD 6.5 billion in 2013, representing 108% of our target for the year. We won topside orders for a spar floating gas platform in Norway, an onshore LNG module order for a project in Sakhalin, an FPSO for a project in the North Sea, and a tension leg platform and floating production unit for the Congo's Moho Nord field. We also won pipeline orders in Qatar, India, and Vietnam as we successfully secured a balanced order volume for both our production and installation businesses.

Looking at deliveries, we completed the Ofon platform in Nigeria, Vanguard heavy lift vessel, Ras Gas platform in Qatar, and the Thang Long-Dong Do (TL-DD) pipeline in Vietnam on schedule. We also made the decision to build a 10,000-ton floating crane to improve the productivity of our topside and module production operations. The crane is expected to enter service in the first quarter of 2015.

2013 Order Breakdown



Orders



2014 Outlook

Global investment in oil and gas exploration and production is expected to rise around 4% to USD 687 billion in 2014. The International Energy Agency has forecast that global oil demand will grow by 1,200,000 barrels to 92.4 million barrels per day. Demand for FLNG units and deepwater exploration in particular are two areas that are expected to enjoy substantial growth.

The FLNG market is expected to be worth USD 64.4 billion through 2020 as both investment and exploration and development activities pick up steam. Investment in deepwater projects is projected to top USD 260 billion over the next five years, a 130% increase over the past five years. The majority of this investment will target projects in Africa and the Americas, both regions that are expected to drive growth in the coming years.

From a regional perspective, deepwater development growth is expected to be strong in North America and Latin America, particularly in Brazil. Development of shale gas in the US and oil fields in the Gulf of Mexico are projected to have a major impact on the global energy market.

We are targeting orders of USD 6.9 billion in 2014. We aim to win a balanced range of projects including major floating production unit and fixed platform projects as well as onshore module and pipeline installation projects spanning the globe from the Middle East, Southeast Asia, Australia, and Sakhalin to West Africa and North America.

We will continue to pursue strategic alliances with local fabrication yards to meet local content requirements. We will be expanding our production capabilities in Korea with a 10,000-ton floating crane to enable us to fabricate larger blocks as we leverage our H-Dock dry dock dedicated to floater construction as a key selling point. We will also continue to leverage our installation and production capabilities to win EPIC projects as well as focus on sharpening our competitiveness in the subsea pipeline and production platform installation fields.

North Rankin 2 topsides turnkey project completed
In January 2012, the topsides for the North Rankin gas compression platform sailed for Australia. Installed 130 km northwest of the Karratha LNG plant on the coast of Western Australia, the 24,000-ton turnkey platform project was completed in May 2013.

Gorgon LNG module sail-out
In 2013, the shipment of modules for the Gorgon LNG project sailed for Australia where they will be assembled on Barrow Island as part of an onshore LNG plant to handle LNG from the Gorgon & Jansz gas field approximately 200 km off the northwest coast. Delivery of the 51 modules totaling 200,000 tons is expected to be completed by October 2014.

Industrial Plant & Engineering

We have played a leading role in engineering and constructing some of the world's most advanced industrial plant facilities since 1975. Today, our world-class EPC capabilities are helping bring more power, water, and energy to the Middle East and beyond.

Ruwais Refinery RFCC Project
In August 2011, we delivered this regenerator to GS Engineering & Construction for the Ruwais Refinery Expansion Project in the UAE. At 60-meters tall, 16-meters in diameter, and 1,934 tons in weight, the unit is the largest of its kind to date.

2013 Overview

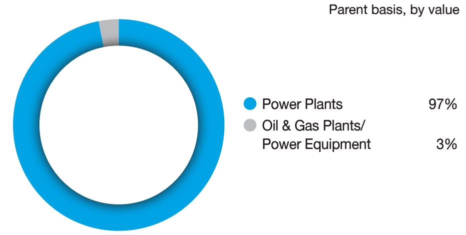
Recovering economies in developed markets were the prime drivers of growth for the industrial plant sector in 2013. However slowing growth in emerging markets, a continued economic slump in the Eurozone, and reduced quantitative easing in the US emerged as threats to growth. While Korean EPC contractors continued to make inroads in overseas markets, cost overruns related to stricter local content requirements such as rising labor costs and subcontractor management led to mounting operating losses. This resulted in a growing shift in focus from the traditional volume-driven low-bid strategy based on cost-leadership to a quality-driven profit-based strategy based on sound and sustainable growth.

Looking at growth by sector and region, order growth was particularly strong in the infrastructure sector. Growth in the industrial plant sector was flat as orders for power, oil and gas, process, and other industrial plants remained stable. From a regional perspective, Asia's share of global orders rose, boosted by new projects in Vietnam and Singapore as well as emerging markets in the CIS. In contrast, the Middle East's order share declined as major project tenders were delayed. Competition continued to intensify as contractors from China, India, Turkey, and other emerging countries entered the global market. In the plant equipment sector, the awarding of contracts for the long-delayed Nghi Son Refinery and Petrochemical Complex project in Vietnam and refinery and petrochemical projects in Russia spurred demand for specialized equipment manufactured with advanced materials.

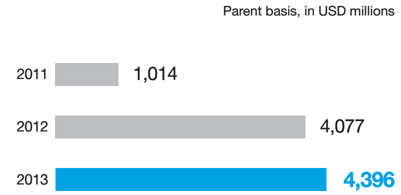
2013 Review

Middle East project tender wins by Korean EPC contractors slumped in 2013, with power plant orders alone falling 25% as new competitors entered the market. Despite this overall downturn, we once again demonstrated our competitiveness by recording the top order total by a Korea-based company for the year as we booked two major projects worth USD 4.3 billion in this highly competitive region. Less than a year after winning the Jeddah South thermal plant project in October 2012 in Saudi Arabia, we booked the USD 3.3 billion 2,640 MW Shuqaiq steam power plant project. We also won the USD 1 billion 1,500 MW Az-Zour North IWPP project in Kuwait due in large part to our successful completion of the Sabiya power plant ahead of schedule, a facility that played a major role in getting that country through a summer power shortage in 2011. We also won Phase IV of the ITER toroidal field coil structure project and the Hyundai Oilbank CFBC boiler project in Korea. Major project completions during the year included the Riyadh PP11 1,756 MW gas-fired combined-cycle IPP project in Saudi Arabia.

2013 Order Breakdown



Orders



2014 Outlook

Although there are increasing concerns based on economic trends in emerging markets, the global industrial plant sector is expected to grow on the whole at a similar pace as 2013 driven by continued growth in Asian construction markets. In the Middle East, long-planned power projects are expected to steadily come up for tender. The tender of a number of major oil and gas projects delayed in 2013 will provide similar opportunities to what we've seen in the past. Given the continued need for investment to improve quality of life and stimulate domestic demand, order growth is expected in Saudi Arabia, Kuwait, the UAE, and Qatar. In Southeast Asian markets where the global economic downturn has had relatively little impact, independent power projects are expected to pick up steam. In Africa where demand for power as well as oil and gas continues to grow, financing will play a key role in determining whether projects move forward. From a competitive perspective, Korean EPC contractors are expected to strive to avoid cutthroat competition and conservatively pick and choose tenders with a focus on profitability.

In the plant equipment sector, tenders for residue fluidized catalytic cracking (RFCC) reactors and other specialized equipment are expected to pick up as major refinery and petrochemical complex projects move forward in Russia, the Middle East, and Southeast Asia. Notably, projects in Central Asia and Africa are also expected to move forward.

In addition to competing successfully in the Middle East market, we plan to continue to diversify into new markets and project fields to lay a solid foundation for growth going forward. In the power plant sector, we are aiming to make inroads into Asian markets such as Malaysia, Indonesia, Vietnam, and Kazakhstan as well as major markets in North Africa. We plan to expand our portfolio to include coal-fired thermal power, integrated power and desalination, integrated solar combined-cycle, and integrated gasification combined-cycle projects. Here, we will strengthen our collaboration with leading developers and major equipment makers as appropriate based on region and project type.

In the oil and gas sector, we will be focusing on winning major oil field development and refinery projects in the Middle East with an emphasis on profitability. We will actively participate in projects led by oil majors as well as partnering with leading international firms to minimize risks related to project management. We will also actively pursue projects in CIS and Southeast Asian markets as we look for opportunities in promising markets in Latin America as well as markets in North Africa.

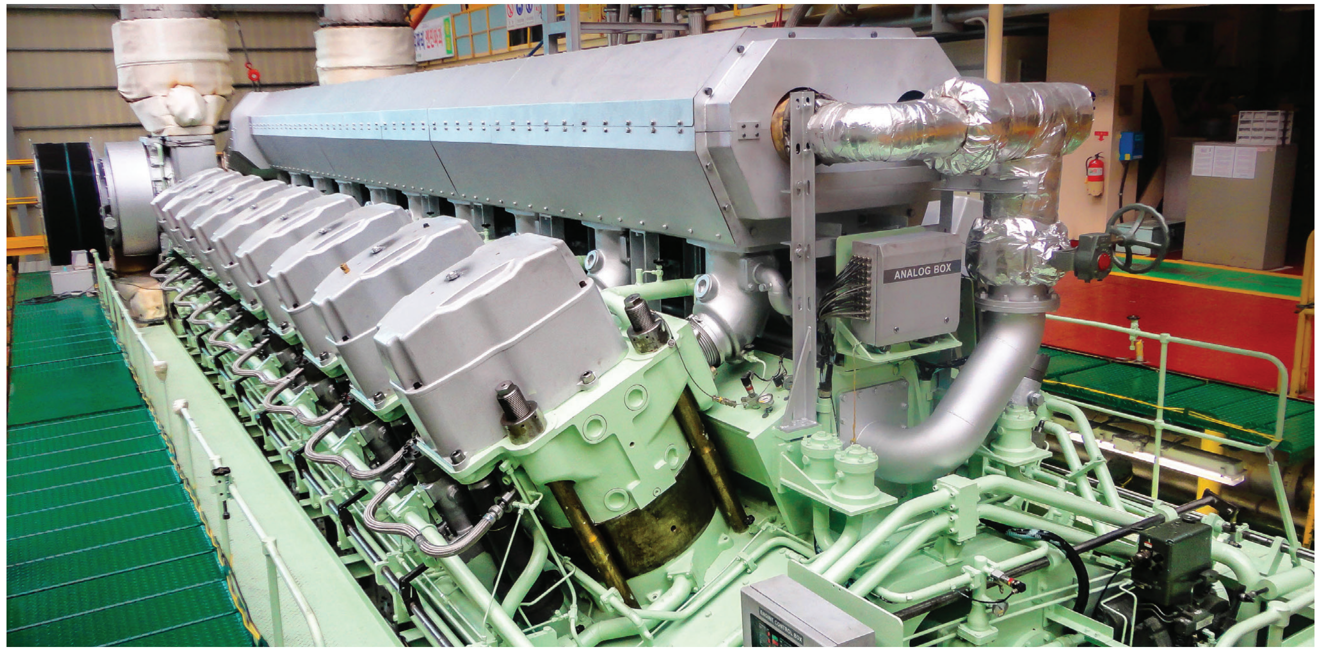
In the plant equipment sector, we are targeting orders for major refinery and petrochemical complex projects in Russia, the Middle East, Southeast Asia, and projects currently underway in Central Asia.

1. Pearl GTL project
In November 2011, we completed EPC work on this advanced gas-to-liquids plant in Ras Laffan, Qatar. The plant is capable of producing 140,000 barrels a day of ultra-low-sulfur diesel, naphtha, LPG, and condensate using natural gas from undersea wells.

2. Al Dur independent water and power project
In early 2012, we completed this turnkey EPC project for Al Dur Power and Water Company in Bahrain. The project includes a 1,245 MW combined-cycle power plant and 48 MIGD reverse osmosis desalination plant.

Engine & Machinery

We are known for building some of the world's most powerful engines and advanced industrial machinery since 1979. Today, our world-class solutions are helping a wide range of industries from shipbuilding to automaking to build a greener, more productive future.



HiMSEN H46/60V type approval secured
Boasting more than twice the horsepower of our previous largest four-stroke engine, this 25,000 kW engine won type approval from nine classification societies, including ABS of the US and DNV of Norway. Our four-stroke engine lineup now ranges from 575 kW to 25,000 kW, giving us the ability to deliver engines customized to meet the exact power needs of our customers for marine propulsion and power generation, taking our competitiveness to the next level.

2013 Overview

Global engine market growth was driven by growing demand for new eco-friendly, fuel-efficient marine engines as year-on-year order volume increased significantly. Growing orders for large-bore two-stroke engines for ultra-large containerships played a key role in this growth. Unfortunately, supply continued to exceed demand, leading to fierce competition that pushed prices lower. In the diesel and gas power plant market, overall demand shrank slightly. Although demand continued to grow in the Middle East, growth was hampered by a number of project tender delays and postponements. The machinery market saw growing demand as EPC companies increased orders of compressors and industrial pumps and automakers ordered robots, presses, and conveyor systems to outfit new production lines.

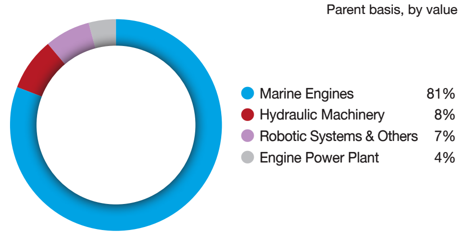
2013 Review

We booked orders of USD 2.43 billion in 2013, driven by growing demand for two-stroke marine engines for containerships and tankers. Our overall performance for the year was pulled down by unfavorable conditions in the machinery market.

We expanded our market share lead in the two-stroke marine engine market to 36% as we produced 246 engines totaling nearly 8.8 million bhp to pass the 130 million bhp cumulative production milestone. We also produced 888 four-stroke engines totaling 3.3 million bhp, pushing our cumulative total to 7,890 units since we shipped our first HiMSEN engine in 2000. We also produced 3,171 industrial robots during the year. Our diesel and gas power plant and hydraulic machinery businesses had respectable years despite falling short of their order targets due to project delays in the Middle East.

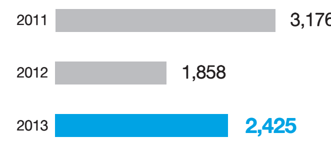
2013 Order Breakdown

Parent basis, by value



Orders

Parent basis, in USD millions



2014 Outlook

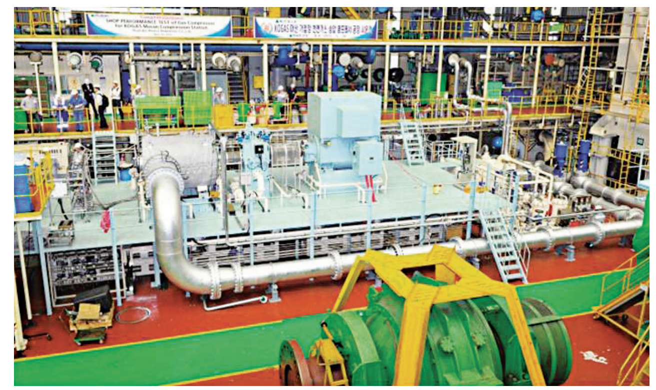
Although the global shipbuilding industry is expected to continue to see slow newbuild growth in 2014, we expect to see demand continue to rise for high-efficiency, eco-friendly gas and dual-fuel marine engines. Significant industry overcapacity will ensure that competition will continue to intensify, creating downward pressure on engine prices and profitability. Increasing reliability and performance from Chinese engine makers will help them continue to win new business from local shipyards. In Korea, the major shipyards are increasingly focusing on offshore platforms and specialized vessels, reducing potential demand for two-stroke engines.

The diesel and gas power plant and hydraulic machinery markets are expected to grow thanks to growing demand for eco-friendly gas and dual-fuel engines. The industrial robot market is also expected to grow, spurred by strong demand from China's automobile market, which is currently growing at a 10% annual pace.

We are targeting orders of USD 2.9 billion in 2014 as we strive to systemically deliver superior quality, customer service, and support to differentiate ourselves from competitors in China. From a production standpoint, we aim to deliver 300 two-stroke marine engines totaling 9.8 million bhp to maintain our industry-leading 36% market share in the two-stroke marine engine market. We also plan to deliver 1,000 four-stroke engines and 4,000 industrial robots during the year.

In the engine field, we will continue to focus on our most competitive businesses, two-stroke marine engines and packaged power stations. Our eco-friendly dual-fuel engine package featuring our ME-GI two-stroke engine, HiMSEN dual-fuel four-stroke engine, and Hi-GAS fuel gas supply system will be a key sales focus. We also plan to expand our portfolio in the machinery field, focusing on industrial pumps, air compressors, ballast water treatment systems, industrial and clean-room robots, and eco-friendly machinery. In these and other fields, the price, delivery, and quality advantage our integrated production capabilities give us will be instrumental in expanding our customer base going forward.

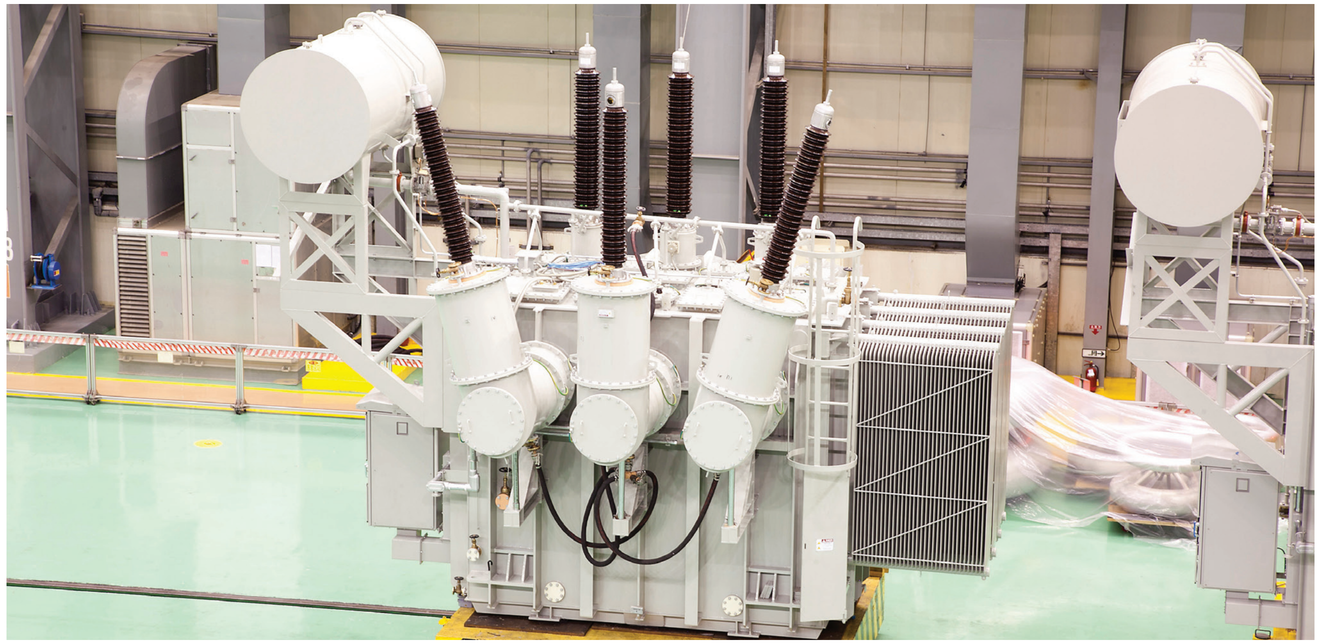
G80ME-C9.2 type approval secured
In March 2013, this 4,710 kW/cylinder two-stroke engine won type approval from 11 classification societies, including ABS, DNV, LR, and NK. The tested 6-cylinder G80 engine is only the second of its type produced in the world. In February 2013, we supplied the world's first 7-cylinder G80ME-C engine to Daewoo Shipbuilding & Marine Engineering for a 319,000 dwt tanker ordered by Almi Tankers of Greece.



Gas compressor project completed
In June 2013, we completed a three-day shop performance test of our first centrifugal gas compressor. Designed, built, and tested under technical license from Mitsubishi Heavy Industries Compressor Corporation, the unit is powered by a 22 MW gas turbine and is capable of delivering 1,110 tons of natural gas per hour. The project opens the door for us to target new opportunities in the onshore and offshore gas plant and cogeneration power plant fields.

Electro Electric Systems

We are known for building some of the world's most advanced power transmission and distribution equipment. Today, our state-of-the-art transformers, gas-insulated switchgear, and rotating machinery are helping utilities and manufacturers to deliver and utilize power more efficiently and reliably.



Leading the 345 kV-and-above shunt reactor industry

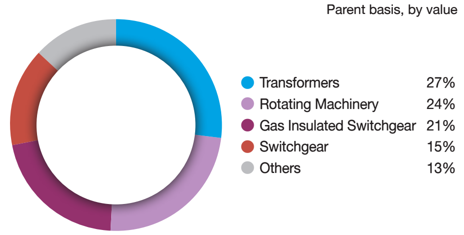
We became a top-5 player in the 345 kV-and-above shunt reactor market in 2012 with a 6.4% global market share. This performance enabled us to win "World Class Product of Korea 2012" recognition from Korea's Ministry of Knowledge Economy.

2013 Overview Global power transmission and distribution equipment markets experienced a challenging year in 2013. The notable exception was the US, where the ongoing quantitative easing policy helped the economy grow and power projects move forward. In Europe, orders remained stagnant as the ongoing Eurozone financial crisis continued to curtail and delay investments, prompting regional EPC contractors to look for business opportunities in other regions. In the Middle East, competition intensified as power plant tender volume in Saudi Arabia shrank, major players such as ABB, Siemens, and Alstom launched aggressive marketing campaigns, and contractors in neighboring countries competed for a shrinking order pool. In Asia and Africa, major planned investments in power infrastructure were shelved due to financing issues. Project tenders were also delayed due to political instability in a number of markets.

2013 Review We booked orders of USD 1.82 billion in 2013, a 21% decrease from the previous year. The order decline was similar across all business segments, with transformer and gas insulated switchgear orders down 19% to USD 885 million, rotating machinery orders down 22% to USD 426 million, and switchgear and other equipment orders down 26% to USD 509 million. Overseas orders accounted for USD 1.14 billion of the total, with 21% coming from the Americas, 47% from the Middle East, 15% from Europe, and 17% from Asia and Africa. Overall, overseas orders declined since 2012 due to fewer major project tenders in the Middle East and delays in long-term supply tenders in European market. One positive development was that we saw orders from North America return to growth in 2013 as we successfully responded to anti-dumping sanctions placed on Korean transformer manufacturers by the US and Canada focusing on high-voltage transformers and other equipment.

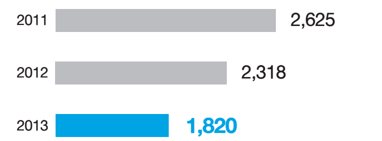
2013 Order Breakdown

Parent basis, by value



Orders

Parent basis, in USD millions



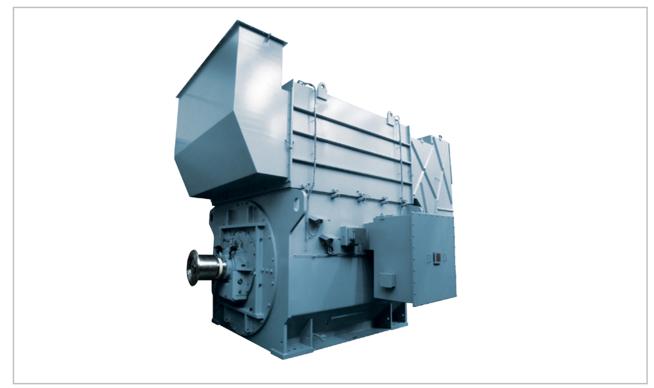
2014 Outlook While the demand for power equipment is expected to increase steadily, prospects for growth will vary quite widely, depending on regional trends. In North America, industry growth is expected to be driven by the investments on upgrade and expansion of the existing power infrastructure. Such as construction of gas-fired combined-cycle power plants to replace aging coal-fired plants.

The US shale gas industry boom is also expected to further boost infrastructure investment. In Europe, equipment demand is expected to increase due to an aging power infrastructure and new investments. In Russia, demand is likely to shrink as state organizations scale back investment projects due to a worsening economic outlook. In the Middle East, Saudi Arabia, Kuwait, and other Gulf states are expected to continue to invest in power infrastructure. However, competition is expected to intensify as those governments approve new bidders to spur competition in the region. In Asia, demand for low-cost equipment in India and China is expected to be driven by projects from independent and small power producers. In Africa, mid- and long-term power infrastructure projects are expected to resume when political stability returns.

We are targeting orders of USD 2.4 billion in 2014. In North America, we aim to expand our business in the high-voltage field. -345 kV, 400 MVA-and-above Transformers as well as product segments not related to sanctions such as 60 MVA-and-below Transformers and Shunt Reactors. We also plan to establish a service center at our Alabama Transformer plant to better meet the needs of regional markets. In Europe, we are working to secure long-term equipment supply contracts in the UK and step up early collaboration on prospective power infrastructure projects in Russia. In the Middle East, we will focus on winning package orders with turnkey solutions encompassing equipment, installation, and commissioning services. In Asia and Africa, we will be pursuing project orders in Thailand and North Africa as well as long-term equipment supply orders in South Africa.

New HG-series vacuum circuit breakers

We have begun selling this new series of vacuum circuit breakers which are designed to meet the improved electrical specifications at a lower price.



New 13,400 kW high-voltage induction motor

This newly released 13,400 kW induction motor (60 Hz, 13.2 kV, 4P) is the largest manufactured in Korea to date. Measuring 6.1 m long, 4.8 m tall, 4.3 m wide, and weighing 63 tons, the unit is now being supplied to customers worldwide.

Construction Equipment

We have been building some of the world's most reliable and advanced construction equipment since 1985. Today, our world-class engineering, growing global production network, and commitment to superior post-sale service is helping build a better future around the globe.

Excavator range leads the way
Our full line-up of excavators spans the range from 1.5-ton mini machines all the way up to 120-ton mining mammoths. Recognized for outstanding performance, design, and operator ergonomics, our excavators lead the segment in more than 113 countries worldwide.

2013 Overview

The global construction market slowed in 2013 as economic uncertainty in the US and Europe continued and China maintained its tight credit policies to keep growth in check. In emerging markets such as the Middle East, Brazil, Russia, and Africa, falling international raw materials prices combined with a market slump in the second half of the year and political and policy obstacles dampened demand.

Looking at construction industry growth by region, the second half of the year brought a gradual recovery in the US as key economic indicators such as housing demand and individual consumption showed signs of improvement. While government policies and tight credit delayed recovery in China's construction market, concerns of an economic hard landing eased as the market remained stable. In Brazil, demand for equipment fell as the global economic slowdown impacted major development and private sector projects.

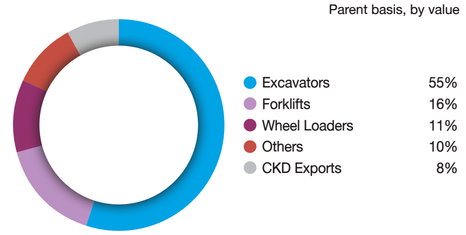
2013 Review

In 2013, our new orders reached USD 2.5 billion. This roughly 11% decrease from 2012 was primarily due to stagnant growth in the global market, a steep drop in China, and increasing competition from Japanese makers, who benefitted from the weak yen.

Despite this increased competition, we continued to boost our market share by reducing costs and strengthening our sales organization. Our excavator business continued to lead its market segment in 10 countries across the Middle East, Africa, and CIS by delivering customized equipment to meet customer needs as well as superior customer service. Our forklift business performed slightly worse than the previous year due to the weak yen.

2013 Order Breakdown

Parent basis, by value



Orders

Parent basis, in USD millions

2014 Outlook

We expect the global construction market will be somewhat positive in 2014. In China, market growth is expected to be stable as government policy continues to keep a tight rein on economic growth. In the US, uncertainly continues to linger in the wake of budget sequestration and the government shutdown in 2013. However steadily improving demand for housing and individual consumption are expected to keep the market growing at a similar pace.

In emerging markets, decreased liquidity as the US scales back its quantitative easing policy is projected to dampen market demand in the first half, but a gradual recovery is expected in the second half. In Brazil, public tender purchases focusing primarily on small-sized equipment are expected to increase as part of economic stimulus measures as expectations of market recovery rise in the lead-up to the 2014 FIFA World Cup and 2016 Rio Olympic Games over the next two years. In Europe, the ongoing financial challenges that nations in southern Europe face make it unlikely that the equipment market will recover in the near future.

Our global new order target for 2014 is USD 2.8 billion as we continue to strengthen our global sales network and enhance service and support in pursuit of greater market share. The start-up of joint venture engine maker Hyundai Cummins Engine Co. in Daegu, Korea in May 2014 will provide us with a stable supply of high-quality engines and service capabilities that will further enhance customer satisfaction. We are also working to improve our price competitiveness and sales capabilities through a financing program and product support policies to counter the pricing advantage Japanese makers currently have.

More generally, we will continue to invest in our products, develop specialized equipment for key markets, and deliver superior customer service to improve our competitiveness. We believe that developing next-generation equipment that brings together the latest advances in information technology to enhance efficiency and security and eco-friendly technology to meet the high environmental standards set in Europe and North America is key to meeting the changing needs of global customers and unlocking opportunities for growth worldwide in the years ahead.

Forklifts go green
We developed our popular 9-series electric forklifts in response to rapidly growing demand for machines that are cheaper to operate and more eco-friendly. We continue to innovate in technology and quality in all our equipment segments to exceed customer expectations.

Brazil plant opens
In April 2013, we completed a plant in Itatiaia, Brazil that will produce some 3,000 excavators, wheel loaders, and backhoe loaders annually. The plant paves the way for us to build brand awareness as a local maker in a market that's emerging as Latin America's largest.

Green Energy

We are an emerging player in the global solar PV and wind power markets. Today, our strategic alliances with world-class partners around the globe are helping us deliver high-performance solutions for utility-scale renewable energy projects in key markets worldwide.

Yeongam Wind Farm commissioned
In December 2013, we completed delivery and installation of twenty 2 MW wind turbines for Korea's largest wind power facility to date. The 40 MW facility will meet the power needs of approximately 30,000 homes in the region.

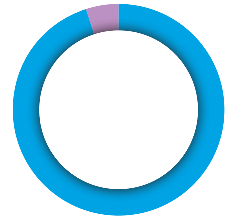
2013 Overview After weathering the challenges of market oversupply and declining prices over the past few years, renewable energy companies saw supply-demand balance improve and signs of market recovery in the second half of 2013. Global solar PV generating capacity rose 16% or an estimated 36.7 GW. The chronic oversupply situation that has held back the industry since late 2010 started to improve and module prices began to level out. The industry was driven by strong growth in Asia led by Japan and China as well as North America. Growth in Europe continued to slump.

In the global wind power market, generation capacity growth fell roughly 24% to an estimated 35.5 GW in 2013 due to soft demand in the US related to policy uncertainty. The extension of the US wind production tax credit incentive helped the industry steadily recover in the second-half of the year. The offshore wind power sector showed growth primarily in Germany and the UK. From a capacity standpoint, turbine oversupply continued to be an issue with prices declining slightly. Major industry players focused on improving their bottom line by expanding their scope of services, cutting fixed costs, and targeting new markets.

2013 Review Despite challenging renewable energy market conditions, we booked orders of USD 238.0 million in 2013. Our solar business completed delivery of its largest module order to date for the 142 MW Arlington Valley Solar Energy II project in the US state of Arizona. Strong sales growth in Japan raised that market's share of our portfolio. As we continued to expand our order opportunities, we also steadily increased investment in R&D to boost solar cell efficiency and improve module durability for harsh desert and marine environments.

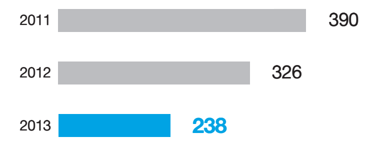
2013 Order Breakdown

Parent basis, by value



Orders

Parent basis, in USD millions



Our wind business continued to gain market share in Korea, delivering orders for a number of projects nationwide, including twenty 2 MW onshore turbines for the Yeongam Wind Farm—the nation's largest wind project to date. We also have built and are now testing a 5.5 MW offshore turbine system as we prepare to enter a market segment that is expected to enjoy strong growth in the coming years.

2014 Outlook The global renewable energy market is expected to steadily grow in 2014, with China, Japan, and North America leading the way. The global solar PV market is forecast to grow 21% YoY to 44 GW. The supply-demand balance is expected to improve in the second-half of the year. Growth is projected to center around markets with active government support and incentives such as China, Japan, and the US, with those markets accounting for over half of overall demand. Module prices are expected to hold steady.

The global wind power market is forecast to improve in 2014, with demand projected to grow over 24% YoY. Industry restructuring to deal with the chronic oversupply situation is expected to reducing production capacity by 1.5%. The offshore wind power market in particular is expected to grow, with Europe leading the way. While wind turbine prices are forecast to steadily trend downward, major players are expected to gradually improve profitability as they strive to improve their profit structure.

We are targeting orders of USD 354.0 million in 2014 as we focus on strengthening our operations and improving profitability. In the solar PV market, we will be bolstering our ability to target specific customers and markets. We will be expanding our marketing network in Japan, our largest market, as we strive to grow sales in markets like Europe and the US, where Chinese modules are under anti-dumping sanctions. We will also improve profitability by focusing on growing order volume and delivering high-efficiency products tailored to meet the specific needs of each market.

In the wind power market, we will continue to expand sales of our existing 1.65 MW and 2.0 MW onshore turbines. We also aim to complete certification of our first 5.5 MW offshore turbine as we target growth opportunities in the offshore wind power market. We will also continue to upgrade our project management and service capabilities to boost our revenue generation opportunities as we differentiate ourself from the competition.

Arlington Valley Solar Energy II commissioned
In December 2013, we completed delivery of 492,000 high-performance solar PV modules for this 142 MW DC project in Arizona, US. This project is both the state's and our largest solar facility to date.

5.5 MW offshore turbine prototype commissioned
In February 2014, we completed installation of a prototype 5.5 MW wind turbine on Korea's Jeju Island. The largest turbine built to date in Korea, the prototype will begin certification testing and is expected to receive type approval by year end.

Refinery

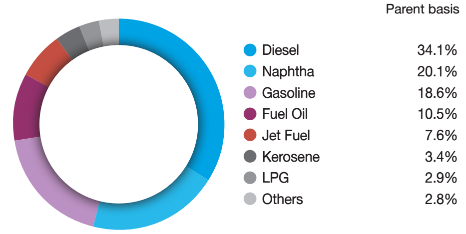
Hyundai Oilbank is known for its modern refinery facilities and high-quality petroleum products. Today, the company is expanding its product portfolio into new value-added businesses to help satisfy the growing petroleum and energy needs of industries and consumers in Korea and beyond.

Korea's most-profitable refinery
In 2013, Hyundai Oilbank's petroleum and petrochemical businesses both delivered solid results. The company maintained its 22% share in Korea's light oil market. It also achieved its goals of diversifying its oil imports and raising its direct overseas trading ratio. The company's KRW 404.4 billion operating profit led the local industry and it expects to build on that solid base in 2014 with new sales in its petrochemical and lube base oil businesses as it sets its sights on generating sales of KRW 30 trillion by 2016.

2013 Overview In 2013, the average international price of Dubai crude experienced a slight decline as slowing growth in emerging markets and rising non-OPEC production offset potential upward price pressure from political instability in the Middle East and economic recovery in the US. In the first quarter of the year, geopolitical concerns pushed oil prices and refining margins higher. However, concerns of a global economic slowdown in the second quarter pushed oil prices below the USD 100/barrel level. In the second half of the year, oil prices recovered due to seasonal factors, but reduced regional risk in the Middle East and slowing growth in emerging markets saw prices trend lower. While refining margins continued to steadily decline as the global economic slowdown reduced demand for crude oil, improved cracking margins and reduced price volatility helped boost industry profitability during the year.

2013 Review Hyundai Oilbank's sales declined slightly in 2013 due to softening international oil prices, less favorable exchange rates, and the shutdown of the #2 crude distillation unit for scheduled maintenance. While slowing global economic growth slightly lowered refining margins, stable operations at the company's highly-profitable upgrading facilities, steady productivity gains, rising domestic market share, and export growth helped improve operating profit. In terms of profitability, the company outperformed its industry peers in Korea due to a number of factors, led by an industry-leading upgrading ratio of 34.4% and a relatively high 22% light oil market share that exceeded its portion of domestic refining capacity.

2013 Sales by Product



Upgrading Ratio

#2 BTX plant begins commercial operations
In February 2013, Hyundai Oilbank began commercial operations at its #2 BTX plant following mechanical completion in November 2012. Established in 2009, this joint-venture project with Cosmo Oil of Japan increased the company's paraxylene capacity by 800,000 tons and benzene capacity by 120,000 tons, bringing total BTX capacity to 1.4 million tons annually. The company's basic petrochemical exports now generate over KRW 1 trillion in sales annually.

Hyundai Chemical joint-venture launched
In January 2014, Hyundai Oilbank signed a joint-venture agreement with Lotte Chemical to build a mixed-xylene and condensate refining plant. Located in Hyundai Oilbank's Daesan plant, the new facility is scheduled for mechanical completion in the second-half of 2016. When completed, the plant will provide petroleum and petrochemical products to both Hyundai and Lotte, saving the companies over KRW 2 trillion in imports annually. The jet fuel and diesel produced during the mixed-xylene production process are expected to generate an additional KRW 3 trillion in exports annually. When the project is complete, the company's daily production capacity will rise 36% from 390,000 barrels to 530,000 barrels.

2014 Outlook Global oil prices are projected to trend lower in 2014 despite production cuts by OPEC producers as non-OPEC producers continue to increase production, the US scales back its quantitative easing program, and emerging markets face the possibility of financial instability. While prices may be softer, industry refining margins are expected to remain stable as new refinery capacity and slowing growth in emerging markets offset increased demand from projected growth in OECD markets. In Korea, growth in demand is expected to slow as the government continues to implement price stabilization policies to foster growth in areas such as self-service gas stations and e-commerce, putting pressure on sales margins.

Hyundai Oilbank expects sales volume to decrease slightly in 2014 as oil prices trend lower and exchange rates remain unfavorable. While it's unclear if refining margins will see clear improvement, the company will be focusing on improving profitability by keeping operations at its highly-profitable upgrading facilities running smoothly, expanding sales to high-margin overseas markets, and continuing productivity and cost-reduction initiatives. The company also expects its business portfolio diversification strategy to begin to deliver results in 2014 with the completion of an expansion project at the #2 BTX plant in 2013 and the scheduled completion of a lube oil plant in 2014 as it continues to strategically invest in new businesses that will provide a solid foundation for growth going forward.

Financial Services

HI Investment & Securities and HI Asset Management are known for delivering quality brokerage, asset management, corporate finance, and loan services. Today, these companies are creating financial products and services that are helping investors build a more profitable and secure future.

HI Investment & Securities Client Assets

in KRW billions

HI Asset Management Assets Under Management

(AUM: Funds + outsourced funds) in KRW billions

2013 Overview

Unlike stock markets in the US, Japan, and other developed markets that saw new highs in 2013, the Korean stock market experienced lackluster performance, closing up just over 0.7% at 2,011.34 points. Trading volume was down significantly for the year, with the average daily volume down around 17% to KRW 5.8 trillion. The same figure for individual investors was down roughly 20% to KRW 3.5 trillion.

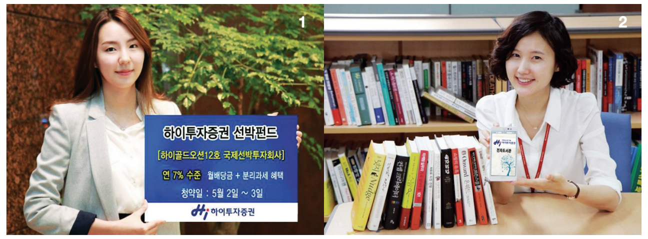
The likelihood of industry consolidation increased during the year as fund management and commission fees continued to decline, the Tongyang Group scandal caused individual investors to exit the market, and intense competition between the 62 local brokerage firms continued to weaken profitability. The industry also continued to fundamentally change as investors steadily diversified their investment portfolios and increasing embraced internet and mobile trading platforms.

The Korean fund market continued to show a strong preference for safe assets. Assets held in bond and money market funds continued to experience strong growth, while more risky equity funds continued to see sell-offs. International equity funds continued to deliver strong results. In terms of profitability, international equity funds led the way, followed by domestic equity funds, international bond funds, and domestic bond funds.

2013 Review

Faced with slowing trading volume and increasing competition, HI Investment & Securities expanded its headquarters salesforce in 2013 and recorded a net operating profit of KRW 146 billion. The company's business opportunities and infrastructure were bolstered by the launch of Korea's KONEX market for small firms and start-ups, expanded opportunities in the over-the-counter derivatives market, the launch of a fifth ship investment fund, expanded accounting and tax services, and private banking MBA. The company's research center once again received high marks from media company analysts, while its expanded personal information protection and other security systems enhanced its reputation with investors.

HI Asset Management saw assets under management grow 18.9% to KRW 8.1 trillion in 2013 despite an unfavorable market environment by successfully soliciting institutional funds and improving operating margins with targeted marketing



1. Fifth ship investment fund launched
HI Investment & Securities launched its fifth public ship fund—HI Gold Ocean No. 12—in May 2013, attracting KRW 65.2 billion in subscriptions. Combined with separate private ship funds that have attracted approximately KRW 400 billion from institutional investors, the company's funds have invested in a total of 28 ships to date.

2. Smart Hi mobile trading app
HI Investment & Securities' Smart Hi mobile trading app allows investors to conveniently trade stocks and futures, subscribe to public stock offerings, transfer funds, and other tasks from their smartphone. The service also provides free access to a variety of valuable content including a digital library, trading alerts, and an in-house broadcast channel for individual investors on any Internet-capable mobile device or computer.

and products tailored to customer needs. Like the rest of the industry, the company saw growth in both money market and mixed-asset funds. The company's domestic equity funds were particularly well received. Its focus on smart marketing and specialized alternative funds such as derivative and ship funds also delivered strong results. However, profitability was weakened due to redemptions of high-yield equity fund products.

2014 Outlook

Concerns about the US Federal Reserves' tapering policy, slowing economic growth in China, and the declining competitiveness of Korean exporters due to the weakening Japanese yen all point to an uncertain outlook for the Korean securities market in 2014. Despite government efforts to stimulate domestic capital markets, there is limited room to improve profitability as trading volume decreases and competition increases. Industry scandals and rising personal information theft are also expected to increase compliance costs as financial authorities tighten regulations.

In the Korean fund market, low interest rates are expected to continue while the pension market will see growth due to asset growth and an ageing population. Market uncertainty is expected to make medium-risk, medium-yield products and low-tax products more popular. Overall, the securities industry is expected to continue to see increased specialization and consolidation around the largest firms in a business environment very similar to 2013.

HI Investment & Securities is now laying the foundation for greater profitability and innovation by strengthening its retail competitiveness through salesforce consolidation, enhancing staff capabilities, and expanding outdoor sales. It will also expand its customer base through banking-related businesses and expanded online sales. Organizational innovation, brand-building, and IT competitiveness will also play a key role in improving the company's business infrastructure and paving the way for sound growth.

HI Asset Management expects assets under management to increase significantly as its smart marketing attracts new institutional funds and improves operating margins. The company will be focusing on boosting profitability by expanding long-term funds in order to stabilize assets under management. This year, the company will constantly restructure the organization to enhance management and marketing capabilities and strengthen its risk management committee to effectively respond to the volatile market environment.

1. HI Plus Alpha Fund
HI Asset Management launched this domestic equity fund focused on medium-risk, medium-yield equities to generate returns that exceed market interest rates. The fund seeks to exploit the end-of-month effect by investing in long and short funds and IPOs as well as the tax benefits of income earned from domestic securities and futures investments.

2. HI Korea Aggressive Growth Fund
HI Asset Management launched this domestic equity fund that picks stocks with strong growth potential and seeks high yields by simultaneously pursuing top-down and bottom-up strategies. The company plans to expand fund sales to neighboring markets in Asia after establishing a solid track record.

Research center wins recognition
HI Investment & Securities won recognition from a number of media outlets in 2013 for its research capabilities. The company's research center was named the best analyst in the strategy and portfolio categories for the second consecutive year as well No. 8 overall by Korea Herald Business. The company was also named the best performer in the steel and non-ferrous metals industry by the Money Today Network and recognized as having a number of analysts make the "best analysts" rankings published by the *Korea Economic Daily* and *Maeil Business Newspaper*.

Creating new opportunities on the KONEX market
HI Investment & Securities served as a nominating advisor or "Nomad" for the initial public offering of SNP Genetics, one of 21 companies selected in the first group to list on the Korea New Exchange (KONEX) launched in July to help startups raise capital and increase the liquidity of their stock. The company has continued to advise and support SNP Genetics since the listing and is now preparing to serve as a Nomad for additional KONEX listings.

Research & Development

We are building tomorrow by innovating today. Our unique research organization gives us a solid foundation and powerful competitive advantage that ensures our long-term growth and profitability in the increasingly competitive global marketplace.

GENERAL RESEARCH INSTITUTE

Maritime Research Institute (MRI)

Founded in 1984, MRI develops the industry-leading core technologies that make our ships and offshore structures the world's best. Focusing on the fields of hydrodynamics, structural mechanics, and experimental research for both ships and offshore structures, MRI is developing the new technologies and businesses that will ensure our continued leadership in these fields.

In 2013, MRI developed a rudder and propeller boss cap fin (PBCF) design engineered to optimize propeller thrust to improve sailing speed and significantly reduce fuel oil consumption. Initially installed on a gas carrier, the patented devices are expected to be increasingly adopted for use on other types of vessels as ship owners look for cost-effective ways to reduce operating costs for both existing and new vessels.

Engine & Machinery Research Institute (EMRI)

Reorganized in April 2012, EMRI has the mission of enhancing the performance, reliability, and eco-friendliness of our marine engine, industrial robot, and hydraulic machinery lineup. EMRI is also involved in the development of high-tech equipment such as medical robots and ballast water management systems that continue to broaden our product portfolio.

In 2013, EMRI developed a 1,500 bhp-class air compressor that has a flow rate of 14,050 m^3/h, a maximum discharge pressure of 10.4 kgf/cm^2, and a 71% efficiency ratio, making it one of the world's best in its class. The compressor uses a backward-leaning impeller to improve efficiency and has a guaranteed service life of 20 years. The design and technical insights gained through this project will play a key role in expanding our new compressor lineup going forward.

Construction Equipment Research Institute (CERI)

Founded in 2012, CERI has the mission of making our construction equipment lineup one of the most creative and innovative in the industry. Focusing on core technologies designed to optimize equipment performance, reliability, productivity, and controllability, CERI develops virtual design tools, major mechanical and electrical components, and energy-saving control systems.

1,500 bhp-class air compressor

In 2013, CERI developed a hybrid electro-hydraulic system for excavators that demonstrated a fuel savings of more than 15% on a 22-ton prototype machine. The Hi POSS system consists of an electronically-controlled main control valve, electric pumps, and a controller to deliver optimal power distribution and energy recycling to significantly reduce fuel consumption.

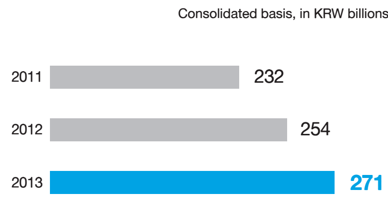
CORPORATE TECHNOLOGY INSTITUTE

Advanced Technology Institute (ATI)

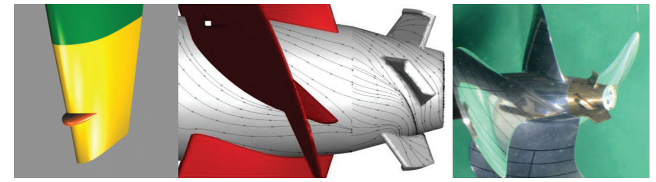
Founded in 2012, ATI develops the core technologies and systems that keep our world-class products at the top of their respective fields. Focusing on comfort, safety, performance, and eco-friendliness, ATI is delivering practical solutions for offshore oil and gas plants, power plants, seawater desalination plants, engine emission control systems, and other fields.

In 2013, ATI developed a selective catalytic reduction (SCR) system designed to remove more than 80% of NO_x emissions from marine diesel engines to comply with IMO Tier-III emissions standards set to take effect in 2016. The system uses a proprietary high-cell-density metal substrate coating catalyst and is less than half the size of competing solutions. The system reactor is available in both box and cylindrical designs to facilitate installation in different engine room layouts and minimize interference with existing equipment.

R&D Investment



174,000 cbm twin skeg rudder and propeller boss cap fin (PBCF)



Industrial Technology Institute (ITI)

Founded in 1983, ITI plays a vital role in developing new production technologies in fields such as welding, material processing, structural design, protective coatings, manufacturing automation, and production system control. ITI leverages state-of-the-art analysis equipment, simulation facilities, and an internationally accredited material testing laboratory to elevate product quality and productivity to the next level.

In 2013, ITI developed Korea's first high-frequency digital inverter welding machine with the goals of improving energy efficiency, delivering high-speed precision control, and reducing equipment size. Compared to existing CO_2 welders, the new welder has less than 50% of the apparent power consumption at the same output voltage while delivering high-quality results and flexibility to reduce overall equipment investment costs.

ELECTRO-MECHANICAL RESEARCH INSTITUTE

Frontier Technology Institute (FTI)

Founded in 2012, FTI is playing a leading role in developing the new businesses that will drive our future growth. Focusing on a broad spectrum of energy-related fields such as energy storage systems (ESS) as well as enhanced industrial design, FTI is now exploring, developing, and bringing to market promising technologies that will significantly expand our business portfolio in the coming years.

In 2013, FTI launched development of energy storage systems (ESS) targeted four major areas including power generation, manufacturing, microgrid, and residential applications. As part of these efforts, FTI developed a 5 kW ESS prototype based on Vanadium Redox Flow Battery (VRFB) technology, laying the groundwork for us to enter that promising market in the second-half of the decade.

Electro Electric Systems Research Institute (EESRI)

Founded in 1982, EESRI develops key power equipment technologies that make power transmission and distribution more efficient and reliable. Focusing on the fields of electrical and mechanical engineering, EESRI is engaged in a variety of R&D activities ranging from the fundamental to the applied and the theoretical to the practical.

In 2013, EESRI partnered with the Transformer Development department to develop Korea's first 345 kV dry insulated air core current limiting reactor. The design and production technologies developed during the course of the project also have applications in filter reactors and direct current smoothing reactors, paving the way for new business opportunities in the dry type reactor market.

Green Energy Research Institute (GERI)

Founded in 1997, GERI develops the solar and wind power solutions that have made us an emerging player in these important renewable energy fields, focusing on high-efficiency solar cells and modules as well as onshore and offshore wind turbines.

In 2013, GERI developed a wind turbine main control system equipped with advanced environmental and internal status monitoring technologies to ensure stable operation as well as operating sequence and control technology to maximize power production. The system improves processes for handling maintenance and repairs related to operational faults, enhances and expands control functionality, and lays the foundation for the development of our own wind turbine models going forward.

HYUNDAI MIPO DOCKYARD RESEARCH INSTITUTE OF MARINE TECHNOLOGY

Founded in 2001, this center supports Hyundai Mipo Dockyard in its mission to build world-class medium-sized conventional ships and specialized vessels. The center's primary focus is on delivering innovations in the fields of CAD/CAM technology, vessel development, and structural vibration reduction.

HYUNDAI OILBANK CENTRAL TECHNOLOGY R&D INSTITUTE

Founded in 2011, this institute consolidates the R&D functions and personnel previously scattered across a number of Hyundai Oilbank worksites across Korea to focus on developing tomorrow's refining technologies as well as new technologies for lubricant base oil, propylene, next-generation fuels, and a broad range of other petrochemical fields.

Corporate Responsibility

At Hyundai Heavy Industries, we believe that the future is better together. Our social and environmental commitment continues to grow as we share and work together to make a difference in our local communities and beyond.

Community Commitment

We are dedicated to building a brighter future by cultivating win-win relationships with all our stakeholders. We work hard to forge mutually beneficial relationships with our community, employees, and partners as we strive to create greater growth and prosperity for all.

Charity donation ceremony

Annual collective bargaining agreement

Employee Commitment At a time of global economic stagnation and increasingly challenging business conditions, we continue to focus on win-win relationships with our employees built on decades of mutual trust to achieve our objectives of promoting corporate growth, employee quality of life, and active community service.

In 2013, we concluded our 19th consecutive annual collective bargaining agreement without dispute. One new program implemented in 2013 and covered through both individual and company contributions was a joint plan to provide KRW 100 million in financial support to the surviving family in the event of the death of an employee. We also continued to work together to expand the pilot retirement planning program launched in 2012. The program served over 1,660 employees born in 1954 and 1955 during the year, helping them prepare for the transition to retirement.

We are proud to provide a comprehensive package of benefits to our employees and their families that includes housing support, healthcare coverage, educational support for dependents, and leisure opportunities.

For healthcare, we augment the standard insurance program with additional coverage that pays 100% of employee hospitalization costs as well as 100% of employee outpatient care costs and 50% of dependent costs with an annual benefit cap of KRW 30 million per family. In 2013, these medical benefits totaled KRW 13.5 billion.

For education, we offer full high school and college scholarships for dependents of employees who have been with us at least three years. Other support programs for child dependents include an educational stipend until they enter primary school and an educational stipend for dependents with disabilities until age 30. In 2013, these scholarship and assistance programs provided a total of KRW 43.7 billion in educational assistance.

One of the other benefits we offer employees is discounted use of resort facilities. We maintain more than 770 memberships at 13 condo chains at 33 major leisure destinations across Korea to help promote work-life balance.

Partner Development The Hyundai Technical Education Institute (HTEI) has trained skilled professionals in a number of areas since 1972. In 2008, we were selected by Korea's Ministry of Employment and Labor to be a part of consortium to train small and medium business employees. HTEI runs a variety of courses covering shipbuilding, machinery, electrical systems, CAD, painting, and other fields.

Community Service As a major employer in the Ulsan region, we take social responsibility very seriously. We are partnering with other companies, our employees, and charity organizations to make a difference in our local community. One example of this is our partnership with 21 other major companies in the region and the city's network of volunteer centers to foster a culture of sharing and community service. In 2013, this partnership provided much needed home repairs for 100 low-income families.

Another example is the generosity of our employees, who volunteer their time and resources to benefit worthy causes. In 2013, roughly 25,000 of them donated the change from their paychecks to a special charity fund. Established in March 2010, the fund has distributed over KRW 600 million to date to worthy charities to support medical treatment for children with life-threatening illnesses as well as assistance for low-income, single-parent families. The fund currently benefits the Korea Heart Foundation, the Korean Association for Children with Leukemia and Cancer, and the Ulsan chapter of the Community Chest of Korea.

In 2013, the fund sponsored two special programs for children from low-income families who rely on child welfare center services in Ulsan. In May, it treated these children and their families to a 3-day, 2-night trip to Jeju Island, a trip that helped foster a mutual support network for participants. The fund also gave children from the city's 58 centers an opportunity to experience traditional culture and history at the Tripitaka Koreana Festival celebrating the famed Buddhist scriptures carved on over 80,000 wooden printing blocks at Haein Temple.

We also reach out to the Ulsan community through traditions such as our annual fall charity bazaar. Started in 1994, the bazaar solicits donations of clothing, electronics, and other unneeded items from employees as well as memorabilia to raise funds for our annual winter kimchi-making and donation event, scholarship program, and a wide variety of cultural events such as orchestra concerts and special music and dance performances for both local residents as well as the disabled and disadvantaged.

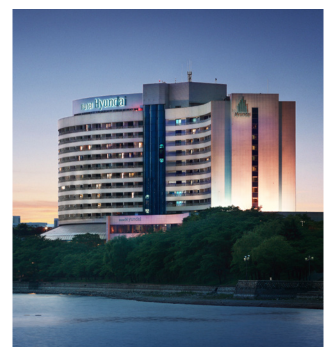
Educational Development We are firm believers in the value of a quality education. We operate a number of primary and secondary educational institutions, including the University of Ulsan and Ulsan College. We also operate a "Housewives College" program each spring that provides employee spouses with a wide variety of opportunities for learning and self- development. Over 10,000 spouses have graduated from the program to date, going on to enrich the community through active volunteer service.

Culture & Arts Development We are proud to play a part in making one of Korea's top manufacturing cities one of its most cultured. Over the years, we have helped expand Ulsan's cultural infrastructure by building cultural and arts centers. One of them is the Hyundai Arts Center, which was completed in 1998. This multi-purpose facility features a 1,000-seat main hall that hosts world-class concerts, operas, and musicals as well as an art gallery, a movie theater, and a variety of leisure and sports facilities.

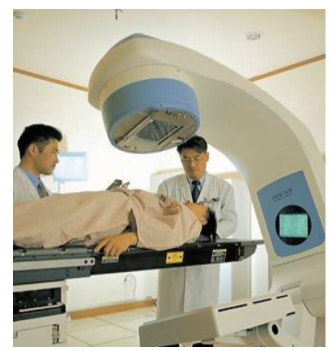
We are also an active patron of the arts, supporting a number of local choral and orchestral groups such as the highly regarded Ulsan String Players, Korea's first university chamber orchestra founded with corporate sponsorship. Beyond their formal concert hall performances, these and other groups bring cultural experiences to everyday life in the Ulsan area through special performances at venues such as welfare centers, hospitals, and industrial worksites.

Employee housing

Resort facilities



Medical care



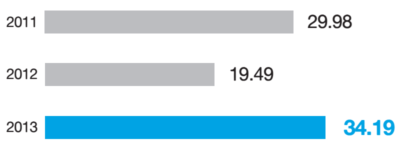
Scholarship program

Environmental Commitment

We are also dedicated to building a brighter future by ensuring a greener, safer, and healthier present. We are committed to leading the way in low-carbon green growth as well as workplace safety and health to help create a more sustainable future for both us and our communities.

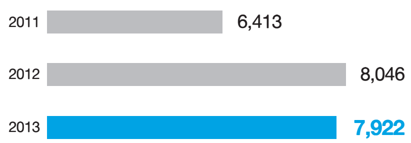
Hazardous Material Usage

in metric tons per year / Ulsan yard



Wastewater Discharges

in cubic meters per year / Ulsan yard



Energy Management System

Our focus on low-carbon green growth has accelerated since we acquired Green Management System (GMS) certification from Det Norske Veritas (DNV) of Norway in 2012. GMS builds on the ISO 14001 framework, adding greenhouse gas management, energy management, green procurement, eco-friendly engineering, and social responsibility.

In 2013, we expanded our environmental commitment by acquiring ISO 50001 Energy Management System (EnMS) certification from DNV. Released in June 2011, the EnMS standard provides a systematic approach to reducing energy use to reduce both costs and greenhouse gas emissions. We began implementing our EnMS in May 2013 and completed corporate-wide certification covering all 12 of our worksites across Korea in December.

Considering that our annual energy costs exceed KRW 200 billion, even a small 5% reduction can produce a cost savings of KRW 10 billion, saving us money as well as enhancing our corporate image. With our EnMS now in place, we are now positioned to systematically improve energy efficiency and reduce the carbon footprint of all our worksites as we work to take our environmental commitment to the next level.

Greenhouse Gas Mitigation

We are an active participant in the Korean government's target-setting program launched in 2011 to reduce emissions and energy consumption. Our emissions performance is certified by the Korean Standards Association to provide a more accurate and transparent accounting of our environmental responsibility to our stakeholders.

In 2013, we achieved our emissions reduction target of 2.9% and continued to represent the shipbuilding industry in a pilot emissions trading program ahead of the expected launch of Korea's cap-and-trade program in 2015. The pilot program has enabled us to bolster our risk management capabilities in this field and more effectively prepare for the upcoming launch.

We are also progressively adopting renewable power generation facilities to reduce fossil fuel usage and greenhouse emissions as we strive to make our worksites as eco-friendly as possible. The power generated by these on-site wind and solar PV facilities is fed to either the worksite power grid or the local power utility, reducing our usage of fossil-fuel produced electricity. We plan to continue to expand installation of solar PV systems at each or our worksites as we strive to increase the proportion of renewables in our energy mix.

Wind Power

Location	Capacity
Ulsan	1.65 MW
Gunsan	2 MW

Solar PV Power

Location	Capacity
Ulsan	65 kW
Eumseong	530 kW* / 715 kW*
Seonam	498 kW
Gunsan	811 kW

* Not yet operating

Clean Production

We operate and maintain clean production systems as part of our commitment to minimizing pollution at the source. Our more than 250 pollution prevention and control facilities are continuously monitored and maintained to ensure optimal performance. We also continue to improve our production processes to steadily reduce the environmental load of our operations. Our internal pollution standards are extremely strict, limiting emissions to under half of the legally permissible levels.

In addition to preventing and reducing waste generation, we also systematically sort and recycle waste to use our resources more effectively and efficiently. We follow strict handling procedures for all types of waste generated during production as well as hazardous materials to ensure they are safely and legally disposed of.

In September 2012, we joined five other shipbuilders in signing a second voluntary agreement with Korea's Ministry of Environment and local governments to voluntarily reduce volatile organic compound (VOC) emissions to ensure a healthier, more pleasant environment for local residents. Our goal is to reduce VOC emissions by over 4,000 tons during the five-year agreement period running through 2016.

Workplace Safety

The safety of our people is our No. 1 priority. We are actively involved in a wide variety of initiatives to make a zero-accident workplace a reality. In 2013, we became the first company in Korea to adapt the principles of the Slow Movement to improve our workplace safety culture, making a positive impact in our efforts to reduce our accident frequency rate. We also continued to promote safety awareness through our tool box meeting initiative as well as recognizing both departments and individuals for safety excellence.

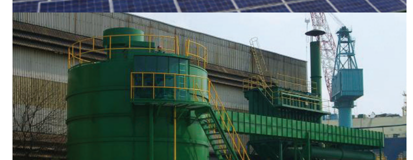
Our Safety Learning Center established in 2005 takes the lead in providing effective hands-on safety training to employees. The center offers a total of four courses that include programs covering 3D virtual safety training, crane safety, safety harness use, working in sealed spaces, fire extinguisher use, and a variety of other areas. These realistic experiences play a key role in increasing accident prevention awareness and encouraging safe work habits that will help make our yards and worksites among the safest in the industry.

Workplace Health

Caring for the health and well-being of our people is another one of our top priorities. Staffed by more than 30 medical professionals, our Health Center provides Ulsan yard employees with immediate on-site access to quality care. We operate a wide range of preventive care programs that focus on preventing musculoskeletal and cerebrovascular disorders, noise-induced deafness, and other occupational diseases. We also continue to partner with the local community health center to expand our smoking cessations programs, incentives, and counseling services to help our people fundamentally improve their long-term health.

ISO 50001 Energy Management System (EnMS) certification

Worksite power grid



Pollution control facilities

Community cleanup initiatives

1. Safety Learning Center
2. On-site Health Center

Environmental Management Strategy

Strengthen Environmental Systems
· Adopt systematic worksite monitoring systems
· Bolster workforce environmental training
· Implement environmental information system

Comply with Environmental Regulations
· Comply actively with international conventions on climate change
· Establish proactive response mechanism for international regulations
· Respect domestic environmental regulations

Build Clean Manufacturing Systems
· Minimize resource and energy usage
· Minimize waste generation and maximize recycling
· Optimize operation of pollution prevention facilities
· Reduce hazardous materials usage

Enhance Environmental Initiatives
· Participate actively in community environmental activities
· Participate actively in voluntary agreements
· Publish annual environmental report

Emphasize Eco-Friendly Businesses
· Develop eco-friendly products and technologies
· Expand renewable energy businesses

Financial Review

At Hyundai Heavy Industries, we believe that a more sustainable future is also a more profitable one. We are committed to innovating and collaborating with our partners and customers to deliver greater long-term value for all our stakeholders.

Management's Discussion & Analysis

The following discussion contains forward-looking statements. These statements are related to future events, rather than historical facts, and include statements about the Company's beliefs and expectations regarding its future business situation and financial results.

By their nature, forward-looking statements imply uncertainty and are indicated by phrases that include words such as "expects," "forecasts," "projects," and "plans." Examples of uncertainties that may favorably or unfavorably impact the Company's business situation and financial results include orders, exchange rates, and steel plate prices.

Please be aware that these uncertainties may result in the Company's actual performance being materially different from these forward-looking statements, whether explicitly expressed or implied. The Company expressly disclaims any obligation to publicly update or revise any of these statements in light of new information that may arise after the date they are made.

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in Korea as Korean IFRS (K-IFRS). Both 2013 and 2012 results are presented in accordance with K-IFRS standards.

Business Overview

Modest economic recoveries in the United States, Europe, and other developed markets helped the Company's orders grow by 39% to USD 27.4 billion in 2013. However, slowing growth in China, India, and other emerging markets coupled with a rising proportion of revenues from lower-value orders booked during the recent global economic recession resulted in the Company and its consolidated subsidiaries recording sales of KRW 54,188.1 billion, slightly lower than the previous year.

Although the Company's sales performance fell short of its targets in 2013, it recorded a number of noteworthy achievements during the year despite the challenging market environment. In the shipbuilding sector, the Company booked orders for the world's first 19,000 TEU containerships and a semisubmersible drilling rig, both the largest of their kind to date. The Company demonstrated its technical leadership by building the world's first newbuild LNG FSRU (floating storage and regasification unit) and winning a steady stream of orders for major offshore facilities. In the industrial plant sector, the Company won a USD 3.3 billion thermal power plant order in Saudi Arabia, its largest order to date. In the engine and machinery sector, the Company bolstered its technical leadership with the development of new eco-friendly G-type two-stroke marine engines designed to meet increasing industry demand for cleaner, more fuel-efficient ships as well as an advanced LNG cargo containment system with a significantly lower boil-off rate.

While the global economy is expected to steadily improve in 2014, it is unlikely to break out of its ongoing low-growth trend. The competitive environment is expected to become increasingly complex and uncertain as barriers between industries continue to fall. Despite these formidable challenges, the Company is laying the foundation for technical leadership in all its businesses as it focuses on methodical planning and faultless execution to succeed in an uncertain business environment. The Company is also striving to be a transparent and trustworthy industry leader as it unites to turn challenges into opportunities and build a truly great company that can confidently weather any situation or circumstance that comes its way.

Financial Structure Analysis

Condensed Consolidated Statements of Financial Position

In KRW millions

	2013	2012	Change
Total Current Assets	**29,254,184**	**25,278,627**	**+15.7%**
Cash and cash equivalents	1,336,613	1,107,690	+20.7%
Trade and other receivables	7,053,565	6,798,105	+3.8%
Due from customers for contract work	6,675,112	4,967,728	+34.4%
Inventories	6,129,287	6,191,140	-1.0%
Other current assets	8,059,607	6,213,964	+29.7%
Total Non-Current Assets	**23,950,788**	**23,994,549**	**-0.2%**
Investment in associates and jointly controlled entities	661,664	851,041	-22.3%
Long-term financial assets	3,322,604	3,062,838	+8.5%
Property, plant and equipment	15,712,997	15,556,464	+1.0%
Intangible assets	2,285,649	2,297,411	-0.5%
Other non-current assets	1,967,874	2,226,795	-11.6%
Total Assets	**53,204,972**	**49,273,176**	**+8.0%**
Total Current Liabilities	**26,516,424**	**22,173,987**	**+19.6%**
Total Non-Current Liabilities	**7,658,956**	**8,357,838**	**-8.4%**
Total Liabilities	**34,175,380**	**30,531,825**	**+11.9%**
Common stock	380,000	380,000	0.0%
Capital surplus	1,109,309	1,109,309	0.0%
Capital adjustments	(1,772,782)	(1,778,130)	-0.3%
Accumulated other comprehensive income	1,239,973	1,071,627	+15.7%
Retained earnings	16,293,099	16,098,025	+1.2%
Non-controlling interests	1,779,993	1,860,520	-4.3%
Total Stockholders' Equity	**19,029,592**	**18,741,351**	**+1.5%**
Liabilities-to-Equity ratio	179.6%	162.9%	+16.7 pp

Assets
Assets of the Company and its consolidated subsidiaries increased 8% to KRW 53,204.9 billion. Current assets increased by 15.7%, while non-current assets decreased by 0.2%.

Liabilities
Liabilities increased to KRW 34,175.3 billion primarily due to a 19.6% increase in current liabilities such as advances from customers.

Stockholders' Equity
Stockholders' equity increased 1.5% from KRW 18,741.3 billion to KRW 19,029.5 billion. At 2013 year-end, the liabilities-to-equity ratio of the Company and its consolidated subsidiaries stood at 179.6%, a 16.7 percentage-point increase for the year.

Condensed Consolidated Statements of Income

In KRW millions

	2013	2012	Change
Sales	54,188,096	54,973,701	-1.6%
Cost of sales	50,932,985	50,320,498	+1.2%
Gross profit	3,255,111	4,653,204	-30.0%
Selling, general and administrative expenses	2,453,128	2,647,673	-7.3%
Operating income	801,983	2,005,530	-60.0%
Net finance income	164,764	998,422	-83.5%
Net other non-operating income	(633,259)	(1,186,401)	-
Share of loss of equity accounted investees	(189,195)	(369,332)	-
Profit before income taxes	144,293	1,448,219	-90.0%
Income taxes	(2,010)	418,576	-
Profit for the year	146,303	1,029,643	-85.8%

Sales
Sales of the Company and its consolidated subsidiaries declined 1.4% to KRW 54,188.1 billion.

Operating Income
Operating income declined 60.0% from KRW 2,005.5 billion to KRW 802.0 billion as lower average ship selling prices were reflected in sales.

Net Income
Net income declined 85.8% from KRW 1,029.6 billion to KRW 146.3 billion.

Operating Performance by Segment

The Shipbuilding segment recorded a 4.3% decrease in sales to KRW 17,018.3 billion. Operating income decreased 98.8% to KRW 12.6 billion as lower average ship selling prices were reflected in sales.

The Offshore & Engineering and Industrial Plant & Engineering segments recorded a 2.9% increase in sales to KRW 5,979.9 billion. Operating income decreased 19.3% to KRW 343.7 billion due to declining sales from high-profit projects.

The Engine & Machinery segment recorded a 14.4% decrease in sales to KRW 1,722.2 billion. Operating income decreased 66.0% to KRW 118.3 billion due to lower two-stroke marine engine shipments and average selling prices.

The Electro Electric Systems and Green Energy segments recorded sales of KRW 3,075.7 billion. Operating loss decreased 93% to KRW 12.6 billion, driven by switchgear design improvements and material cost reductions.

The Construction Equipment segment recorded a 13.2% decrease in sales to KRW 3,289.6 billion due to a downturn in the Chinese market. Operating income decreased 29.8% to KRW 194.3 billion.

The Refinery segment recorded a 3.4% increase in sales to KRW 22,220.8 billion. Operating income increased 31% to KRW 404.4 billion due to higher sales and refining margins.

The Financial Services segment recorded a 4.7% increase in sales to KRW 663.6 billion. Operating income decreased 63.7% to KRW 34.5 billion.

Primary Factors in Profitability

Exchange Rate Exposure
Exports accounted for approximately 68% of the Company's total sales in 2013. Contract amounts excluding foreign denominated costs are subject to currency fluctuation risk. The Company signs currency forward contracts for a portion of its net exposure to hedge currency movements.

Steel Plate Prices
Steel plate prices are generally determined by supply and demand as well as raw material prices. When the global real economy grows, rising demand for raw materials pushes prices of iron ore, coking coal, and related materials upward, leading to higher steel plate prices. When the real economy stagnates or shrinks, leading to a downturn in the shipping industry, limited shipbuilding orders result in less demand for steel plate. This, combined with steadily rising industry capacity, leads to lower steel plate prices.

In 2014, steel plate prices are expected to trend downward as raw materials prices fall and steelmakers aggressively compete to secure orders.

Business Write-Downs
The Company recognized impairments related to a number of its assets in 2013. The Company recorded an asset impairment loss of approximately KRW 97 billion on held-for-trading investments related to the renewable energy sector due to rapidly deteriorating market conditions. The Company recorded an asset impairment loss of approximately KRW 46 billion on its 10% equity stake in Brazilian Offshore Services X (OSX) shipyard following the project's construction stoppage and bankruptcy protection filing. The Company recorded asset impairment losses of KRW 29 billion and KRW 18 billion regarding transformer subsidiary Hyundai Power Transformers in Alabama, USA and construction equipment subsidiary Hyundai (Shandong) Heavy Industries Machinery in Tai'an, China, respectively, related to startup losses incurred since the founding of those companies in 2010 as well as continued operating losses. The Company also recorded an asset impairment loss of KRW 67.2 billion related to Korea National Oil Corporation's decision to unilaterally pull out of an oil development project in Yemen.

Liquidity, Borrowings & Cash Flows

Liquidity
Current assets of the Company and its consolidated subsidiaries as of December 31, 2013 and 2012 are summarized as follows.

In KRW millions

	2013	2012	Change
Cash and cash equivalents	1,336,613	1,107,690	+228,923
Short-term financial assets	4,692,329	2,512,370	+2,179,959

Borrowings

Short-term borrowings of the Company and its subsidiaries as of December 31, 2013 and 2012 are summarized as follows.

In KRW millions

Lender	Type of Borrowing	Interest Rate	2013	2012
Including domestic subsidiaries				
Hanyang Securities	General loan	2.72%	50,000	150,000
Agricultural Bank of China and others	General loan in foreign currency	0.7%~1.0%	100,969	-
KB Kookmin Bank and others	Call money	2.55%~2.62%	163,400	141,600
SK Securities and others	Commercial paper	2.72%~5%	1,201,070	2,069,000
Korea Securities Finance Corp. and others	Repurchase agreement sales	2.50%	2,087,705	1,398,416
Mizuho Bank and others	Invoice loan	0.66%~1.18%	912,159	852,270
Bank of China and others	Import loan	0.95%	575	81,442
Woori Bank and others	Usance L/C	0.33%~2.01%	1,519,214	1,180,290
Korea Exchange Bank and others	Transferred export receivables	-	-	3,598
Export-Import Bank of Korea and others	Pre-shipment credit	3.3%~3.69%	1,470,000	895,000
Korea Securities Finance Corp.	Other borrowings from KSFC	3.35%	5,000	30,000
Korea Securities Finance Corp.	Borrowings from margin loans	2.62%, 2.95%	59,779	28,998
Subtotal			**7,569,871**	**6,830,614**
Including overseas subsidiaries				
Mizuho Corporate Bank and others	Loan in foreign currency	1.04%~12.5%	791,443	751,979
Short-term borrowings			**8,361,314**	**7,582,593**
Current portion of long-term borrowings			**1,967,206**	**792,162**
Total			**10,328,520**	**8,374,755**

Long-term borrowings of the Company and its subsidiaries as of December 31, 2013 and 2012 are summarized as follows.

In KRW millions

Lender	Type of Borrowing	Interest Rate	2013	2012
Including domestic subsidiaries				
Hana Bank and others	General loan	3.00%~3.60%	200,000	3,000
SK Securities and others	Commercial paper	3.01%~3.76%	2,140,000	2,240,000
Hana Bank	General loan in foreign currency	2.19%	211,060	46,057
KB Kookmin Bank	National housing fund	2.70%	39,583	40,276
The Korea Development Bank (KDB)	Energy rationalization fund	1.75%	4,572	5,419
The Korea Development Bank (KDB)	Environment improvement fund	3.22%	2,070	2,686
The Korea Development Bank (KDB) and others	General fund for equipment	3.46%~4.76%	1,149,104	1,200,000
Korea National Oil Corp.	Business loans(*)	0.75%~3.75%	11,140	13,610
Export-Import Bank of Korea and others	Pre-shipment credit	3.3%~3.75%	430,000	310,000
Subtotal			**4,187,529**	**3,861,048**
Overseas subsidiaries				
Standard Chartered Bank and others	Loan in foreign currency	Libor (1M) + 1.1%~6.5%	404,580	689,838
Long-term borrowings			**4,592,109**	**4,550,886**
Current portion of long-term borrowings			**(1,967,206)**	**(792,162)**
Total			**2,624,903**	**3,758,724**

(*) As of December 31, 2013, the consortium that included the Group (the Company and its subsidiaries) decided to withdraw from its oil development business in four mining areas in Yemen and Kazakhstan mining development business by selling its stake in those businesses. The maturities of business loans (KRW 11,140 million and KRW 11,307 million as of December 31, 2013 and 2012, respectively) from Korea National Oil Corporation are not readily determinable since the decision on redemptions of business loans is still being deliberated by the supervisory institution.

Debentures of the Company and its subsidiaries as of December 31, 2012 and 2011 are summarized as follows.

In KRW millions

Debenture	Issue	Maturity	Annual Interest Rate	2013	2012	Payment Guarantee
Parent						
113th	2012.02.17	2015.02.17	3.96%	500,000	500,000	Unsecured
114th-1	2012.07.24	2015.07.24	3.23%	300,000	300,000	Unsecured
114th-2	2012.07.24	2017.07.24	3.35%	400,000	400,000	Unsecured
Foreign currency bond	2013.06.10	2016.06.10	1.14%	316,590	-	Secured
Subtotal				**1,516,590**	**1,200,000**	
Hyundai Oilbank						
98th	2007.02.02	2014.02.02	5.44%	100,000	100,000	Unsecured
101st	2008.03.20	2013.03.20	-	-	150,000	Unsecured
103rd	2009.07.03	2014.07.03	6.80%	100,000	100,000	Unsecured
105th	2010.06.28	2015.06.28	5.75%	200,000	200,000	Unsecured
106th	2011.04.14	2014.04.14	4.36%	100,000	100,000	Unsecured
108th	2012.01.25	2015.01.25	3.98%	150,000	150,000	Unsecured
109th	2012.03.27	2015.03.27	4.08%	100,000	100,000	Unsecured
110th	2012.07.20	2017.07.20	3.52%	300,000	300,000	Unsecured
111th-1	2012.10.23	2016.10.23	3.24%	100,000	100,000	Unsecured
111th-2	2012.10.23	2019.10.23	3.52%	100,000	100,000	Unsecured
Subtotal				**1,250,000**	**1,400,000**	
HI Investment & Securities						
1st-1 subordinated bonds	2012.09.11	2018.03.11	4.88%	60,000	60,000	Unsecured
1st-2 subordinated bonds	2012.09.11	2019.09.11	5.18%	40,000	40,000	Unsecured
2nd subordinated bonds	2013.10.31	2019.10.31	5.30%	30,000	-	Unsecured
Subtotal				**130,000**	**100,000**	
Subtotal: All companies				**2,896,590**	**2,700,000**	
Bond discounts				**(6,856)**	**(6,953)**	
Current portion of debentures				**(300,000)**	**(150,000)**	
Current portion of debentures discounts				**297**	**23**	
Total				**2,590,031**	**2,543,070**	

Cash Flows

Cash flows from financing activities of the Company and its consolidated subsidiaries increased KRW 1,001.7 billion. Cash flows from operating activities and investing activities such as the acquisition of property, plant and equipment and long- and short-term financial assets decreased KRW 770.6 billion.

In KRW millions

	2013	2012
Cash and cash equivalents at January 1, 2013	1,107,690	1,609,979
Cash flows from operating activities	492,799	-3,459,075
Cash flows from investing activities	-1,263,400	-809,287
Cash flows from financing activities	1,001,730	3,774,049
Effects of exchange rate changes on cash and cash equivalents	-2,206	-7,976
Cash and cash equivalents at December 31, 2013	1,336,613	1,107,690

Commitments, Contingencies, and Litigation

Additional information on major litigation or contingent liabilities that may impact the Company and its consolidated subsidiaries can be found in Notes 42 and 43 of the accompanying financial statements.

Investor Notes

Accounting Policies

The Company and its consolidated subsidiaries have prepared all financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS). All financial statements for 2013 and previous periods are presented based on K-IFRS standards.

Additional information on key accounting policies used can be found in the Notes to the Financial Statements.

Derivatives and Risk Management Policies

Additional information on derivatives can be found in Note 25 of the accompanying financial statements. Additional information on risk management policies can be found in Notes 5 and 41 of the accompanying financial statements.

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders Hyundai Heavy Industries Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2013 and 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements reflect total combined assets of ₩30,818,964 million and ₩28,696,684 million as of December 31, 2013 and 2012, and total combined sales of ₩35,664,527 million and ₩38,976,158 million for the years then ended. Other auditors audited those financial statements and our report, insofar as it relates to the subsidiaries, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those knowledgeable about Korean auditing standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 13, 2014

This report is effective as of March 13, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

In thousands of won

	Note		2013	2012
Assets				
Cash and cash equivalents	40,41	₩	1,336,613,209	1,107,690,153
Short-term financial assets	6,7,14,18,25,40,41,44		4,692,328,819	2,512,370,330
Trade and other receivables	7,8,9,18,31,40,41,44		7,053,564,787	6,798,105,217
Due from customers for contract work	8,31,40,41		6,675,111,932	4,967,727,757
Inventories	10,18		6,129,287,249	6,191,140,271
Derivative assets	25,40,41		512,917,626	444,343,127
Firm commitment assets	25		10,463,993	78,871,247
Prepaid income taxes			63,631,292	28,491,109
Other current assets	11		2,780,264,843	3,149,888,036
Total current assets			**29,254,183,750**	**25,278,627,247**
Investments in associates and joint ventures	12,13		661,663,685	851,041,163
Long-term financial assets	6,7,14,18,25,40,41		3,322,603,688	3,062,837,772
Long-term trade and other receivables	7,8,9,31,40,41,44		1,088,685,374	1,375,259,690
Investment property	15,32		433,616,630	322,681,120
Property, plant and equipment	16,18,32,44		15,712,997,462	15,556,464,149
Intangible assets	17,32		2,285,648,835	2,297,410,938
Derivative assets	25,40,41		254,532,450	171,213,578
Firm commitment assets	25		1,176,419	1,986,905
Deferred tax assets	37		82,951,542	71,525,459
Other non-current assets	11,42		106,911,786	284,127,873
Total non-current assets			**23,950,787,871**	**23,994,548,647**
Total assets		₩	**53,204,971,621**	**49,273,175,894**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position, Continued

As of December 31, 2013 and 2012

In thousands of won

	Note		2013	2012
Liabilities				
Short-term financial liabilities	18,19,22,25,40,41,42	₩	12,199,921,487	8,998,435,509
Trade and other payables	20,40,41,44,45		6,354,333,209	5,788,038,173
Advances from customers			819,346,091	899,696,291
Due to customers for contract work	18,31,42		6,661,170,259	5,735,064,891
Derivative liabilities	25,40,41		74,481,517	43,582,929
Firm commitment liabilities	25		291,110,146	275,635,986
Income tax payable			93,547,287	387,210,785
Other current liabilities	21		22,513,459	46,322,358
Total current liabilities			**26,516,423,455**	**22,173,986,922**
Long-term financial liabilities	18,19,22,25,40,41,42,44		5,602,537,611	6,301,794,319
Long-term trade and other payables	20,40,41,44,45		134,150,430	195,824,540
Liabilities for defined benefit plans	23		163,952,708	250,179,553
Long-term provisions	24		552,916,916	395,047,136
Derivative liabilities	25,40,41		31,377,799	26,913,284
Firm commitment liabilities	25		241,105,773	163,719,454
Deferred tax liabilities	37		888,794,126	978,566,475
Other non-current liabilities	21		44,121,046	45,793,016
Total non-current liabilities			**7,658,956,409**	**8,357,837,777**
Total liabilities			**34,175,379,864**	**30,531,824,699**
Equity				
Common stock	26		380,000,000	380,000,000
Capital surplus	26		1,109,309,014	1,109,309,014
Capital adjustments	27		(1,772,782,730)	(1,778,129,902)
Accumulated other comprehensive income	25,28		1,239,973,279	1,071,626,631
Retained earnings	29		16,293,099,047	16,098,025,119
Equity attributable to owners of the Company			**17,249,598,610**	**16,880,830,862**
Non-controlling interests			**1,779,993,147**	**1,860,520,333**
Total equity			**19,029,591,757**	**18,741,351,195**
Total liabilities and equity		₩	**53,204,971,621**	**49,273,175,894**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

In thousands of won, except per share information

	Note	2013	2012
Sales	25,31,32,44	₩ 54,188,096,316	54,973,701,392
Cost of sales	3,10,17,25,34,44	(50,932,984,966)	(50,320,497,869)
Gross profit		**3,255,111,350**	**4,653,203,523**
Selling, general and administrative expenses	3,17,33,34	(2,453,128,334)	(2,647,673,390)
Operating income	32	**801,983,016**	**2,005,530,133**
Finance income	25,35,40	1,857,474,471	2,744,384,316
Finance costs	25,35,40	(1,692,710,450)	(1,745,961,743)
Other non-operating income	25,36	405,200,018	219,190,566
Other non-operating expenses	17,25,36	(1,038,459,020)	(1,405,591,284)
Share of loss of equity accounted investees	12,13	(189,194,705)	(369,332,032)
Profit before income taxes		**144,293,330**	**1,448,219,956**
Income taxes	37	(2,010,056)	418,576,998
Profit for the year	32	₩ **146,303,386**	**1,029,642,958**
Other comprehensive income (loss)	28,37,40	**286,289,118**	**(294,651,002)**
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		262,687,801	(162,921,977)
Effective portion of changes in fair value of cash flow hedges		(12,103,449)	11,102,231
Exchange differences on translating foreign operations		(11,389,648)	(91,840,279)
Change in equity of equity method investments		(19,949,298)	12,119,569
Total items that are or may be reclassified subsequently to profit or loss		**219,245,406**	**(231,540,456)**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (losses)		65,605,512	(60,540,104)
Changes in retained earnings of equity method investments		1,438,200	(2,570,442)
Total items that will not be reclassified to profit or loss		₩ **67,043,712**	**(63,110,546)**
Other comprehensive income for the period, net of income tax		**286,289,118**	**(294,651,002)**
Total comprehensive income for the period		**432,592,504**	**734,991,956**
Profit attributable to:			
Owners of the Company		278,705,518	992,606,160
Non-controlling interests		(132,402,132)	37,036,798
		146,303,386	**1,029,642,958**
Total comprehensive income attributable to:			
Owners of the Company		509,889,250	707,618,066
Non-controlling interests		(77,296,746)	27,373,890
		432,592,504	**734,991,956**
Earnings per share	38		
Basic earnings per share		**5,047**	**17,974**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

In thousands of won

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2012	₩ **380,000,000**	**1,099,792,874**	**(1,797,036,283)**	**1,296,943,571**	**15,399,437,474**	**1,797,381,431**	**18,176,519,067**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	992,606,160	37,036,798	1,029,642,958
Change in fair value of available-for-sale financial assets	-	-	-	(179,754,834)	-	16,832,857	(162,921,977)
Effective portion of changes in fair value of cash flow hedges	-	-	-	12,634,720	-	(1,532,489)	11,102,231
Exchange differences on translating foreign operations	-	-	-	(70,099,321)	-	(21,740,958)	(91,840,279)
Change in equity of equity method investments	-	-	-	11,902,495	-	217,074	12,119,569
Retained earnings of equity method investments	-	-	-	-	(2,528,715)	(41,727)	(2,570,442)
Defined benefit plan actuarial losses	-	-	-	-	(57,142,439)	(3,397,665)	(60,540,104)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(234,347,361)	(15,447,957)	(249,795,318)
Changes in ownership in subsidiaries	-	9,516,140	18,906,381	-	-	51,212,969	79,635,490
Balance at December 31, 2012	₩ **380,000,000**	**1,109,309,014**	**(1,778,129,902)**	**1,071,626,631**	**16,098,025,119**	**1,860,520,333**	**18,741,351,195**
Balance at January 1, 2013	₩ **380,000,000**	**1,109,309,014**	**(1,778,129,902)**	**1,071,626,631**	**16,098,025,119**	**1,860,520,333**	**18,741,351,195**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	278,705,518	(132,402,132)	146,303,386
Change in fair value of available-for-sale financial assets	-	-	-	214,010,305	-	48,677,496	262,687,801
Effective portion of changes in fair value of cash flow hedges	-	-	-	(12,117,611)	-	14,162	(12,103,449)
Exchange differences on translating foreign operations	-	-	-	(13,752,484)	-	2,362,836	(11,389,648)
Change in equity of equity method investments	-	-	-	(19,793,562)	-	(155,736)	(19,949,298)
Retained earnings of equity method investments	-	-	-	-	1,473,548	(35,348)	1,438,200
Defined benefit plan actuarial losses	-	-	-	-	61,363,536	4,241,976	65,605,512
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(146,468,674)	(9,465,912)	(155,934,586)
Changes in ownership in subsidiaries	-	-	5,347,172	-	-	6,235,472	11,582,644
Balance at December 31, 2013	₩ **380,000,000**	**1,109,309,014**	**(1,772,782,730)**	**1,239,973,279**	**16,293,099,047**	**1,779,993,147**	**19,029,591,757**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

In thousands of won

	Note		2013	2012
Cash flows from operating activities				
Profit for the year		₩	146,303,386	1,029,642,958
Adjustments			1,028,888,599	(3,496,438,648)
Cash generated from (used in) operations	39		1,175,191,985	(2,466,795,690)
Interest received			320,455,093	385,506,984
Interest paid			(443,489,722)	(504,180,991)
Dividends received			52,965,217	56,100,614
Income taxes paid			(612,323,087)	(929,706,325)
Net cash provided by (used in) operating activities			**492,799,486**	**(3,459,075,408)**
Cash flows from investing activities				
Proceeds from sale of short-term financial assets			563,361,007	229,519,157
Proceeds from collection of other receivables			8,110,000	347,754
Proceeds from sale of investments in associates			5,090,313	490,807
Proceeds from sale of investments in subsidiaries			68,456,425	27,725,094
Proceeds from sale of long-term financial assets			398,583,959	947,186,881
Proceeds from collection of long-term other receivables			185,967,101	17,580,620
Proceeds from sale of property, plant and equipment			85,864,801	42,408,096
Proceeds from sale of intangible assets			4,221,360	4,629,691
Proceeds from sale of investment property			3,666,402	-
Proceeds from government grants			1,702,339	1,455,839
Proceeds from collection of other non-current assets			-	426,576
Acquisition of short-term financial assets			(587,595,177)	(411,822,011)
Acquisition of other receivables			(2,312,377)	(6,020,000)
Acquisition of investments in associates and joint venture			(31,346,858)	(213,608,446)
Acquisition of investments in subsidiaries, net of cash acquired			(2,000,000)	-
Acquisition of long-term financial assets			(461,385,620)	(216,789,770)
Acquisition of long-term other receivables			(89,996,020)	(34,333,795)
Acquisition of investment property			(60,744)	(664,383)
Acquisition of property, plant and equipment			(1,303,510,909)	(1,095,371,977)
Acquisition of intangible assets			(99,310,726)	(81,790,855)
Acquisition of other non-current assets			(10,905,411)	(20,656,454)
Net cash used in investing activities		₩	**(1,263,400,135)**	**(809,287,176)**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2013 and 2012

In thousands of won

	Note		2013	2012
Cash flows from financing activities				
Proceeds from short-term financial liabilities		₩	28,384,487,181	26,389,375,077
Proceeds from long-term financial liabilities			1,920,632,273	4,624,950,579
Capital contribution from non-controlling interests			43,966,037	85,666,448
Repayment of short-term financial liabilities			(28,488,829,701)	(27,066,247,362)
Repayment of long-term financial liabilities			(701,872,731)	(3,916,617)
Dividends paid			(146,468,674)	(234,347,360)
Dividend and distribution to non-controlling interests			(10,184,412)	(21,431,942)
Net cash provided by financing activities			**1,001,729,973**	**3,774,048,823**
Effects of exchange rate changes on cash and cash equivalents			(2,206,268)	(7,975,539)
Net increase (decrease) in cash and cash equivalents			**228,923,056**	**(502,289,300)**
Cash and cash equivalents at January 1			1,107,690,153	1,609,979,453
Cash and cash equivalents at December 31		₩	**1,336,613,209**	**1,107,690,153**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

1. Reporting Entity

(1) Description of the controlling company

Hyundai Heavy Industries Co., Ltd. (the “Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea, and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other products. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and joint ventures.

On August 1999, the Company was listed on the Korea Exchange. As of December 31, 2013, the Company’s major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

(2) Consolidated subsidiaries

Subsidiaries as of December 31, 2013 are summarized as follows:

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	94.92	Korea	December
Hyundai Mipo Dockyard Co., Ltd.(*1,2)	Shipbuilding	45.21	Korea	December
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	91.13	Korea	December
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding	100.00	Korea	December
KOMAS Corporation	Shipping	100.00	Korea	December
Hyundai Energy & Resources Co., Ltd.(*1)	Services for crude oil and natural gas mining	90.00	Korea	December
Mipo Engineering Co., Ltd.(*1,3)	Other engineering services	100.00	Korea	December
Ulsan Hyundai Football Club Co., Ltd.	Football club	100.00	Korea	December
Hotel Hyundai Co., Ltd.	Hotel operation	100.00	Korea	December
HI Investment & Securities Co., Ltd.(*1)	Securities brokerage	83.24	Korea	December
HI Asset Management Co., Ltd.(*1)	Asset management	99.99	Korea	December
Hyundai Finance Corporation	Granting of credit	67.49	Korea	December
Hyundai Venture Investment Corporation(*1)	Granting of credit	68.38	Korea	December
Hyundai Futures Corporation(*1)	Entrust and brokerage of futures transactions	65.22	Korea	March
Hyundai Investment Fund 1 on Patent Technology(*1)	Other financial business	50.00	Korea	December
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business	100.00	Korea	December
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business	100.00	Korea	December
Eastspring Private Global Asset Allocation & Mining & Gold Fund of Funds Investment Trust A-1(*3)	Other financial business	100.00	Korea	December
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)(*1)	Other financial business	-	Korea	December
Hyundai Ship Private Fund 1(*1)	Other financial business	100.00	Korea	December
HI Himsen Private Funds Investment Trust 1(*1)	Other financial business	75.00	Korea	December
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)(*1)	Other financial business	-	Korea	March
HI Gold Index Linked Private Securities Investment Trust 1(*1)	Other financial business	-	Korea	March

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
HI Gold Ocean Kmarin No. 8 Ship Investment Company(*1)	Chartering	-	Korea	December
HI Gold Ocean Kmarin No. 8 S.A.(*1)	Ship investment	-	Panama	December
Hyundai Oil Terminal Co., Ltd.(*1)	Oil storage business	70.00	Korea	December
Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing of base oil	60.00	Korea	December
Hyundai (Jiangsu) Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
HHI China Investment Co., Ltd.	Holding company	100.00	China	December
Hyundai Financial Leasing Co., Ltd.(*1)	Finance and operating leases	88.02	China	December
Hyundai Heavy Industries (China) Electric Co., Ltd.(*1)	Sale and manufacture of switchboards for electric distribution	100.00	China	December
Yantai Hyundai Moon Heavy Industries Co., Ltd.(*1)	Sale and manufacture of industrial boilers	55.00	China	December
Changzhou Hyundai Hydraulic Machinery Co., Ltd.(*1)	Sale and manufacture of hydraulic cylinders for construction equipment	100.00	China	December
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.	Sale and manufacture of wheel loaders	100.00	China	December
Weihai Hyundai Wind Power Technology Co., Ltd.(*1)	Sale and manufacture of facilities for wind power generation	80.00	China	December
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.(*1)	Research and development of technology for construction machinery, engine and electric equipment	100.00	China	December
HYUNDAI OILBANK (SHANGHAI) CO., LTD.(*1)	Trade in petrochemical products	100.00	China	December
HDO Singapore Pte. Ltd.(*1)	Trade in crude oil and petrochemical products, chartering	100.00	Singapore	December
Hyundai Vinashin Shipyard (*1)	Ship repair	65.00	Vietnam	December
Hyundai Construction Equipment India PVT., Ltd.	Sale and manufacture of machinery equipment for construction	100.00	India	March
Hyundai Transformers and Engineering India Pvt. Ltd.	Sale and manufacture of transformers	100.00	India	March
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction	100.00	America	December
Hyundai Power Transformers USA, INC	Sale and manufacture of industrial electric equipment	100.00	America	December
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment	100.00	America	December
PHECO Inc.	Design services for offshore facilities	100.00	America	December
HHI Battery CO., Ltd.	Manufacturing	100.00	Canada	December
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development	100.00	Brazil	December
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment	100.00	Brazil	December
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing	100.00	Panama	December
Vladivostok Business Center	Hotel operation	100.00	Russia	December
Hyundai Khorol Agro Ltd.	Agriculture	95.24	Russia	December
Hyundai Mikhailovka Agro Ltd.	Agriculture	100.00	Russia	December

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers	100.00	Russia	December
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction	100.00	Belgium	December
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers	99.09	Bulgaria	December
Hyundai Technologies Center Hungary Kft.	Research and development of technology	100.00	Hungary	December
Hyundai Heavy Industries France SAS	Manufacturing	100.00	France	December
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes	100.00	Germany	December
JaKe Service GmbH(*1)	Gearbox repair	100.00	Germany	December
HHI MAURITIUS LIMITED	Manufacturing	100.00	Mauritius	December
MS Dandy Ltd.(*1)	Ship rental service	100.00	Marshall Islands	December
Hyundai West Africa Limited	Manufacture of other transport equipment	100.00	Nigeria	December
Hyundai Arabia Company LLC.	Industrial plant construction	70.00	Saudi Arabia	December

(*1) The percentage of ownership includes indirect ownership.
(*2) Even though the Group does not have a majority ownership of Hyundai Mipo Dockyard Co., Ltd., the Group is considered to have control of Hyundai Mipo Dockyard Co., Ltd., considering that the rest of shareholders are minority shareholders and widely dispersed, and the Group exerted majority voting rights in the past stockholders' meetings.
(*3) Mipo Engineering Co., Ltd. changed its name to HYUDAI ENGINEERING & TECHNOLOGY on January 1, 2014.

(3) Changes in scope of consolidation

(i) Subsidiaries newly subject to consolidation in 2013 are as follows:

Company	Reason
HI Global Multi Asset 30 Securities Investment Trust(*)	Commencing control resulting from the new acquisition

(*) HI Global Panorama Asset Allocation Securities Feeder Investment Trust No.1 changed its name to HI Global Multi Asset 30 Securities Investment Trust in 2013.

(ii) Subsidiaries no longer subjected to consolidation in 2013 are as follows:

Company	Reason
HI Gold Ocean Kmarin No. 8 Ship Investment Company	Ceasing control upon disposal
HI GOLD OCEAN KMARIN NO.8 S.A	
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)	
HI Gold Index Linked Private Securities Investment Trust 1	
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)	
HI Global Multi Asset 30 Securities Investment Trust	

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(4) Condensed financial information of consolidated subsidiaries

(i) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2013 is summarized as follows:

In millions of won

Company		Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income
Hyundai Samho Heavy Industries Co., Ltd.	₩	6,782,721	3,428,863	3,353,858	3,506,163	(52,051)	26,124
Hyundai Mipo Dockyard Co., Ltd.(*)		5,502,458	2,353,143	3,149,315	3,487,040	(187,913)	(45,513)
Hyundai Oilbank Co., Ltd.		8,597,936	5,544,470	3,053,466	20,295,635	152,358	165,841
Hyundai Heavy Material Service		239,429	30,378	209,051	509,890	4,792	4,950
KOMAS Corporation		130,209	1,429	128,780	440	8,051	8,051
HI Investment & Securities Co., Ltd.		5,163,564	4,604,585	558,979	510,560	(12,067)	(8,487)
Hyundai Finance Corporation		218,086	68,783	149,303	14,098	1,850	1,053
Hyundai Venture Investment Corporation		73,375	844	72,531	10,440	3,297	2,607
Hyundai Futures Corporation		163,957	118,889	45,068	27,056	(582)	(1,596)
LS Leading Solution Private Security Investment Trust 22 (Equity)		90,864	13	90,851	2,904	2,822	(11,578)
Hyundai Oil Terminal Co., Ltd.		107,131	32,790	74,341	3,044	(340)	(407)
Hyundai and Shell Base Oil Co., Ltd.		180,567	88,995	91,572	-	2,051	2,047
Hyundai (Jiangsu) Construction Machinery Co., Ltd.		523,971	269,634	254,337	366,126	(12,502)	(8,837)
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		247,575	131,803	115,772	217,573	1,258	2,684
HHI China Investment Co., Ltd.		400,225	42,851	357,374	20,358	6,040	10,366
Hyundai Financial Leasing Co., Ltd.		683,624	416,155	267,469	91,511	17,515	20,529
Hyundai Heavy Industries (China) Electric Co., Ltd.		180,756	130,383	50,373	166,290	2,171	2,735
Yantai Hyundai Moon Heavy Industries Co., Ltd.		63,115	23,741	39,374	88,330	366	853
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.		113,438	90,063	23,375	65,195	(16,399)	(16,414)
Weihai Hyundai Wind Power Technology Co., Ltd.		49,950	34,900	15,050	6,796	(2,485)	(2,207)
Hyundai Oilbank (Shanghai) Co., Ltd.		82,448	79,220	3,228	475,138	1,304	1,299
HDO Singapore Pte. Ltd.		517,360	508,518	8,842	5,672,433	1,376	1,113
Hyundai Vinashin Shipyard		372,803	254,274	118,529	197,459	(59,820)	(59,820)
Hyundai Construction Equipment India PVT., Ltd.		131,966	116,130	15,836	135,744	(4,504)	(7,649)
Hyundai Construction Equipment Americas, Inc.		300,462	261,520	38,942	435,770	6,043	5,328

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

In millions of won

Company		Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income
Hyundai Power Transformers USA, INC	₩	144,265	119,703	24,562	75,178	(32,527)	(33,654)
Hyundai Ideal Electric Co.		66,664	40,363	26,301	69,931	(1,414)	(1,777)
Hyundai Heavy Industries Brasil - Real Estate Developments		64,300	41,483	22,817	6,784	711	(3,222)
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment		408,956	384,358	24,598	141,766	(31,295)	(36,457)
Hyundai Electrosystems Co., Ltd.		53,333	18,932	34,401	-	(4,689)	(8,147)
Hyundai Heavy Industries Europe N.V.		163,507	105,670	57,837	309,126	4,443	5,918

(*) The significant consolidated subsidiary as of the years ended December 31, 2013 and 2012 is Hyundai Mipo Dockyard Co., Ltd., and percentage of ownership for non-controlling interests are 54.79% and 54.03% (in the case of consideration of treasury stock, 53.84% and 53.07%) as of December 31, 2013 and 2012, respectively.

In the year ended December 31, 2013, cash and cash equivalents increased to ₩83,368 million (composed of operating activities ₩44,023 million, investing activities ₩(-)32,238 million, and financing activities ₩71,583 million) and the non-controlling interests received dividends amounting to ₩15,594 million. Also the profit (loss) for the period attributable to non-controlling interest amounted to ₩(-)88,847 million (effective percentage of ownership 56.19%) and equity amounted to ₩1,769,480 million vested as of December 31, 2013.

In the year ended December 31, 2012, cash and cash equivalents decreased to ₩(-)389,855 million (composed of operating activities ₩(-)379,797 million, investing activities ₩(-)20,877 million, and financing activities ₩10,819 million) and the non-controlling interests received dividends amounting to ₩20,781 million. Also the profit for the period attributable to non-controlling interest amounted to ₩45,198 million (effective percentage of ownership 55.45%) and equity amounted to ₩1,771,362 million vested as of December 31, 2012.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2012 is summarized as follows:

In millions of won

Company		Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income
Hyundai Samho Heavy Industries Co., Ltd.	₩	6,978,860	3,641,126	3,337,734	4,231,840	(12,460)	164,691
Hyundai Mipo Dockyard Co., Ltd.		5,032,466	1,838,036	3,194,430	4,003,285	112,137	21,741
Hyundai Oilbank Co., Ltd.		8,475,789	5,588,164	2,887,625	21,523,872	156,477	144,464
Hyundai Heavy Material Service		292,985	88,884	204,101	815,601	11,013	10,712
KOMAS Corporation		143,061	1,446	141,615	365	1,067	1,067
HI Investment & Securities Co., Ltd.		3,038,604	2,472,065	566,539	451,514	4,490	4,811
Hyundai Finance Corporation		193,301	43,221	150,080	16,805	3,599	4,905
Hyundai Venture Investment Corporation		72,415	991	71,424	8,260	2,794	2,181
Hyundai Futures Corporation		159,655	112,991	46,664	16,137	(1,102)	(398)
LS Leading Solution Private Security Investment Trust 22 (Equity)		105,199	14	105,185	3,227	3,132	(30,618)
HI Gold Ocean Kmarin No. 8 Ship Investment Company		72,940	-	72,940	8,036	1,515	(356)
Hyundai Oil Terminal Co., Ltd.		76,112	1,365	74,747	23	(120)	(120)
Hyundai (Jiangsu) Construction Machinery Co., Ltd.		614,248	351,075	263,173	419,426	611	(15,652)
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		250,237	137,149	113,088	254,680	1,661	(5,296)
HHI China Investment Co., Ltd.		412,734	65,726	347,008	25,156	12,677	(8,505)
Hyundai Financial Leasing Co., Ltd.		954,285	701,511	252,774	126,457	49,617	35,042
Hyundai Heavy Industries (China) Electric Co., Ltd.		152,690	105,051	47,639	142,761	988	(1,937)
Yantai Hyundai Moon Heavy Industries Co., Ltd.		55,093	16,572	38,521	60,995	3,475	923
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.		94,116	71,370	22,746	39,109	(16,458)	(17,844)
Weihai Hyundai Wind Power Technology Co., Ltd.		52,193	34,936	17,257	481	(3,321)	(4,461)
HDO Singapore Pte. Ltd.		169,951	168,369	1,582	4,889,922	294	179
Hyundai Vinashin Shipyard		398,978	220,162	178,816	467,578	(19,858)	(34,047)
Hyundai Construction Equipment India PVT., Ltd.		158,584	146,234	12,350	174,708	(15,457)	(17,675)
Hyundai Construction Equipment Americas, Inc.		305,354	271,739	33,615	679,625	9,877	7,529
Hyundai Power Transformers USA, INC		149,221	119,253	29,968	14,538	(22,301)	(25,124)
Hyundai Ideal Electric Co.		75,772	47,694	28,078	99,383	1,979	(129)
Hyundai Heavy Industries Brasil		194,522	133,467	61,055	159,006	(3,189)	(7,311)
HI Gold Ocean Kmarin No. 8 S.A.		66,815	69,287	(2,472)	34	(2,601)	(2,554)
Hyundai Electrosystems Co., Ltd.		80,471	37,923	42,548	-	(461)	(1,422)
Hyundai Heavy Industries Europe N.V.		134,506	82,586	51,920	290,290	8,659	6,080
Hyundai Heavy Industries Co. Bulgaria		64,855	24,076	40,779	54,061	(3,017)	(5,249)
Jahnel-Kestermann Getriebewerke GmbH		54,666	86,245	(31,579)	31,700	(35,092)	(34,469)

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2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2014 and will be submitted for approval to the shareholders' meeting to be held on March 21, 2014.

(1) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(2) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(3) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 9 – Classification of leases
- Note 13 – Classification of joint arrangement
- Note 15 – Classification of investment property

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(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 23 – Measurement of defined benefit obligations: key actual assumptions
- Notes 24, 42 and 43 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 31 – Revenue recognition in proportion to stage of completion
- Note 37 – Recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used

(iii) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – Available-for-sale financial assets
- Note 25 – Derivative financial instruments
- Note 41 – Financial instruments

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3. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

- K-IFRS No. 1110 Consolidated Financial Statements
- K-IFRS No. 1111 Joint Arrangements
- K-IFRS No. 1112 Disclosure of Interests in Other Entities
- K-IFRS No. 1113 Fair Value Measurement
- K-IFRS No. 1019 Employee Benefits (2011)
- Presentation of Items of Other Comprehensive Income (Amendments to K-IFRS No. 1001)
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS No. 1107)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to K-IFRS No. 1036)

The nature and effects of the changes are explained below.

(i) Subsidiaries

As a result of K-IFRS No.1110, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. K-IFRS No. 1110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The Group re-assessed the control conclusion for its investees at January 1, 2013. As a consequence, there has been no impact to the consolidated financial statements.

(ii) Joint arrangements

As a result of K-IFRS No. 1111, the Group has changed its accounting policy for its interests in joint arrangements. Under K-IFRS No. 1111, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements and has reclassified the investments from jointly controlled entities to joint ventures. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method and there has been no impact on the recognized assets, liabilities and comprehensive income of the Group.

(iii) Disclosure of interest in other entities

As a result of K-IFRS No. 1112, the Group has expanded its disclosures about its interests in subsidiaries and equity-accounted investees (see Notes 1, 12 and 13).

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(iv) Fair value measurement

K-IFRS No. 1113 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other K-IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other K-IFRSs, including K-IFRS No. 1107. As a result, the Group has included additional disclosures in this regard (see Note 41).

In accordance with the transitional provisions of K-IFRS No. 1113, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(v) Post-employment defined benefit plans

As a result of K-IFRS No. 1019, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under K-IFRS No. 1019, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The quantitative impact of the change is set out in below.

In millions of won

		2013	2012
Decrease in:			
Cost of sales	₩	7,857	10,449
Selling, general and administrative expenses		1,088	1,916
	₩	**8,945**	**12,365**
Increase in:			
Income tax expense	₩	2,165	3,321
Defined benefit plan actuarial gains		6,780	9,044
	₩	**8,945**	**12,365**

(vi) Presentation of items of OCI

As a result of the amendments to K-IFRS No. 1001, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(vii) Offsetting of financial assets and financial liabilities

As a result of the amendments to K-IFRS No. 1107, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities (see Note 41).

(viii) Disclosures of recoverable amount for non-financial assets

The Group has early adopted the amendments to K-IFRS No. 1036. As a result, the Group has expanded its disclosures of recoverable amounts when they are based on fair value less costs of disposals and impairment is recognized (see Note 17).

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4. Significant Accounting Policies

The significant accounting policies applied by the Group in the preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 3.

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are reviewed regularly by the Group's chief executive officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As discussed in Note 32, the Group has ten reportable segments which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(2) Basis of consolidation

(i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032, 'Financial Instruments: Presentation' and K-IFRS No. 1039, 'Financial Instruments: Recognition and Measurement'.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Group in the management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents.

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(4) Inventories
The cost of inventories is based on the moving-average method with the exception of cost of materials-in-transit, which is determined on the specific identification method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(5) Non-derivative financial assets
The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

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

Financial assets are classified at fair value through profit or loss if they are held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, are recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(v) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments, including hedge accounting
Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

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(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

(a) The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
(b) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(c) The hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

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(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

The estimated useful lives of the Group's property, plant and equipment are as follows:

	Useful lives (years)
Buildings	15~50
Structures	15~50
Machinery	2~40
Heavy machinery	12~15
Ships	15, 25
Vehicles	4~10
Tools, furniture and fixtures	3~20
Other property, plant and equipment ("Others")	3~5

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

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(9) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

	Useful lives (years)
Capitalized development costs	5
Distribution networks	20
Customer relationships	9
Brands	Indefinite
Industrial property right	4~10
Know-how	16
Other intangible assets	3~50
Membership	Indefinite

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(10) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

If the Group received grants related to assets, government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

If the Group received grants related to income, government grants which are intended to compensate the Group for expenses incurred are deducted from the related expenses.

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(11) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property is depreciated using the straight-line method over the following estimated useful lives:

	Useful lives (years)
Buildings	20~50
Structures	20~40

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(12) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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(13) Leases

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

The Group recognizes assets held under a finance lease and presents them as a receivable at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(ii) Operating leases

Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs in negotiating and arranging an operating lease are 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. The depreciation policy for depreciable leased assets is consistent with the Group's normal depreciation policy for similar assets.

(14) Due from customers for contract work and due to customers for contract work

Due from customers for contract work represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

The gross amount due from customers for contract work is presented as an asset in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the gross amount due to customers for contract work is presented as a liability in the statement of financial position.

(15) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period. In addition, the Group capitalized borrowing costs amounting to ₩87,892 million and ₩28,422 million, applying capitalization rate of 2.77%~4.60% and 3.23%~4.80% for the years ended December 31, 2013 and 2012, respectively.

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(16) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(17) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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(iv) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(18) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(i) Provision for construction warranty

The Group generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

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(ii) Provision for product warranty

The Group generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

(iii) Other provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

A provision shall be used only for expenditures for which the provision was originally recognized.

(19) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to the presentation currency using the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency using the exchange rates at the dates of the transaction. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

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(20) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(21) Share-based payment transactions

The Group has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Group measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

(22) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and are recognized as a reduction of revenue.

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Customer loyalty programs

For customer loyalty programs, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("P-points") and the other components of the sale. The amount allocated to the P-points is estimated by reference to the fair value of the products for which they could be redeemed, since the fair value of the P-points themselves is not directly observable. The fair value of the products is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the P-points are redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognized in those circumstances is based on the number of P-points that have been redeemed in exchange for products, relative to the total number of P-points that are expected to be redeemed.

(iii) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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(iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(v) Commissions

In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the net amount of commission made by the Group.

(vi) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

(23) Incidental loan income and expenses

The Group recognizes loan commissions as deferred incidental loan income, and incremental costs arising from the acquisition or disposal of loans are treated as deferred incidental loan expenses, which is adjusted in interest revenues on loans after being amortized using the effective interest method.

(24) Accounting for disposal of loans

The Group records the difference between carrying value and the selling price as reasonably derived and measured by independent trusted third party in profit or loss.

(25) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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(26) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all 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. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(27) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(28) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2013, and the Group has not early adopted them. Management believes the impact of the amendments on the Group's consolidated financial statements is not significant.

(i) Amendments to K-IFRS No. 1032, 'Financial Instruments: Presentation'

The amendments clarified the application guidance related to 'offsetting a financial asset and a financial liability'. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

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5. Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Financial risk management

1) Risk management framework

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

The Group establishes credit limits for each customer and each new customer is analysed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Group does not establish allowances for receivables under insurance and receivables from customers with a high credit rating. For the rest of the receivables, the Group establishes an allowance for impairment of trade and other receivables that have been individually or collectively evaluated for impairment and estimated on the basis of historical loss experience for assets.

(ii) Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, does not expect a significant risk that any counterparty fails to meet its obligations.

(iii) Guarantees

The Group provides financial guarantees to subsidiaries, associates and third parties if necessary.

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3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Group does not generate sufficient cash flow from operations to meet its capital requirements, the Group may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities.

4) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, Korean won (KRW). The currencies in which these transactions primarily are denominated are USD, EUR, CNY and JPY.

The Group hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than two years from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. Trade receivables denominated in a foreign currency have been hedged using forward contracts that mature on the same dates that the receivables are due for collection. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

The Group hedges the interest rate risk arising from loans and bonds with floating interest rates through interest rate swaps.

(iii) Other market price risk

The Group is exposed to the price risk arising from available-for-sale equity securities.

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(2) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the liability to equity ratio and net borrowing to equity ratio, which the Group defines as total liabilities divided by total equity and net borrowing divided by total equity.

The Group's liability to equity ratio and net borrowing to equity ratio at the end of the reporting period are as follows:

In millions of won, except equity ratio

		2013	2012
Total liabilities	₩	34,175,380	30,531,825
Total equity		19,029,592	18,741,351
Cash and deposits(*1)		1,759,626	1,509,644
Borrowings(*2)		15,843,157	14,826,526
Liability to equity ratio		179.59%	162.91%
Net borrowing to equity ratio(*3)		74.01%	71.06%

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.
(*2) Discount on debentures is deducted from the face value of debentures.
(*3) Net borrowing represents borrowings net of cash and deposits.

6. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

		2013		2012	
		Current	Non-current	Current	Non-current
Financial instruments	₩	407,867	15,146	386,325	15,629
Held-for-trading investments		3,882,033	5,717	1,789,908	3,936
Financial assets at fair value through profit or loss		191,489	63,783	189,085	-
Available-for-sale financial assets		202,070	3,237,958	136,616	3,043,273
Others		8,870	-	10,436	-
	₩	4,692,329	3,322,604	2,512,370	3,062,838

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2013 and 2012

7. Restricted Financial Instruments and Others

Financial instruments and others, which are restricted in use, as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	Description	Financial institutions	2013	2012	Restrictions
Short-term financial assets	Investor deposits and others	Korea Securities Finance Corporation and others	₩ 42,551	112,765	Investor deposits and others
Trade and other receivables			357,601	216,833	
Long-term financial assets	Deposits in won	Korea Exchange Bank and others	201	129	Guarantee deposits for checking accounts
			₩ 400,353	329,727	

8. Trade and Other Receivables and Due from Customers for Contract Work

(1) Trade and other receivables as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013		2012	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 6,097,909	805,182	5,749,114	870,193
Allowance for doubtful accounts	(619,521)	(321,340)	(609,830)	(169,175)
	5,478,388	**483,842**	**5,139,284**	**701,018**
Loan receivables:				
Loan receivables	241,668	114,218	210,178	74,487
Allowance for doubtful accounts	(418)	(5,237)	(3,798)	(1,000)
	241,250	**108,981**	**206,380**	**73,487**
Other receivables:				
Other accounts receivable	946,235	269	838,042	243
Allowance for doubtful accounts	(230,852)	(239)	(158,080)	(243)
Accrued income	58,383	-	53,148	-
Allowance for doubtful accounts	(102)	-	(102)	-
Loans	10,115	220,012	7,430	239,370
Guarantee deposits	46,932	115,362	6,908	115,425
Deposits	202,420	-	216,833	-
Receivable for finance leases	305,364	162,885	499,247	251,619
Allowance for doubtful accounts	(4,568)	(2,427)	(10,985)	(5,659)
	1,333,927	**495,862**	**1,452,441**	**600,755**
	₩ 7,053,565	**1,088,685**	**6,798,105**	**1,375,260**

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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(2) Due from customers for contract work as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013		2012	
	Current	Non-current	Current	Non-current
Due from customers for contract work	₩ 6,676,658	-	4,969,296	-
Allowance for doubtful accounts	(1,546)	-	(1,568)	-
	₩ 6,675,112	**-**	**4,967,728**	**-**

9. Finance Leases

(1) Gross investment in leases and the present value of minimum lease payments receivable as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013		2012	
	Minimum lease payments	Unguaranteed residual value	Minimum lease payments	Unguaranteed residual value
Less than one year	₩ 305,364	-	499,247	-
Later than one year between five years	162,885	-	251,619	-
Total	**468,249**	**-**	**750,866**	**-**
Unearned finance income	-	-	-	-
Net investment in the lease	₩ 468,249	-	750,866	-

(2) There are no contingent rents incurred for the years ended December 31, 2013 and 2012.

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10. Inventories

Inventories as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013			2012		
	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩ 290,677	(19,811)	270,866	255,579	(16,910)	238,669
Finished goods	942,392	(23,522)	918,870	1,033,933	(45,197)	988,736
Work-in-progress	1,440,229	(112,944)	1,327,285	1,628,819	(86,972)	1,541,847
Raw materials	1,766,794	(10,010)	1,756,784	1,921,313	(12,985)	1,908,328
Supplies	50,669	(799)	49,870	49,377	(1,184)	48,193
Materials-in-transit	1,805,612	-	1,805,612	1,465,367	-	1,465,367
	₩ 6,296,373	(167,086)	6,129,287	6,354,388	(163,248)	6,191,140

The write-down of inventories to net realizable value amounting to ₩3,838 million and nil, and the reversal of write-downs amounting to nil and ₩865 million are included in cost of sales for the years ended December 31, 2013 and 2012, respectively.

11. Other Assets

Other assets as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013		2012	
	Current	Non-current	Current	Non-current
Advance payments	₩ 2,239,925	-	2,283,548	-
Allowance for doubtful accounts	(61)	-	(294)	-
Prepaid expenses	537,893	74,389	479,585	103,387
Plan assets	-	18,019	-	-
Others	2,508	14,504	387,049	180,741
	₩ 2,780,265	106,912	3,149,888	284,128

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For the years ended December 31, 2013 and 2012

12. Investments in Associates

(1) Investments in associates as of December 31, 2013 and 2012 are summarized as follows:

In millions of won, except percentage of ownership

				2013		2012	
Company	Location	Fiscal year end	Business	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	40.00	₩ 33,672	40.00	₩ 33,305
Hyundai Merchant Marine Co., Ltd.	Korea	December	Shipping	20.03	69,815	21.98	219,645
Taebaek Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	7,348	35.00	4,772
Muju Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	45.00	4,873	45.00	4,879
Pyeongchang Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	840	35.00	859
Jinan Jangsu Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	32.00	99	32.00	99
Changjuk Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	43.00	9,440	43.00	5,838
Hyundai Corporation	Korea	December	Exporting	22.36	181,389	22.36	168,896
Daesung Win-Win Fund	Korea	December	Investment service in culture contents field	23.81	10,597	23.81	10,061
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	Korea	December	Venture capital	40.00	5,561	40.00	6,324
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	Korea	December	Venture capital	37.50	5,579	37.50	3,395
The Second Partners Win-Win Investment Fund	Korea	December	Collective investment	23.33	245	23.33	4,648
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	Korea	December	Collective investment	21.21	5,177	21.21	3,354
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	December	Thick plate-oriented comprehensive iron manufacturing	20.00	9,433	20.00	37,645
PT. HYUNDAI MACHINERY INDONESIA	Indonesia	December	Import and wholesale of machinery equipment for construction	20.83	-	20.83	69
Hyundai Primorye Ltd.	Russia	December	Farmland leasing service	49.99	4,807	49.99	4,963
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	917	49.00	992
Tribridge Capital Management	Cayman	December	Asset management	23.93	-	23.93	6,478
Mahy E-Cell	Canada	December	Manufacture of electric vehicle batteries	40.00	13,494	40.00	10,806
					₩ 363,286		₩ 527,028

(2) The fair value of marketable securities of associates as of December 31, 2013 and 2012 is summarized as follows:

In millions of won

	2013	2012
Hyundai Merchant Marine Co., Ltd.	₩ 386,497	800,116
Hyundai Corporation	176,744	103,351

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(3) Condensed financial information of associates as of and for the years ended December 31, 2013 and 2012 is summarized as follows:

In millions of won

	2013										
	Condensed financial information of Investments in Associates										Dividends received from investments in associates
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss)	Other comprehensive income	Total comprehensive income	
New Korea Country Club	₩ 15,916	16,033	1,178	3,264	27,507	11,270	1,315	1,496	-	1,496	200
Hyundai Merchant Marine Co., Ltd.	2,370,323	6,474,521	4,359,886	3,797,316	687,642	8,152,627	(330,171)	(715,318)	28,538	(686,780)	-
Taebaek Wind Power Co., Ltd.	9,287	49,413	3,949	32,546	22,205	11,595	7,684	7,292	-	7,292	-
Muju Wind Power Co., Ltd.	10,582	248	-	-	10,830	-	(23)	(13)	-	(13)	-
Pyeongchang Wind Power Co., Ltd.	1,540	860	1	-	2,399	-	(93)	(55)	-	(55)	-
Jinan Jangsu Wind Power Co., Ltd.	309	-	-	-	309	-	(2)	(1)	-	(1)	-
Changjuk Wind Power Co., Ltd.	12,232	39,420	2,498	27,968	21,186	11,818	8,423	7,675	-	7,675	-
Hyundai Corporation	1,225,562	492,569	1,017,470	106,278	594,383	5,082,502	21,956	108,246	84,700	192,946	2,496
Daesung Win-Win Fund	38,637	6,034	166	-	44,505	2,896	2,890	2,248	-	2,248	-
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	4,857	9,169	123	-	13,903	1,406	(1,907)	(1,907)	-	(1,907)	-
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	4,046	11,022	190	-	14,878	170	(576)	(576)	-	(576)	-
The Second Partners Win-Win Investment Fund	202	1,000	151	-	1,051	131	(478)	(478)	-	(478)	-
KoFC-Partners Pioneer Champ 2011-1Investment Fund	1,830	22,753	177	-	24,406	46	(680)	(680)	-	(680)	-
Qinhuangdao Shouqin Metal Materials Co., Ltd.	641,635	1,404,148	1,833,494	165,124	47,165	1,372,803	(156,563)	(169,937)	28,878	(141,059)	-
PT. Hyundai Machinery Indonesia	15,875	2,736	20,331	-	(1,720)	43,688	2,271	(2,116)	386	(1,730)	-
HYUNDAI Primorye Ltd.	1,043	7,200	71	-	8,172	628	547	468	(780)	(312)	-
Hyundai Green Industries Co., W.L.L.	-	1,871	-	-	1,871	-	-	-	(153)	(153)	-
Tribridge Capital Management	690	311	264	-	737	131	(246)	(246)	(6)	(252)	-
MAHY E-CELL	753	27,099	584	477	26,791	-	-	(6,453)	(2,377)	(8,830)	-
	₩ 4,355,319	8,566,407	7,240,533	4,132,973	1,548,220	14,691,711	(445,653)	(770,355)	139,186	(631,169)	2,696

In millions of won

	2012										
	Condensed financial information of Investments in Associates										Dividends received from investments in associates
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss)	Other comprehensive income	Total comprehensive income	
New Korea Country Club	₩ 17,151	14,018	3,763	818	26,588	12,413	2,509	2,289	-	2,289	100
Hyundai Merchant Marine Co., Ltd.	2,413,802	6,554,664	2,071,117	5,816,019	1,081,330	8,046,895	(406,871)	(987,589)	61,162	(926,427)	-
Taebaek Wind Power Co., Ltd.	4,166	47,735	1,428	35,560	14,913	3,849	1,148	194	-	194	-
Muju Wind Power Co., Ltd.	10,645	198	-	-	10,843	-	(117)	(96)	-	(96)	-
Pyeongchang Wind Power Co., Ltd.	2,060	395	1	-	2,454	-	(96)	(53)	-	(53)	-
Jinan Jangsu Wind Power Co., Ltd.	310	-	-	-	310	-	(1)	-	-	-	-
Changjuk Wind Power Co., Ltd.	4,095	36,827	4,580	23,255	13,087	1,750	541	591	-	591	-
Hyundai Corporation	1,260,213	384,286	1,099,975	157,810	386,714	4,717,179	62,054	52,000	(3,055)	48,945	2,496
Daesung Win-Win Fund	36,644	5,779	165	-	42,258	1,678	230	241	-	241	-
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	4,375	11,579	5	-	15,949	161	(722)	(722)	-	(722)	-
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	4,526	4,530	2	-	9,054	196	(544)	(544)	-	(544)	-
The Second Partners Win-Win Investment Fund	16,368	3,708	156	-	19,920	7,169	3,006	3,006	-	3,006	1,519
KoFC-Partners Pioneer Champ 2011-1Investment Fund	2,796	13,200	183	-	15,813	115	(615)	(615)	-	(615)	-
Qinhuangdao Shouqin Metal Materials Co., Ltd.	591,588	1,352,612	1,618,729	137,246	188,225	1,580,352	(238,662)	(238,667)	(16,893)	(255,560)	-
PT. Hyundai Machinery Indonesia	26,019	5,992	31,681	-	330	50,295	1,048	(1,645)	(138)	(1,783)	-
HYUNDAI Primorye Ltd.	786	7,753	55	-	8,484	386	283	176	(114)	62	-
Hyundai Green Industries Co., W.L.L.	2,024	-	-	-	2,024	-	-	-	-	-	-
Tribridge Capital Management	825	316	205	-	936	142	(822)	(822)	(95)	(917)	-
MAHY E-CELL	1,110	31,080	5,175	-	27,015	-	-	(5,921)	(1,798)	(7,719)	-
	₩ 4,399,503	8,474,672	4,837,220	6,170,708	1,866,247	14,422,580	(577,631)	(1,178,177)	39,069	(1,139,108)	4,115

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(4) Changes in equity-method accounted investees for the years ended December 31, 2013 and 2012 are summarized as follows:

In millions of won

Associates		2013					
		Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩	33,305	-	567	-	(200)	33,672
Hyundai Merchant Marine Co., Ltd.		219,645	-	(129,211)	(20,619)	-	69,815
Taebaek Wind Power Co., Ltd.		4,772	-	2,576	-	-	7,348
Muju Wind Power Co., Ltd.		4,879	-	(6)	-	-	4,873
Pyeongchang Wind Power Co., Ltd.		859	-	(19)	-	-	840
Jinan Jangsu Wind Power Co., Ltd.		99	-	-	-	-	99
Changjuk Wind Power Co., Ltd.		5,838	-	3,602	-	-	9,440
Hyundai Corporation		168,896	-	17,407	(2,418)	(2,496)	181,389
Daesung Win-Win Fund		10,061	-	536	-	-	10,597
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund		6,324	-	(763)	-	-	5,561
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund		3,395	2,400	(216)	-	-	5,579
The Second Partners Win-Win Investment Fund		4,648	(4,338)	(65)	-	-	245
KoFC-Partners Pioneer Champ 2011-1 Investment Fund		3,354	1,967	(144)	-	-	5,177
Qinhuangdao Shouqin Metal Materials Co., Ltd.		37,645	-	(33,987)	5,775	-	9,433
PT. HYUNDAI MACHINERY INDONESIA		69	-	(66)	(3)	-	-
Hyundai Primorye Ltd.		4,963	-	234	(390)	-	4,807
Hyundai Green Industries Co., W.L.L.		992	-	-	(75)	-	917
Tribridge Capital Management(*)		6,478	-	(6,483)	5	-	-
Mahy E-Cell		10,806	6,220	(2,581)	(951)	-	13,494
	₩	**527,028**	**6,249**	**(148,619)**	**(18,676)**	**(2,696)**	**363,286**

(*) Application of equity method was discontinued as book value reduced to nil due to accumulated loss. The unrecognized changes in equity amounted to ₩358 million.

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In millions of won

Associates		2012					
		Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩	4,968	27,500	937	-	(100)	33,305
Hyundai Merchant Marine Co., Ltd.		407,320	29,280	(231,613)	14,658	-	219,645
Taebaek Wind Power Co., Ltd.		5,153	-	(381)	-	-	4,772
Muju Wind Power Co., Ltd.		4,922	-	(43)	-	-	4,879
Pyeongchang Wind Power Co., Ltd.		877	-	(18)	-	-	859
Jinan Jangsu Wind Power Co., Ltd.		100	-	(1)	-	-	99
Changjuk Wind Power Co., Ltd.		5,373	-	465	-	-	5,838
Hyundai Corporation		158,190	-	13,885	(683)	(2,496)	168,896
Daesung Win-Win Fund		10,004	-	57	-	-	10,061
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund		5,056	1,600	(332)	-	-	6,324
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund		2,399	1,200	(204)	-	-	3,395
The Second Partners Win-Win Investment Fund		5,885	(491)	773	-	(1,519)	4,648
KoFC-Partners Pioneer Champ 2011-1 Investment Fund		1,385	2,100	(131)	-	-	3,354
Qinhuangdao Shouqin Metal Materials Co., Ltd.		98,412	-	(57,149)	(3,618)	-	37,645
PT. HYUNDAI MACHINERY INDONESIA		516	-	(418)	(29)	-	69
Hyundai Primorye Ltd.		5,235	764	74	(1,110)	-	4,963
Hyundai Green Industries Co., W.L.L.		-	992	-	-	-	992
Tribridge Capital Management		6,682	-	(182)	(22)	-	6,478
Mahy E-Cell		-	13,894	(2,369)	(719)	-	10,806
	₩	**722,477**	**76,839**	**(276,650)**	**8,477**	**(4,115)**	**527,028**

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(5) Reconciliation from net assets of the associates to the carrying amount of investments in associates in the Group's consolidated financial statements as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013						
Associates	Ending net assets	Percentage of the Group's ownership	Net value	Corporate adjustments (e.g.: goodwill etc)	Elimination of inter-segment transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 27,507	40.00%	11,002	22,670	-	-	33,672
Hyundai Merchant Marine Co., Ltd.[*1,2]	687,642	20.24%	65,901	19,110	(15,196)	-	69,815
Taebaek Wind Power Co., Ltd.	22,205	35.00%	7,772	-	(424)	-	7,348
Muju Wind Power Co., Ltd.	10,830	45.00%	4,873	-	-	-	4,873
Pyeongchang Wind Power Co., Ltd.	2,399	35.00%	840	-	-	-	840
Jinan Jangsu Wind Power Co., Ltd.	309	32.00%	99	-	-	-	99
Changjuk Wind Power Co., Ltd.	21,186	43.00%	9,110	-	330	-	9,440
Hyundai Corporation[*2]	594,383	22.36%	109,458	72,262	(331)	-	181,389
Daesung Win-Win Fund	44,505	23.81%	10,597	-	-	-	10,597
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	13,903	40.00%	5,561	-	-	-	5,561
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	14,878	37.50%	5,579	-	-	-	5,579
The Second Partners Win-Win Investment Fund	1,051	23.33%	245	-	-	-	245
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	24,406	21.21%	5,177	-	-	-	5,177
Qinhuangdao Shouqin Metal Materials Co., Ltd.	47,165	20.00%	9,433	-	-	-	9,433
PT. Hyundai Machinery Indonesia	(1,720)	20.83%	(358)	-	-	358	-
HYUNDAI Primorye Ltd.	8,172	49.99%	4,085	722	-	-	4,807
Hyundai Green Industries Co., W.L.L.	1,871	49.00%	917	-	-	-	917
Tribridge Capital Management	737	23.93%	176	-	-	(176)	-
MAHY E-CELL	26,791	40.00%	10,716	2,778	-	-	13,494
	₩ **1,548,220**		**261,183**	**117,542**	**(15,621)**	**182**	**363,286**

(*1) The percentage of ownership for the Group is 20.03% (in the case of consideration of treasury stock, 20.24%) as of December 31, 2013.
(*2) The net asset value of associates represents the amount attributable to the controlling interests in the associates.

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In millions of won

	2012					
Associates	Ending net assets	Percentage of the Group's ownership	Net value	Corporate adjustments (e.g.: goodwill etc)	Elimination of inter-segment transactions and unrealized profits and losses	Ending balance
New Korea Country Club	₩ 26,588	40.00%	10,635	22,670	-	33,305
Hyundai Merchant Marine Co., Ltd.[*1,2]	1,081,330	22.24%	216,401	19,110	(15,866)	219,645
Taebaek Wind Power Co., Ltd.	14,913	35.00%	5,220	-	(448)	4,772
Muju Wind Power Co., Ltd.	10,843	45.00%	4,879	-	-	4,879
Pyeongchang Wind Power Co., Ltd.	2,454	35.00%	859	-	-	859
Jinan Jangsu Wind Power Co., Ltd.	310	32.00%	99	-	-	99
Changjuk Wind Power Co., Ltd.	13,087	43.00%	5,627	-	211	5,838
Hyundai Corporation[*2]	386,714	22.36%	95,229	72,262	1,405	168,896
Daesung Win-Win Fund	42,258	23.81%	10,061	-	-	10,061
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	15,949	40.00%	6,324	-	-	6,324
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	9,054	37.50%	3,395	-	-	3,395
The Second Partners Win-Win Investment Fund	19,920	23.33%	4,648	-	-	4,648
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	15,813	21.21%	3,354	-	-	3,354
Qinhuangdao Shouqin Metal Materials Co., Ltd.	188,225	20.00%	37,645	-	-	37,645
PT. Hyundai Machinery Indonesia	330	20.83%	69	-	-	69
HYUNDAI Primorye Ltd.	8,484	49.99%	4,241	722	-	4,963
Hyundai Green Industries Co., W.L.L.	2,024	49.00%	992	-	-	992
Tribridge Capital Management	936	23.93%	236	6,242	-	6,478
MAHY E-CELL	27,015	40.00%	10,806	-	-	10,806
	₩ **1,866,247**		**420,720**	**121,006**	**(14,698)**	**527,028**

(*1) The percentage of ownership for the Group is 21.98% (in the case of consideration of treasury stock, 22.24%) as of December 31, 2012.
(*2) The net asset value of associates represents the amount attributable to the controlling interests in the associates.

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13. Investments in Joint Ventures

(1) Investments in joint ventures as of December 31, 2013 and 2012 are summarized as follows:

In millions of won, except percentage of ownership

Company	Location	Particulars	2013 Percentage of ownership (%)	2013 Carrying amount	2012 Percentage of ownership (%)	2012 Carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	Korea	Manufacture, assemble and test of marine engines and parts	50.00	₩ 90,388	50.00	₩ 58,087
Hyndai Cummins Engine Company	Korea	Manufacture of engines	50.00	28,092	50.00	12,522
KAM Corporation	Korea	Sale and manufacture of polysilicon	-	-	49.00	1,989
Hyundai-Avancis Co., Ltd.	Korea	Sale and manufacture of solar module	50.00	33,149	50.00	104,288
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	Manufacturing of petrochemicals	50.00	146,690	50.00	146,294
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	Acquiring, renting, leasing and chartering of bulk carrier	50.00	59	50.00	833
				₩ 298,378		₩ 324,013

(2) Condensed financial information of joint venture as of and for the years ended December 31, 2013 and 2012 is summarized as follows:

1) Summary finance information

In millions of won

	2013										
	Condensed financial information of Investments in joint venture										Dividends received from investments in joint ventures
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss)	Other comprehensive income	Total comprehensive income	
Wärtsilä-Hyundai Engine Company Ltd.	₩ 428,164	52,658	241,338	58,502	180,982	395,900	82,925	77,569	(35)	77,534	6,611
Hyndai Cummins Engine Company	7,993	80,202	11,535	20,476	56,184	-	(10,340)	(10,181)	-	(10,181)	-
Hyundai-Avancis Co., Ltd.	23,032	47,138	704	1,182	68,284	-	(8,355)	(142,576)	298	(142,278)	-
Hyundai Cosmo Petrochemical Co., Ltd.	635,113	948,297	476,418	559,135	547,857	3,329,608	28,936	840	3,045	3,885	-
Grand China Hyundai Shipping Co., Ltd.	119	-	-	-	119	-	(22)	(22)	(19)	(41)	-
	₩ 1,094,421	1,128,295	729,995	639,295	853,426	3,725,508	93,144	(74,370)	3,289	(71,081)	6,611

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In millions of won

	2012										
	Condensed financial information of Investments in joint venture										Dividends received from investments in joint ventures
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating income (loss)	Profit (loss)	Other comprehensive income	Total comprehensive income	
Wärtsilä-Hyundai Engine Company Ltd.	₩ 360,317	55,240	208,023	90,865	116,669	251,417	28,328	26,444	(69)	26,375	-
Hyndai Cummins Engine Company	16,471	17,409	8,833	3	25,044	-	(1,069)	(759)	(115)	(874)	-
KAM Corporation	17,673	180,041	97,717	95,938	4,059	23,697	(69,605)	(227,275)	2,367	(224,908)	-
Hyundai-Avancis Co., Ltd.	49,459	180,352	17,055	2,194	210,562	-	(9,391)	(6,510)	(384)	(6,894)	-
Hyundai Cosmo Petrochemical Co., Ltd.	283,714	1,052,585	281,047	511,230	544,022	2,102,157	50,735	30,881	(920)	29,961	-
Grand China Hyundai Shipping Co., Ltd.	1,665	-	-	-	1,665	-	-	20	(127)	(107)	-
	₩ 729,299	1,485,627	612,675	700,230	902,021	2,377,271	(1,002)	(177,199)	752	(176,447)	-

2) Additional financial information

In millions of won

	2013						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation expense	Interest revenues	Interest expenses	Tax expense (income)
Wärtsilä-Hyundai Engine Company Ltd.	₩ 29,529	-	-	359	2,125	-	11,576
Hyndai Cummins Engine Company	5,812	-	20,438	519	275	254	-
Hyundai-Avancis Co., Ltd.	3,494	445	1,182	1,268	632	130	1,249
Hyundai Cosmo Petrochemical Co., Ltd.	96,947	114,156	538,534	328	1,965	29,153	-
Grand China Hyundai Shipping Co., Ltd.	119	-	-	-	-	-	-
	₩ 135,901	114,601	560,154	2,474	4,997	29,537	12,825

In millions of won

	2012						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation expense	Interest revenues	Interest expenses	Tax expense (income)
Wärtsilä-Hyundai Engine Company Ltd.	₩ 611	-	-	3,763	-	455	4,820
Hyndai Cummins Engine Company	15,672	-	-	36	-	-	-
KAM Corporation	2,432	86,667	39,167	227	6,319	249	(170)
Hyundai-Avancis Co., Ltd.	13,532	470	1,570	1,945	131	884	(913)
Hyundai Cosmo Petrochemical Co., Ltd.	22,370	10,852	503,456	4,069	20,614	323	-
Grand China Hyundai Shipping Co., Ltd.	1,666	-	-	-	-	-	-
	₩ 56,283	97,989	544,193	10,040	27,064	1,911	3,737

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(3) Changes in equity-method accounted joint ventures for the years ended December 31, 2013 and 2012 are summarized as follows:

In millions of won

Associates		2013					
		Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd.	₩	58,087	-	38,929	(17)	(6,611)	90,388
Hyndai Cummins Engine Company		12,522	20,760	(5,090)	(100)	-	28,092
KAM Corporation(*)		1,989	-	(1,989)	-	-	-
Hyundai-Avancis Co., Ltd.		104,288	-	(71,288)	149	-	33,149
Hyundai Cosmo Petrochemical Co., Ltd.		146,294	-	(1,126)	1,522	-	146,690
Grand China Hyundai Shipping Co., Ltd.		833	(753)	(12)	(9)	-	59
	₩	324,013	20,007	(40,576)	1,545	(6,611)	298,378

(*) The shares owned are retired with no proceeds for the purpose of capital reduction for loss recovery for the year ended December 31, 2013.

In millions of won

Associates		2012					
		Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd.	₩	45,046	-	13,041	-	-	58,087
Hyndai Cummins Engine Company		-	12,959	(380)	(57)	-	12,522
KAM Corporation(*)		112,105	-	(111,645)	1,529	-	1,989
Hyundai-Avancis Co., Ltd.		67,799	40,000	(3,319)	(192)	-	104,288
Hyundai Cosmo Petrochemical Co., Ltd.		24,544	112,600	9,610	(460)	-	146,294
Grand China Hyundai Shipping Co., Ltd.		886	-	11	(64)	-	833
	₩	250,380	165,559	(92,682)	756	-	324,013

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(4) Reconciliation from net assets of the joint ventures to the carrying amount of investments in joint ventures in the Group's consolidated financial statements as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

Joint ventures		2013				
		Ending net assets	Percentage of the Group's ownership	Net value	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	₩	180,982	50%	90,491	(103)	90,388
Hyndai Cummins Engine Company		56,184	50%	28,092	-	28,092
Hyundai-Avancis Co., Ltd.		68,284	50%	34,142	(993)	33,149
Hyundai Cosmo Petrochemical Co., Ltd.		547,857	50%	273,929	(127,239)	146,690
Grand China Hyundai Shipping Co., Ltd.		119	50%	59	-	59
	₩	853,426		426,713	(128,335)	298,378

In millions of won

Joint ventures		2012				
		Ending net assets	Percentage of the Group's ownership	Net value	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	₩	116,669	50%	58,335	(248)	58,087
Hyndai Cummins Engine Company		25,044	50%	12,522	-	12,522
KAM Corporation		4,059	49%	1,989	-	1,989
Hyundai-Avancis Co., Ltd.		210,562	50%	105,281	(993)	104,288
Hyundai Cosmo Petrochemical Co., Ltd.		544,022	50%	272,010	(125,716)	146,294
Grand China Hyundai Shipping Co., Ltd.		1,665	50%	833	-	833
	₩	902,021		450,970	(126,957)	324,013

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14. Available-for-sale Financial Assets

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

In millions of won

	2013			2012		
	Percentage of ownership (%)	Acquisition cost	Carrying amount	Percentage of ownership (%)	Acquisition cost	Carrying amount
Listed equity securities:						
Kia Motors Corporation	0.02	₩ 2,682	₩ 4,951	0.02	₩ 2,682	₩ 4,986
Korea Line Corporation	0.02	55,131	107	0.34	55,131	339
Mirae Asset Securities Co., Ltd.	0.10	6,654	1,611	0.10	6,654	1,494
SEWOO TECH CO., LTD.	-	-	-	4.80	1,193	1,063
CJ HelloVision Co., Ltd.	-	-	-	1.43	15,883	13,848
SBS Media Holdings, Ltd.	0.46	3,738	3,366	-	-	-
LTC Co., LTD.	0.75	1,003	960	-	-	-
KCC Corporation	11.41	268,497	562,200	11.41	268,497	356,400
Korea Environment Technology Co., LTD.	10.88	2,733	12,485	10.88	2,733	11,560
POSCO[*1]	2.50	1,075,221	711,770	2.50	1,075,221	760,820
POSCOMTECH	1.38	4,908	3,811	-	-	-
HANJIN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.	-	-	-	0.12	2,201	750
KEPCO Engineering & Construction Company, Inc	4.69	38,712	108,429	4.69	38,712	125,635
HYUNDAI ELEVATOR CO., LTD.	1.59	6,738	10,382	1.81	6,738	24,543
HYUNDAI MOTOR CO	3.03	487,007	1,576,273	3.03	487,007	1,456,303
Others		230	371		579	535
		1,953,254	**2,996,716**		**1,963,231**	**2,758,276**
Unlisted equity securities:[*2]						
ENOVA SYSTEMS Inc.[*4]	0.67	1,315	-	0.67	1,315	1,315
Hynix Semiconductor America Inc.	1.33	34,525	-	1.33	34,525	-
KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1. Private Equity Fund	10.00	5,148	5,148	10.00	1,068	1,068
LS Cable Ltd.	0.50	6,565	6,274	0.50	6,565	6,080
OSX Construcao Naval S.A.[*4]	10.00	57,498	10,977	10.00	57,498	57,498
Lumantek Co., Ltd.	4.23	300	300	6.41	500	500
Sejin Heavy Industries Co., Ltd.	14.53	22,500	22,500	14.53	22,500	22,500
AnyGen Co., Ltd.	6.64	1,200	1,200	6.18	1,000	1,000

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	2013			2012		
	Percentage of ownership (%)	Acquisition cost	Carrying amount	Percentage of ownership (%)	Acquisition cost	Carrying amount
ENURI	4.78	₩ 2,248	₩ 1,813	4.78	₩ 2,248	₩ 2,248
Optopac Inc.	15.10	2,224	2,224	15.10	2,224	2,224
NEPES DISPLAY	3.83	2,667	2,667	5.43	2,000	2,000
Daehan Oil Pipeline Corporation[*3]	6.39	14,512	33,275	6.39	14,512	32,678
Doosan Capital Co., Ltd.[*3]	7.14	10,000	10,348	7.14	10,000	13,508
Maeil Business TV News (mbn)	0.95	4,000	4,000	0.95	4,000	4,000
MECHARONICS	3.32	1,000	1,000	3.32	1,000	1,000
Busan Exhibition & Convention Center LTD.	7.96	9,460	9,460	7.96	9,460	9,460
SAEHWA IMC Co., LTD.	0.68	1,019	1,019	0.68	1,019	1,019
Channel A Corporation	1.20	5,000	5,000	1.20	5,000	5,000
AJUHITEK INC.	8.87	1,745	756	8.87	1,745	1,562
entaz	4.13	1,200	1,200	5.39	1,500	1,500
Okins Electronics Co., LTD.	13.04	2,039	2,039	13.04	2,039	2,039
L&K Biomed	2.00	1,000	1,000	-	-	-
WAPS Co., LTD.	5.58	1,500	1,500	-	-	-
J-MICRON	2.38	1,001	1,001	2.38	1,001	1,001
Taejin Technology Co., Ltd.	13.69	1,214	1,214	11.64	1,714	1,714
TESNA INC.	0.15	116	88	4.29	116	116
The Korea Economic Daily	3.25	4,050	3,150	3.25	4,050	3,150
Hyundai Research Institute	14.40	1,440	1,440	14.40	1,440	1,440
Quantum Device, Inc.	9.63	1,625	1,625	9.69	1,625	1,625
PANAX ETEC CO., LTD.	0.84	1,150	1,150	0.84	1,150	1,150
Plaworks co., Ltd.	4.43	2,000	2,000	-	-	-
Korea Exchange	0.40	3,000	11,622	0.40	3,000	12,931
The Korea Securities Finance Corporation	0.14	484	1,129	0.14	484	1,261
Others		20,151	12,203		15,938	8,467
		224,896	**160,322**		**212,236**	**201,054**

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In millions of won

	2013					2012				
	Percentage of ownership (%)		Acquisition cost		Carrying amount	Percentage of ownership (%)		Acquisition cost		Carrying amount
Beneficiary certificates:										
HI Global Top Picks China Securities Feeder Investment Trust		₩	54,336	₩	46,469		₩	54,881	₩	45,235
Debt securities										
Monetary stabilization bond and others			210,943		212,461			157,755		158,121
Investments in capital										
Joint compensation fund for loss incurred from contravention of contracts(*5)			22,530		24,060			14,999		17,203
		₩	**2,465,959**	₩	**3,440,028**		₩	**2,403,102**	₩	**3,179,889**

(*1) Impairment was recognized prior to 2013 due to significant decline in fair value below cost. During 2013, an impairment loss of ₩110,090 million was recognized due to further decline in the fair value of the investee below its cost.

(*2) The carrying amounts of unlisted equity securities were recorded at their acquisition cost because the fair values cannot be estimated reliably.

(*3) The fair value of Doosan Capital Co., Ltd. was calculated by using the free cash flows to shareholders method and estimation of stock price distribution. And the fair value of Daehan Oil Pipeline Corporation was calculated by using the discounted cash flow method and estimation of free cash flow.

(*4) As of December 31, 2013, due to continuous loss making of the investee, the Group recognized an impairment loss because the carrying amount of the investment exceeds its recoverable amount.

(*5) As of December 31, 2013 and 2012, this includes a damage compensation joint fund, for which the use is restricted, in the amounts of ₩6,358 million and ₩7,654 million, respectively. The damage compensation joint fund is the amount the Group deposited with in Korea Exchange in order to compensate for the damages that occurs from the breach of selling agreements, pursuant to the Financial Investment Services and Capital Markets Act, Section 394 and others.

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15. Investment Property

(1) Changes in investment property for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

	2013			
		Land	Buildings	Total
Beginning balance	₩	243,224	79,457	322,681
Acquisition and other		18,060	100,489	118,549
Disposals		(470)	(380)	(850)
Depreciation		-	(6,797)	(6,797)
Effects of movements in exchange rates		-	34	34
Ending balance	₩	260,814	172,803	433,617
Acquisition cost		260,814	207,170	467,984
Accumulated depreciation		-	(34,367)	(34,367)
Accumulated impairment loss		-	-	-

In millions of won

	2012			
		Land	Buildings	Total
Beginning balance	₩	241,440	85,833	327,273
Acquisition and other		1,784	(2,122)	(338)
Disposals		-	-	-
Depreciation		-	(4,140)	(4,140)
Effects of movements in exchange rates		-	(114)	(114)
Ending balance	₩	243,224	79,457	322,681
Acquisition cost		243,224	116,090	359,314
Accumulated depreciation		-	(31,462)	(31,462)
Accumulated impairment loss		-	(5,171)	(5,171)

(2) Revenue (expense) from investment property for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

		2013	2012
Rental income	₩	13,893	8,792
Operating and maintenance expense arising from investment property that generated rental income		(6,339)	(3,587)
Operating and maintenance expense arising from investment property that did not generate rental income		(40)	(58)

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16. Property, Plant and Equipment

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

In millions of won

	2013						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 4,439,939	3,270,414	2,570,450	4,157,208	437,667	680,786	15,556,464
Acquisitions and other	65,197	137,984	246,962	264,065	93,295	361,697	1,169,200
Disposals	(59,040)	(15,995)	(7,405)	(3,335)	(6,087)	(4,231)	(96,093)
Depreciation	-	(109,611)	(94,252)	(435,031)	-	(246,162)	(885,056)
Impairment	-	-	-	-	-	(75)	(75)
Effect of movements in exchange rates	(1,150)	(15,958)	(2,919)	(7,793)	(2,014)	(1,609)	(31,443)
Ending balance	₩ 4,444,946	3,266,834	2,712,836	3,975,114	522,861	790,406	15,712,997
Acquisition cost	4,446,423	4,287,929	3,659,949	7,747,031	522,861	2,886,969	23,551,162
Government grants	(1,477)	(9,255)	(2,062)	(499)	-	(844)	(14,137)
Accumulated depreciation	-	(1,011,840)	(945,051)	(3,688,383)	-	(2,094,432)	(7,739,706)
Accumulated impairment	-	-	-	(83,035)	-	(1,287)	(84,322)

In millions of won

	2012						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 4,435,683	3,127,262	2,545,241	4,384,470	401,951	670,125	15,564,732
Acquisitions and other	32,367	274,829	127,073	355,815	47,408	252,769	1,090,261
Disposals	(25,918)	(11,477)	(2,114)	(5,916)	(3,846)	(4,190)	(53,461)
Depreciation	-	(102,843)	(90,506)	(480,737)	-	(232,690)	(906,776)
Impairment	-	-	-	(83,035)	-	(1,387)	(84,422)
Effect of movements in exchange rates	(2,193)	(17,357)	(9,244)	(13,389)	(7,846)	(3,841)	(53,870)
Ending balance	₩ 4,439,939	3,270,414	2,570,450	4,157,208	437,667	680,786	15,556,464
Acquisition cost	4,441,439	4,186,060	3,430,973	7,524,248	437,667	2,593,779	22,614,166
Government grants	(1,500)	(8,969)	(2,092)	(503)	-	(1,057)	(14,121)
Accumulated depreciation	-	(906,677)	(858,431)	(3,283,502)	-	(1,910,549)	(6,959,159)
Accumulated impairment	-	-	-	(83,035)	-	(1,387)	(84,422)

(2) During 2012, due to the low profitability of the solar energy industry caused by oversupply, the Group assessed the recoverable amount of the related product line (CGU). The recoverable amount of the CGU was estimated based on its value in use. As a result, the carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of ₩84,248 million was recognized. Of the total, ₩83,035 million was allocated to machinery and equipment, and ₩1,213 million to others. The estimate of value in use was determined using an after-tax discount rate of 6.61%.

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(3) Construction-in-progress is related to the construction of HLV (Heavy Lifting Vessel) barge, development and construction of Ihwa Industrial Park and construction of lubricant production facility as of December 31, 2013.

17. Intangible Assets

(1) Changes in goodwill for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

	2013	2012
Beginning balance	₩ 1,417,369	1,428,566
Impairment loss	(17,454)	(11,197)
Ending balance	₩ 1,399,915	1,417,369
Acquisition cost	1,515,408	1,515,408
Accumulated impairment loss	(115,493)	(98,039)

Goodwill has been recognized from the following transactions: 1) the acquisition of securities of Hyundai Oilbank Co., Ltd. by the Company, 2) the acquisition of all the assets and liabilities of Halla Heavy Industry Co., Ltd. by a subsidiary of the Company, Hyundai Samho Heavy Industry Co., Ltd., and 3) the acquisition of securities of HI Investment & Securities Co., Ltd. by a subsidiary of the Company, Hyundai Mipo Dockyard Co., Ltd.

On annual basis, the Group conducts impairment test for goodwill, and assesses the recoverability of the cash generating unit.

The recoverable amount of the cash generating unit is determined based on the value in use.

As of December 31, 2013, assumptions used in estimating value in use of for CGUs to which significant goodwill has been assigned are as follows:

	Hyundai Oilbank Co., Ltd.	HI Investment & Securities Co., Ltd.	HI Asset Management Co., Ltd.
Pre-tax discount rate (%)	11.27	12.90	8.54
Permanent growth rate (%)	2.90	2.00	2.00

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(2) Changes in development costs, networks and other intangible assets for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

	2013							
		Development costs	Networks	Customer relationships	Brands	Know-how	Other intangible assets	Total
Beginning balance	₩	323,601	90,131	81,229	192,220	40,920	151,940	880,041
Acquisitions and other		89,665	-	-	-	-	12,450	102,115
Disposals		-	-	-	-	-	(4,562)	(4,562)
Amortization		(62,603)	(5,126)	(12,339)	-	(3,013)	(6,215)	(89,296)
Impairment loss		-	-	-	-	-	(2,407)	(2,407)
Effect of movements in exchange rates		(40)	-	-	-	-	(117)	(157)
Ending balance(*)	₩	350,623	85,005	68,890	192,220	37,907	151,089	885,734
Acquisition cost		849,533	102,519	111,048	192,220	48,201	228,846	1,532,367
Accumulated amortization		(497,851)	(17,514)	(42,158)	-	(10,294)	(74,440)	(642,257)
Accumulated impairment		(1,059)	-	-	-	-	(3,317)	(4,376)

In millions of won

	2012							
		Development costs	Networks	Customer relationships	Brands	Know-how	Other intangible assets	Total
Beginning balance	₩	321,279	95,257	93,568	192,220	43,933	148,846	895,103
Acquisitions and other		60,902	-	-	-	-	16,507	77,409
Disposals		-	-	-	-	-	(4,778)	(4,778)
Amortization		(57,400)	(5,126)	(12,339)	-	(3,013)	(6,548)	(84,426)
Impairment loss		(1,059)	-	-	-	-	(910)	(1,969)
Effect of movements in exchange rates		(121)	-	-	-	-	(1,177)	(1,298)
Ending balance(*)	₩	323,601	90,131	81,229	192,220	40,920	151,940	880,041
Acquisition cost		759,889	102,519	111,048	192,220	48,201	221,451	1,435,328
Accumulated amortization		(435,229)	(12,388)	(29,819)	-	(7,281)	(68,601)	(553,318)
Accumulated impairment		(1,059)	-	-	-	-	(910)	(1,969)

(*) The carrying amount of intangible assets with indefinite useful lives is ₩282,633 million and ₩283,143 million as of December 31, 2013 and 2012, respectively.

(3) The Group recognized impairment losses of goodwill and memberships amounting to ₩17,454 million and ₩2,407 million for the year ended December 31, 2013, respectively.

(4) Research costs amounting to ₩25,954 million and ₩8,440 million, and ordinary development costs amounting to ₩155,413 million and ₩164,347 million are included in selling, general and administrative expenses for the years ended December 31, 2013 and 2012, respectively. Amortization of capitalized development costs of ₩62,603 million and ₩57,400 million are included in the manufacturing cost and selling, general and administrative expenses for the years ended December 31, 2013 and 2012, respectively.

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18. Pledged Assets

(1) Assets pledged as collateral for the Group's borrowings as of December 31, 2013 are summarized as follows:

In millions of won and in thousands of foreign currency

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Land and buildings	KRW 86,331	KRW 76,919	Long-term borrowings	KRW 39,583	KB Kookmin Bank
Land	KRW 115,773	KRW 1,440,000	Long-term borrowings	KRW 1,200,000	The Korea Development Bank and Others
Buildings	KRW 98,102				
Machinery and structures	KRW 2,058,487				
The korea Exchange stock	KRW 3,000	KRW 5,000	Secured loans	KRW 5,000	The Korea Securities Finance Corporation
Inventories and trade receivables	EUR 5,500	EUR 5,500	General purpose loans	EUR 3,000	BNP Paribas Fortis Bank, Belgium
Buildings	USD 473	USD 230	Secured loans	USD 230	Center Bank
Stocks of MS Dandy Ltd.	-	USD 5,645	Long-term borrowings	USD 11,741	National Federation of Fisheries Cooperatives
	KRW 2,361,693	**KRW 1,521,919**		**KRW 1,244,583**	
	USD 473	**USD 5,875**		**USD 11,971**	
	EUR 5,500	**EUR 5,500**		**EUR 3,000**	

(2) The Group received payment guarantees from financial institutions covering advance payments on ships as of December 31, 2013. Regarding this, the Group collateralized its ships under construction and construction materials (see note 42).

(3) As of December 31, 2013, the Group collateralized ₩3,324,740 million of held for trading investments, ₩45,124 million of borrowed securities and ₩152,167 million of available-for-sale financial assets for loan transactions, warranty for derivative instruments and margin loans to Korea Exchange and others.

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19. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

		2013		2012	
		Current	Non-current	Current	Non-current
Borrowings	₩	10,328,520	2,624,903	8,374,755	3,758,724
Held for trading liabilities		1,147,270	9,950	102,399	-
Financial liability at fair value through profit or loss		106,363	377,654	38,283	-
Debentures		300,000	2,596,590	150,000	2,550,000
Discount on debentures		(297)	(6,559)	(23)	(6,930)
Deposit liabilities		304,417	-	317,788	-
Others		13,648	-	15,234	-
	₩	**12,199,921**	**5,602,538**	**8,998,436**	**6,301,794**

20. Trade and Other Payables

Trade and other payables as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

		2013		2012	
		Current	Non-current	Current	Non-current
Trade payables	₩	4,345,971	-	3,915,917	-
Other accounts payable		1,261,482	1,561	1,276,411	4,648
Accrued expense		746,880	9,095	595,710	36,340
Deposits received		-	123,494	-	154,837
	₩	**6,354,333**	**134,150**	**5,788,038**	**195,825**

21. Other Liabilities

Other liabilities as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

		2013		2012	
		Current	Non-current	Current	Non-current
Unearned revenues	₩	16,885	-	35,754	-
Deferred revenues		-	38,595	-	40,441
Others		5,628	5,526	10,568	5,352
	₩	**22,513**	**44,121**	**46,322**	**45,793**

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22. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

Type of borrowing	Lender	Annual interest rate (%)		2013	2012
General loan	Hanyang Securities	2.72	₩	50,000	150,000
General Loan in foreign currency	Agricultural Bank of China and others	0.70~1.00		100,969	-
Call money	KB Kookmin Bank and others	2.55~2.62		163,400	141,600
Commercial paper	SK Securities Co., Ltd. and others	2.72~5.00		1,201,070	2,069,000
Repurchase agreements sales	Korea Securities Finance Corporation and others	2.50		2,087,705	1,398,416
Invoice Loan	Mizuho Corporate Bank and others	0.66~1.81		912,159	852,270
Import loan	Bank of china and others	0.95		575	81,442
Usance L/C	Woori Bank and others	0.33~2.01		1,519,214	1,180,290
Transferred export receivables	Korea Exchange Bank and others	-		-	3,598
Pre-shipment credit	Export-Import Bank of Korea and others	3.30~3.69		1,470,000	895,000
Other borrowings from KSFC	Korea Securities Finance Corporation	3.35		5,000	30,000
Borrowings from margin loans	Korea Securities Finance Corporation	2.62, 2.95		59,779	28,998
Loan in foreign currency	Mizuho Corporate Bank and others	1.04~12.50		791,443	751,979
			₩	**8,361,314**	**7,582,593**

(2) Long-term borrowings as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

Type of borrowing	Lender	Annual interest rate (%)		2013	2012
General loan	Hana Bank and others	3.00~3.60	₩	200,000	3,000
Commercial paper	SK Securities Co., Ltd. and others	3.01~3.76		2,140,000	2,240,000
General loan in foreign currency	Hana Bank	2.19		211,060	46,057
National Housing Fund	KB Kookmin Bank	2.70		39,583	40,276
Energy rationalization	The Korea Development Bank	1.75		4,572	5,419
Environment improvement fund	The Korea Development Bank	3.22		2,070	2,686
General fund for equipment	The Korea Development Bank and others	3.46~4.76		1,149,104	1,200,000
Business loans(*)	Korea National Oil Corporation and others	0.75~3.75		11,140	13,610
Pre-shipment credit	Export-Import Bank of Korea	3.30~3.75		430,000	310,000
Loan in foreign currency	Standard Chartered Bank and others	Libor(1M)+1.10~6.50		404,580	689,838
Current portion				(1,967,206)	(792,162)
			₩	**2,624,903**	**3,758,724**

(*) As of December 31, 2013, the consortium that included the Group decided to withdraw from its oil development business in the 4 mining areas in Yemen and Kazakhstan mining development business through sale of shares. The maturities of business loans (₩11,140 million and ₩11,307 million as of December 31, 2013 and 2012, respectively) from Korea National Oil Corporation are not readily determinable since the decision on redemptions of business loans are still being deliberated by the supervisory institution.

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(3) Debentures as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

Description	Maturity	Annual interest rate (%)		2013	2012
113th debenture	2015-02-17	3.96	₩	500,000	500,000
114th -1 debenture	2015-07-24	3.23		300,000	300,000
114th -2 debenture	2017-07-24	3.35		400,000	400,000
Foreign currency bond	2016-06-10	1.14		316,590	-
98th debenture	2014-02-02	5.44		100,000	100,000
101st debenture	2013-03-20	-		-	150,000
103rd debenture	2014-07-03	6.80		100,000	100,000
105th debenture	2015-06-28	5.75		200,000	200,000
106th debenture	2014-04-14	4.36		100,000	100,000
108th debenture	2015-01-25	3.98		150,000	150,000
109th debenture	2015-03-27	4.08		100,000	100,000
110th debenture	2017-07-20	3.52		300,000	300,000
111th -1 debenture	2016-10-23	3.24		100,000	100,000
111th -2 debenture	2019-10-23	3.52		100,000	100,000
1st -1 subordinated bonds	2018-03-11	4.88		60,000	60,000
1st -2 subordinated bonds	2019-09-11	5.18		40,000	40,000
2nd subordinated bonds	2019-10-31	5.30		30,000	-
Current portion				(300,000)	(150,000)
			₩	**2,596,590**	**2,550,000**

(4) Aggregate maturities of the Group's borrowings and debentures as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

Description		2013		
		Borrowings	Debentures	Total
2014.01.01~2014.12.31	₩	10,328,520	300,000	10,628,520
2015.01.01~2018.12.31		2,211,676	2,426,590	4,638,266
2019.01.01 and thereafter		413,227	170,000	583,227
	₩	**12,953,423**	**2,896,590**	**15,850,013**

In millions of won

Description		2012		
		Borrowings	Debentures	Total
2013.01.01~2013.12.31	₩	8,374,755	150,000	8,524,755
2014.01.01~2017.12.31		3,265,527	2,350,000	5,615,527
2018.01.01 and thereafter		493,197	200,000	693,197
	₩	**12,133,479**	**2,700,000**	**14,833,479**

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23. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Present value of defined benefit obligations	₩	1,483,146	1,395,997
Fair value of plan assets(*)		(1,319,193)	(1,145,817)
	₩	**163,953**	**250,180**

(*) The savings paid in excess have been accounted for plan assets of other non-current assets, and the fair value of this amount is ₩1,337,212 million as of December 31, 2013.

(2) Plan assets as of December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Retirement pension	₩	1,323,267	1,122,208
Deposit for severance benefit insurance		-	8,977
Transfer to National Pension Fund		13,945	14,632
	₩	**1,337,212**	**1,145,817**

(3) Expenses recognized in profit or loss for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Current service costs	₩	208,552	195,549
Interest on obligations		48,406	48,480
Past service costs		-	(3,680)
Expected return on plan assets		(39,964)	(47,717)
Contribution		387	169
	₩	**217,381**	**192,801**

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(4) Changes in the defined benefit obligations for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Beginning balance	₩	1,395,997	1,171,191
Current service costs		208,552	195,549
Interest on obligations		48,406	48,480
Past service costs		-	(3,680)
Benefits paid		(83,494)	(81,574)
Transfers from related parties		5,623	391
Effect of movements in exchange rates		186	(668)
Actuarial losses in other comprehensive income			
Demographic assumption		(1,105)	(1,430)
Financial assumption		(105,517)	33,990
Experience adjustment		14,498	33,748
Ending balance	₩	1,483,146	1,395,997

(5) Changes in the plan assets for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Beginning balance	₩	1,145,817	1,015,798
Benefits paid		(49,515)	(65,589)
Contributions paid into the plan		202,163	153,038
Expected return on plan assets		39,964	47,717
Actuarial gains in other comprehensive income		(1,217)	(5,147)
Ending balance	₩	1,337,212	1,145,817

(6) Principal actuarial assumptions at the reporting date are as follows:

	2013	2012
Discount rate at December 31	3.93% ~ 4.38%	2.99%~4.47%
Future salary increases	2.56% ~ 3.92%	1.40%~7.06%
Future mortality (Males, at age 45)	0.27%	0.27%~0.30%

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(7) Historical information for the amounts related to defined benefit plans recognized for the current year and previous years are as follows:

In millions of won

		December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	January 1, 2010
Defined benefit obligations	₩	1,483,146	1,395,997	1,171,191	1,033,030	1,441,070
Plan assets		(1,337,212)	(1,145,817)	(1,015,798)	(901,709)	(1,266,880)
Deficit		145,934	250,180	155,393	131,321	174,190
Experience adjustments on plan liabilities		(92,124)	66,308	154,575	132,186	N/A
Experience adjustments on plan assets		1,217	5,147	(5,949)	4,823	

24. Long-term Provisions

Changes in long-term provisions for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013				2012			
		Provision for construction warranty	Provision for product warranty	Other provision	Total	Provision for construction warranty	Provision for product warranty	Other provision	Total
Beginning balance	₩	233,870	124,252	36,925	395,047	99,968	157,151	52,820	309,939
Additions		160,118	130,215	53,102	343,435	163,934	67,328	384	231,646
Reversals		(12,420)	(38,845)	(15,968)	(67,233)	(8,115)	(4,744)	(2,813)	(15,672)
Utilization		(23,531)	(84,940)	(8,661)	(117,132)	(21,780)	(91,047)	(11,776)	(124,603)
Effect of movements in exchange rates		(61)	123	(1,262)	(1,200)	(137)	(4,436)	(1,690)	(6,263)
Ending balance	₩	357,976	130,805	64,136	552,917	233,870	124,252	36,925	395,047

25. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks, including Korea Exchange Bank, to hedge the risk related to changes in foreign exchange rates, crude oil prices and others. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and others.

(1) The description of derivative instrument and hedge accounting is as follows:

Trade payables	Type	Description
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Foreign currency futures	Hedges currency exchange rate fluctuation risk on foreign currency reserves
	Interest rate swap	Hedges cash flow risk on interest rate fluctuation
Fair value hedge	Foreign currency forward	(i) Hedges the risk of changes in the fair value of firm commitments (ii) Hedges the risk of changes in foreign currency exchange rates for payables in foreign currency

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(2) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2013 are as follows:

(i) Terms of derivative contracts

In millions of won and in thousands of foreign currency

Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
		Sell	Buy				
Cash flow hedge	Foreign currency forward	EUR	KRW	12,417	429	1,473.50	2014-08-19
		KRW	EUR	3,343		1,594.11	2014-03-31
		KRW	USD	2,114,075		1,109.77	2014-11-02
		USD	EUR	453,055		0.75	2014-10-11
		USD	JPY	157,382		93.69	2015-02-09
		USD	KRW	688,361		1,110.10	2014-05-05
		USD	NOK	57,550		6.02	2014-08-18
		USD	CHF	4,350		1.10	2014-07-02
	Interest rate swap	KRW	KRW	70,000	1	-	2020-11-20
	Product forward	USD	USD	68,653	4	-	2014-02-13
Fair value hedge	Foreign currency forward	EUR	KRW	6,380	2,627	1,467.69	2014-12-30
		USD	KRW	17,608,927		1,113.18	2015-02-05
For trading	Foreign currency forward	KRW	USD	580,019	47	1,056.89	2014-01-10
		USD	KRW	93,043		1,117.60	2014-02-21
	Foreign currency futures	USD	USD	1,540	154	-	2014-01-20
	Interest rate futures	KRW	KRW	261,416	2,415	-	2014-03-17
	Index futures	KRW	KRW	99,731	760	-	2014-03-13
	Interest rate swap	USD	USD	62,500		-	2015-07-10
		KRW	KRW	210,000	16	-	2016-09-23
	Stock warrants	KRW	KRW	5,890	3	-	2018-03-10
	Product forward	USD	USD	69,900	8	-	2014-02-26
	Index number option	KRW	KRW	175	4,725	-	2014-01-13
	Stock option	KRW	KRW	473,703	93	-	2016-10-07
	Commodity futures	USD	USD	1,385	15	-	2014-01-14
	Foreign currency forward	EUR	KRW	18,796	3,103	1,471.53	2014-10-03
		KRW	EUR	3,343		1,594.11	2014-03-31
		KRW	USD	2,694,094		1,097.94	2014-08-30
		USD	EUR	453,055		0.75	2014-10-11
		USD	JPY	157,382		93.69	2015-02-09
		USD	KRW	18,390,331		1,113.08	2015-01-23
		USD	NOK	57,550		6.02	2014-08-18
		USD	CHF	4,350		1.10	2014-07-02
	Foreign currency futures	USD	USD	1,540	154	-	2014-01-20
	Interest rate futures	KRW	KRW	261,416	2,415	-	2014-03-17
	Index futures	KRW	KRW	99,731	760	-	2014-03-13

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Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
		Sell	Buy				
For trading	Interest rate swap	KRW	KRW	280,000	17	-	2017-10-07
		USD	USD	62,500		-	2015-07-10
	Stock warrants	KRW	KRW	5,890	3	-	2018-03-10
	Product forward	USD	USD	138,554	12	-	2014-02-19
	Index option	KRW	KRW	175	4,725	-	2014-01-13
	Stock option	KRW	KRW	473,703	93	-	2016-10-07
	Commodity futures	USD	USD	1,385	15	-	2014-01-14

(*) Terms of settlement: Netting the settlement or collecting total
(**) The contract amount is denominated in the selling currency

(ii) Gain and loss on valuation and transaction of derivatives

In millions of won

Description	Type	Increase (decrease) to sales	Increase (decrease) to cost of sales	Increase to finance income	Increase to finance costs	Increase to other non-operating income	Increase to other non-operating expenses	Accumulated other comprehensive income	Firm commitment		Derivatives		Financial assets or liabilities at fair value through profit or loss	
									Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge	Foreign currency forward	₩ 32,448	(30,063)	-	-	-	-	(40,684)	-	-	51,880	92,942	-	-
	Foreign currency swap	-	-	-	-	-	-	(2,667)	-	-	-	4,028	-	-
	Interest rate swap	-	-	-	-	-	-	(2,010)	-	-	2,190	2,839	-	-
Fair value hedge	Foreign currency forward	349,532	-	725,409	220,985	129,767	637,664	-	11,640	532,216	713,380	6,051	-	-
For trading	Foreign currency forward	8,333	15,222	69,071	107,829	-	-	-	-	-	-	-	6,977	-
	Foreign currency futures	6,038	5,543	-	-	-	-	-	-	-	-	-	-	186
	Interest rate futures	27,115	12,653	-	-	-	-	-	-	-	-	-	-	-
	Index futures	26,985	25,145	-	-	-	-	-	-	-	-	-	-	-
	Interest rate swap	426	1,035	-	443	-	-	-	-	-	-	-	82	471
	Stock warrants	749	987	-	-	-	-	-	-	-	-	-	885	-
	Product forward	-	-	5,679	2,390	-	-	-	-	-	-	-	1,056	1,524
	Index number option	13,176	13,015	-	-	-	-	-	-	-	-	-	81	119
	Stock option	9,871	6,435	-	-	-	-	-	-	-	-	-	6,003	9,734
	Commodity futures	140	44	-	-	-	-	-	-	-	-	-	141	34
		₩ 474,813	**50,016**	**800,159**	**331,647**	**129,767**	**637,664**	**(45,361)**	**11,640**	**532,216**	**767,450**	**105,860**	**15,225**	**12,068**

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As of December 31, 2013, the Group applies cash flow hedge accounting, out of which the Group accounted for the effective portion of the hedge amounting to ₩(-)34,711 million, after netting off deferred tax adjustment of ₩(-)10,977 million and non-controlling interest portion of ₩327 million, as gain (loss) on valuation of derivatives in accumulated other comprehensive income.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 83 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as an addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2013 is ₩(-)16,977 million.

26. Capital and Capital Surplus

(1) The Group is authorized to issue 160,000,000 shares of capital stock (par value ₩5,000), and as of December 31, 2013 and 2012, the number of issued common shares is 76,000,000.

There have been no changes in the capital stock for the years ended December 31, 2013 and 2012.

(2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of the Company. Other capital surplus of the Company is derived from various sources including gains arising from previous business combination, and gains on disposal of treasury stocks and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

Capital surplus as of December 31, 2013 and 2012 is summarized as follows:

In millions of won

	2013	2012
Paid-in capital in excess of par value	₩ 843,324	843,324
Gains on disposal of treasury stocks	204,339	204,339
From business combination	21,830	21,830
Other capital surplus	39,816	39,816
	₩ 1,109,309	1,109,309

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27. Treasury Stock

(1) Treasury stock of the Company as of December 31, 2013 and 2012 is summarized as follows:

In millions of won

	2013			2012		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Treasury stock	14,711,560	₩ 1,400,455	3,780,871	14,711,560	₩ 1,400,455	3,560,198

(2) As of December 31, 2013, 6,063,000 of the Company's shares valued at ₩236,721 million at acquisition cost and ₩1,558,191 million at fair value are owned by Hyundai Mipo Dockyard Co., Ltd., a subsidiary of the Group. The Group recorded its portion as treasury stock in capital adjustments, in the amount of ₩103,717 million.

28. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of December 31, 2013 and 2012 is summarized as follows:

In millions of won

	2013	2012
Gain on valuation of available-for-sale financial assets	₩ 1,264,447	1,050,437
Loss on valuation of derivatives	(34,711)	(22,593)
Exchange differences on translating foreign operations	(8,302)	5,451
Change in equity of equity method investments	18,539	38,332
	₩ 1,239,973	1,071,627

(2) Other comprehensive income (loss) for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

	2013			2012		
	Other comprehensive income	Owners of the Company	Non-controlling interests	Other comprehensive income	Owners of the Company	Non-controlling interests
Gain and loss on valuation of available for-sale financial assets, net of tax	₩ 262,687	214,010	48,677	(162,922)	(179,755)	16,833
Gain and loss on valuation of derivatives, net of tax	(12,104)	(12,118)	14	11,102	12,634	(1,532)
Exchange differences on translating foreign operations, net of tax	(11,390)	(13,753)	2,363	(91,840)	(70,099)	(21,741)
Change in equity of equity method investments, net of tax	(19,949)	(19,793)	(156)	12,119	11,902	217
Retained Earnings of equity method investments, net of tax	1,439	1,474	(35)	(2,570)	(2,528)	(42)
Defined benefit plan actuarial losses, net of tax	65,606	61,364	4,242	(60,540)	(57,142)	(3,398)
	₩ 286,289	231,184	55,105	(294,651)	(284,988)	(9,663)

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29. Retained Earnings

(1) Retained earnings as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

		2013	2012
Legal reserves:			
Legal appropriated retained earnings[*1]	₩	190,000	190,000
Reserve for corporate development[*2]		30,000	30,000
Asset revaluation surplus		1,800,414	1,800,414
		2,020,414	**2,020,414**
Voluntary reserves:[*3]			
Reserve for business rationalization		87,277	87,277
Reserve for facilities		78,270	78,270
Reserve for research and human development		570,000	510,000
Others		11,758,088	10,901,453
		12,493,635	**11,577,000**
Unappropriated retained earnings		**1,779,050**	**2,500,611**
	₩	**16,293,099**	**16,098,025**

(*1) The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any, through a resolution of shareholders.
(*2) Only available for the reduction of accumulated deficit or transfer to capital stock in accordance with related laws.
(*3) Pursuant to the Tax Exemption and Reduction Control Law, the Company is allowed to make reserves for research and human development, facilities and others, which are appropriated in accordance with related laws.

(2) Changes in retained earnings for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Beginning balance	₩	16,098,025	15,399,437
Profit for the year		146,303	1,029,643
Less: non-controlling interests		132,402	(37,037)
Retained earnings of equity method		1,474	(2,529)
Actuarial losses		61,364	(57,142)
Dividends		(146,469)	(234,347)
Ending balance	₩	16,293,099	16,098,025

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30. Acquisitions of Subsidiary and Non-controlling Interests

(1) There were no business combination transactions during the years ended December 31, 2013 and 2012.

(2) Details of changes in the Group's interests in subsidiaries which did not result in a change in control during the year ended December 31, 2013 are as follows:

(i) Increase in ownership

In millions of won

Company	Percentage of ownership before transaction (%)	Percentage of ownership after transaction (%)	Changes in equity grounds	Original cost and others	Increase in non-controlling interests[*]	Increase in controlling interest
Hyundai Khorol Agro Ltd.	94.26%	95.24%	Paid-in capital increase	2,256	-	2,256

(*) Hyundai Khorol Agro Ltd. Holds treasury stock (4.76%), so there is no increase in non-controlling interests.

(ii) Decrease in ownership

In millions of won

Company	Percentage of ownership before transaction (%)	Percentage of ownership after transaction (%)	Changes in equity grounds	Original cost and others	Increase in non-controlling interests	Increase in controlling interest
Hyundai Khorol Agro Ltd.	45.97%	45.21%	Disposal	19,969	17,276	2,693

(3) Gain (loss) upon loss of control

In millions of won

Company		Gain (loss) on loss of control[*]	Gain (loss) on measurement of remaining investments at fair value upon disposal
HI Gold Ocean Kmarin No. 8 Ship Investment Company	₩	1,699	-
HI GOLD OCEAN KMARIN NO.8 S.A		2,554	-
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)		(1,033)	-
HI Gold Index Linked Private Securities Investment Trust 1		14	-
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)		252	-
HI Global Multi Asset 30 Securities Investment Trust		(642)	-
	₩	**2,844**	-

(*) Gain or loss on disposal upon loss of control is presented in other non-operating income or expenses.

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31. Outstanding Contracts

(1) Sales for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

	2013	2012
Construction contracts	₩ 22,915,120	23,426,815
Goods sold	30,258,310	30,493,929
Services	351,097	418,846
Financial service		
Interest income	202,515	198,412
Dividend income	4,089	4,649
Commission income	138,491	149,787
Gain on valuation of financial instruments	42,724	20,771
Gain on disposal of financial instruments	255,131	238,295
Other operating income	20,619	22,197
	₩ 54,188,096	54,973,701

(2) Changes in outstanding contracts for the year ended December 31, 2013 are as follows:

In millions of won

	Shipbuilding	Others	Total
Beginning balance(*)	₩ 25,858,878	16,547,846	42,406,724
Increase during the period	21,177,923	41,365,909	62,543,832
Recognized as revenue	(17,018,324)	(37,169,772)	(54,188,096)
Ending balance	₩ 30,018,477	20,743,983	50,762,460

(*) The beginning balance includes the impact from changes in the exchange rate.

As of December 31, 2013, the Group has provided a certain amount of financial institution guarantee deposits or letters of guarantee from various financial institutions to the customers, in connection with construction contracts.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of December 31, 2013 are as follows:

In millions of won

	Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit and loss of construction	Billed receivables on construction contracts	Unbilled receivables on construction contracts	Due to customers for contract work
Shipbuilding	₩ 14,314,102	14,074,677	239,425	1,577,901	5,584,540	4,637,975
Others	12,943,243	11,672,528	1,270,715	277,387	1,090,572	2,023,195
	₩ 27,257,345	25,747,205	1,510,140	1,855,288	6,675,112	6,661,170

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32. Operating Segments

The Group has 10 reportable segments described below, which are its strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations of each of the Group's reportable segments:

(i) Shipbuilding: Manufacturing and sale of VVLCs, containerships, P/C ships, LNG carriers, and warships.

(ii) Offshore and Engineering: Manufacturing and installation of offshore facilities and floating units.

(iii) Industrial Plant and Engineering: Manufacturing and installation of thermal power plants, co-generating power plants, and processing equipment.

(iv) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps, hydraulic machinery, and industrial robots.

(v) Electro Electric Systems: Manufacturing and sale of transformers, low and medium voltage circuit breakers, switchgears, and power electronics and control systems.

(vi) Construction Equipment: Manufacturing and sale of construction equipment and wheel loaders.

(vii) Green Energy: Services related to solar power systems, wind turbine systems, and new and renewable energy systems.

(viii) Financial Services: Financing services.

(ix) Oil Refining: Oil refining business.

(x) Others: Hotel operation, football club and others.

Information about these reportable segments is as follows:

(1) The financial performance of each segment for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

	2013				
	Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation
Shipbuilding	₩ 17,413,093	(394,768)	12,560	188,187	326,718
Offshore and Engineering	4,756,052	(4)	282,355	299,654	52,691
Industrial Plant and Engineering	1,374,249	(150,426)	61,376	80,638	10,076
Engine and Machinery	2,344,328	(622,158)	118,295	129,310	92,569
Electro Electric Systems	2,991,136	(229,817)	90,508	81,037	51,591
Construction Equipment	4,415,694	(1,126,065)	194,271	133,103	45,197
Green Energy	319,008	(4,644)	(103,155)	(208,474)	24,338
Financial Services	675,056	(11,486)	34,489	17,096	6,517
Oil Refining	26,446,251	(4,225,437)	404,388	165,334	222,879
Others	770,359	(552,325)	(281,061)	(633,228)	66,367
Consolidation adjustments(*)	(7,317,130)	7,317,130	(12,043)	(106,354)	(7,090)
	₩ 54,188,096	-	801,983	146,303	891,853

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In millions of won

		2012				
		Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation
Shipbuilding	₩	18,527,056	(739,387)	1,047,057	845,638	319,361
Offshore and Engineering		4,383,851	(2,045)	319,317	337,466	50,838
Industrial Plant and Engineering		1,540,716	(109,566)	106,496	114,887	8,996
Engine and Machinery		2,999,063	(988,002)	347,726	357,863	99,930
Electro Electric Systems		3,158,601	(285,172)	(74,333)	(129,884)	49,774
Construction Equipment		5,152,252	(1,361,046)	276,549	206,702	40,961
Green Energy		344,680	(7,675)	(106,333)	(202,494)	29,799
Financial Services		654,443	(20,332)	94,906	69,129	7,369
Oil Refining		26,434,791	(4,936,004)	308,650	157,613	247,794
Others		1,079,580	(852,103)	(277,977)	(416,729)	61,932
Consolidation adjustments(*)		(9,301,332)	9,301,332	(36,528)	(310,548)	(5,838)
	₩	**54,973,701**	**-**	**2,005,530**	**1,029,643**	**910,916**

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

(2) The assets and liabilities of each segment as of December 31, 2013 and 2012 are as follows:

In millions of won

		2013		2012	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	21,879,016	10,366,240	20,027,070	9,764,623
Offshore and Engineering		2,599,292	1,156,114	2,333,748	1,139,261
Industrial Plant and Engineering		1,452,877	2,170,197	877,196	1,171,589
Engine and Machinery		1,904,309	898,388	2,004,336	1,036,652
Electro Electric Systems		1,996,945	695,689	2,200,608	751,720
Construction Equipment		3,275,336	1,544,634	2,958,870	1,371,095
Green Energy		755,227	75,504	942,310	76,861
Financial Services		6,499,930	5,213,830	4,813,893	3,404,659
Oil Refining		9,413,841	6,173,808	8,769,280	5,773,833
Others		14,542,577	7,699,986	15,248,161	7,709,078
Consolidation adjustments(*)		(11,114,378)	(1,819,010)	(10,902,296)	(1,667,546)
	₩	**53,204,972**	**34,175,380**	**49,273,176**	**30,531,825**

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

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(3) Geographical information by subsidiary location is as follows:

(i) Sales for the years ended December 31, 2013 and 2012

In millions of won

		2013		2012	
		Total sales	Inter-segment revenue	Total sales	Inter-segment revenue
Korea	₩	**52,794,634**	**(5,967,944)**	56,275,488	(7,334,720)
North America		**580,879**	**(5,576)**	793,547	(131,498)
Asia		**7,546,393**	**(1,301,256)**	6,637,905	(1,821,062)
Europe		**433,424**	**(35,444)**	409,089	(13,965)
Others		**149,896**	**(6,910)**	159,004	(87)
Consolidation adjustments(*)		**(7,317,130)**	**7,317,130**	(9,301,332)	9,301,332
	₩	**54,188,096**	**-**	**54,973,701**	**-**

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.

(ii) Non-current assets as of December 31, 2013 and 2012

In millions of won

		2013	2012
Korea	₩	16,049,646	15,772,994
North America		129,355	139,196
Asia		433,148	445,163
Europe		116,343	111,162
Others		125,887	73,696
		16,854,379	**16,542,211**
Consolidation adjustments(*1)		1,577,884	1,634,345
Total(*2)	₩	**18,432,263**	**18,176,556**

(*1) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.
(*2) Represents the sum of investment property, property, plant and equipment and intangible assets.

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33. Selling, General and Administrative Expenses

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

In millions of won

		2013	2012
Salaries	₩	675,758	658,997
Post-employment benefit costs		44,193	56,800
Employee welfare		141,558	143,504
Depreciation		92,236	89,925
Bad debt expenses		260,674	459,976
Ordinary development costs		155,413	164,347
Advertising		65,314	81,829
Printing		3,235	3,206
Warranty expenses		153,375	133,218
Insurance		16,116	16,422
Supplies		10,605	18,178
Utilities		9,545	11,595
Repairs		10,249	8,308
Travel		29,631	33,538
Research		25,954	8,440
Training		12,348	16,132
Service contract expenses		72,996	70,562
Transportation		231,636	243,234
Rent		51,296	45,706
Data processing		18,611	18,112
Entertainment		14,296	15,656
Taxes and dues		39,398	39,008
Service charges		112,142	101,553
Automobile maintenance		12,419	12,957
Sales commissions		78,324	78,599
Others		115,806	117,871
	₩	**2,453,128**	**2,647,673**

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34. Nature of Expenses

The classification of expenses by nature for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

		2013	2012
Changes in inventories	₩	(29,786)	226,599
Purchase of inventories		36,901,974	38,420,552
Depreciation		891,853	910,916
Amortization		89,295	84,426
Labor cost		3,382,329	3,238,513
Other expenses		12,150,448	10,087,165
	₩	**53,386,113**	**52,968,171**

Total expenses consist of cost of sales and selling, general and administrative expenses.

35. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

		2013	2012
Finance income:			
Interest income	₩	120,619	178,218
Gain on valuation of financial instruments at fair value through profit or loss		4,140	15,312
Gain on disposal of financial instruments at fair value through profit or loss		70,611	71,756
Gain on disposal of available-for-sale financial assets		64	486,421
Dividend income		40,293	47,311
Gain on foreign currency translation		136,297	162,517
Gain on foreign currency transactions		759,932	660,273
Gain on valuation of derivatives		552,332	793,500
Gain on derivatives transactions		173,076	327,433
Others		110	1,643
	₩	**1,857,474**	**2,744,384**

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In millions of won

		2013	2012
Finance costs:			
Interest expense	₩	322,751	392,293
Loss on valuation of financial instruments at fair value through profit or loss		1,619	2,324
Loss on disposal of financial instruments at fair value through profit or loss		109,045	104,965
Loss on disposal of available-for-sale financial assets		65	24
Impairment loss on available-for-sale financial assets		158,747	316,081
Loss on foreign currency translation		138,709	246,209
Loss on foreign currency transactions		740,787	646,175
Loss on valuation of derivatives		7,081	11,041
Loss on derivatives transactions		213,902	26,845
Others		4	5
	₩	**1,692,710**	**1,745,962**

36. Other Non-operating Income and Other Non-operating Expenses

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

In millions of won

		2013	2012
Other non-operating income:			
Gain on disposal of investments in associates	₩	177	29,280
Gain on disposal of Investment Property		2,816	-
Gain on disposal of property, plant and equipment		13,860	6,264
Gain on disposal of intangible assets		132	654
Gain on valuation of firm commitments		129,767	17,937
Others		258,448	165,056
	₩	**405,200**	**219,191**
Other non-operating expenses:			
Service charges	₩	13,446	10,127
Non-current assets classified as held for sale loss on impairment		3,931	-
Loss on disposal of property, plant and equipment		75	84,422
Impairment loss on intangible assets		19,861	13,166
Loss on disposal of investments in associates		156	-
Loss on disposal of non-current assets classified as held for sale		5,237	-
Loss on disposal of property, plant and equipment		24,088	17,317
Loss on disposal of intangible assets		473	802
Loss on valuation of firm commitments		637,664	1,046,351
Other bad debt expenses		35,916	855
Donation		44,618	132,927
Others		252,994	99,624
	₩	**1,038,459**	**1,405,591**

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37. Income Tax Expense

(1) The components of income tax expense for the years ended December 31, 2013and 2012are as follows:

In millions of won

		2013	2012
Current tax expense	₩	289,966	733,080
Adjustment for prior periods		(76,832)	(15,537)
Origination and reversal of temporary differences		(101,027)	(358,309)
Income tax recognized in other comprehensive income		(114,117)	59,343
Total income tax expensea	₩	**(2,010)**	**418,577**

(2) Income tax recognized directly in other comprehensive income for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

		2013	2012
Gains (losses) on valuation of available-for-sale financial assets	₩	(90,129)	38,947
Gains (losses) on valuation of derivatives		2,693	(3,201)
Defined benefit plan actuarial losses		(25,302)	22,634
Others		(1,379)	963
Income tax recognized directly in other comprehensive income	₩	(114,117)	59,343

Income taxes related to gains/losses on valuation of available-for-sale financial assets, gains/losses on valuation of derivatives and defined benefit plan actuarial gains/losses and others are recognized in other comprehensive income.

(3) Reconciliation of the effective tax rate for the years ended December 31, 2013 and 2012 is as follows:

In millions of won

		2013	2012
Profit before income tax	₩	**144,293**	**1,448,220**
Income tax using the each component's statutory tax rate		**70,793**	**444,558**
Adjustment for:			
- Tax effect of non-deductible expenses		17,235	14,652
- Tax effect of non-taxable incomes		(7,784)	(19,479)
- Tax credits		(26,038)	(18,159)
- Current adjustments for prior periods		(76,832)	(15,537)
- Others		20,616	12,542
Income tax expenses (benefits)	₩	**(2,010)**	**418,577**
Effective tax rate	%	**(1.39)**	**28.90**

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(4) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2012 and 2011 are as follows:

In millions of won

		2013	2012
Deferred assets (liabilities) at the end of the period	₩	(805,843)	(907,041)
Less: Deferred assets (liabilities) at the beginning of the period		(907,041)	(1,261,284)
Others		171	(4,066)
Deferred tax expenses by origination and reversal of temporary differences		(101,027)	(358,309)

(5) As of December 31, 2013, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed.

(6) The Group sets off a deferred tax asset against a deferred tax liability only if it relates to income taxes levied by the same taxation authority and has a legally enforceable right to set off current tax assets against current tax liabilities.

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

In millions of won

		Beginning balance	Change	Ending balance
December 31, 2013				
Investments in subsidiaries and associates	₩	(263,872)	34,462	(229,410)
Available-for-sale financial assets		(484,760)	(47,972)	(532,732)
Reserve for research and human development		(138,437)	(14,066)	(152,503)
Trade and other receivables		203,427	38,172	241,599
Asset revaluation		(408,844)	6,947	(401,897)
Property, plant and equipment		(54,671)	(9,053)	(63,724)
Derivatives		(44,734)	17,269	(27,465)
Accrued expenses		27,432	3,378	30,810
Provisions		162,859	70,910	233,769
Others		94,559	1,151	95,710
	₩	**(907,041)**	**101,198**	**(805,843)**
December 31, 2012				
Investments in subsidiaries and associates	₩	(286,451)	22,579	(263,872)
Available-for-sale financial assets		(627,851)	143,091	(484,760)
Reserve for research and human development		(124,410)	(14,027)	(138,437)
Trade and other receivables		101,182	102,245	203,427
Asset revaluation		(416,176)	7,332	(408,844)
Property, plant and equipment		(79,023)	24,352	(54,671)
Derivatives		(81,922)	37,188	(44,734)
Accrued expenses		27,329	103	27,432
Provisions		83,341	79,518	162,859
Others		142,697	(48,138)	94,559
	₩	**(1,261,284)**	**354,243**	**(907,041)**

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38. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2013 and 2012 are as follows:

		2013	2012
Profit attributable to owners of the Company (In millions of won)	₩	278,706	992,606
Weighted average number of ordinary shares outstanding (In thousands of shares)		55,225	55,225
Earnings per share (In won)	₩	5,047	17,974

(2) The weighted average number of ordinary shares for the year ended December 31, 2013 is as follows:

In shares

December 31, 2013	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	55,225,440	365/365	55,225,440

(3) Since there are no dilutive potential common shares for the years ended December 31, 2013 and 2012, diluted earnings per share have not been calculated.

39. Cash Flows from Operation Activity

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

In millions of won

		2013	2012
Profit for the year	₩	**146,303**	**1,029,598**
Adjustments for:			
Post-employment benefit costs		216,994	192,632
Depreciation		891,853	910,916
Amortization		89,295	84,426
Bad debt expenses		260,674	459,976
Compensation expenses associated with stock options		7,376	(374)
Finance income		(853,745)	(1,683,279)
Finance costs		715,539	992,013
Other non-operating income		(175,519)	(64,737)
Other non-operating expenses		819,660	1,207,747
Share of profit of equity accounted investees		189,195	369,332
Income tax expense		(2,010)	418,577
Finance income (sales)		(270,698)	(248,175)
Finance costs (cost of sales)		159,527	137,774

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In millions of won

		2013	2012
Changes in assets and liabilities:			
Short-term financial assets	₩	(2,124,791)	(266,966)
Trade receivables		(193,078)	(862,972)
Other receivables		56,253	66,988
Due from customers for contract work		(1,662,330)	(781,853)
Inventories		(29,786)	226,599
Derivatives		821,830	(118,542)
Firm commitments		(344,777)	(107,121)
Other current assets		297,105	(909,573)
Long-term financial assets		1,349	(613)
Long-term trade receivables		(319,363)	(110,678)
Other non-current assets		337	26,145
Short-term financial liabilities		1,034,265	98,507
Trade payables		557,656	(362,929)
Other payables		152,549	(28,168)
Advances from customers		(88,980)	(33,512)
Due to customers for contract work		956,977	(2,953,740)
Other current liabilities		(25,694)	(31,283)
Long-term other payables		(40,135)	(30,432)
Benefits paid		(83,494)	(81,574)
Succession of benefits		5,623	391
Plan assets		(152,647)	(87,449)
Long-term provisions		159,071	91,366
Other non-current liabilities		2,808	(15,858)
	₩	**1,028,889**	**(3,496,439)**

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40. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013									
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩ 1,336,613	-	-	-	-	-	-	-	-	-
Short-term financial assets	-	3,882,033	191,489	202,070	416,737	-	-	-	-	-
Trade and other receivables	-	-	-	-	7,053,565	-	-	-	-	-
Due from customers for contract work	-	-	-	-	6,675,112	-	-	-	-	-
Derivative assets (current)	-	-	-	-	-	512,918	-	-	-	-
Long-term financial assets	-	5,717	63,783	3,237,958	15,146	-	-	-	-	-
Long-term trade and other receivables	-	-	-	-	1,088,685	-	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	254,532	-	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	1,147,270	106,363	10,946,288	-
Trade and other payables	-	-	-	-	-	-	-	-	6,354,333	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	-	74,482
Long-term financial liabilities	-	-	-	-	-	-	9,950	377,654	5,214,934	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	-	134,150	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	-	31,378
	₩ 1,336,613	**3,887,750**	**255,272**	**3,440,028**	**15,249,245**	**767,450**	**1,157,220**	**484,017**	**22,649,705**	**105,860**

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In millions of won

	2012									
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩ 1,107,690	-	-	-	-	-	-	-	-	-
Short-term financial assets	-	1,789,908	189,085	136,616	396,761	-	-	-	-	-
Trade and other receivables	-	-	-	-	6,798,105	-	-	-	-	-
Due from customers for contract work	-	-	-	-	4,967,728	-	-	-	-	-
Derivative assets (current)	-	-	-	-	-	444,343	-	-	-	-
Long-term financial assets	-	3,936	-	3,043,273	15,629	-	-	-	-	-
Long-term trade and other receivables	-	-	-	-	1,375,260	-	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	171,214	-	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	102,399	38,283	8,857,754	-
Trade and other payables	-	-	-	-	-	-	-	-	5,788,038	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	-	43,583
Long-term financial liabilities	-	-	-	-	-	-	-	-	6,301,794	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	-	195,825	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	-	26,913
	₩ 1,107,690	**1,793,844**	**189,085**	**3,179,889**	**13,553,483**	**615,557**	**102,399**	**38,283**	**21,143,411**	**70,496**

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(2) Financial instruments income and costs by categories for the years ended December 31, 2013 and 2012 are as follows:

In millions of won

	Net income		Other comprehensive income		Interest income and interest expense(*)		Fee income and fee expense		Impairment loss	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	₩ 105,514	16,788	-	-	40,241	52,447	-	(30)	-	-
Held for trading investments	131,602	79,014	-	-	95,311	67,299	-	(1)	-	-
Financial assets at fair value through profit or loss	25,482	6,872	-	-	-	-	-	-	-	-
Available-for-sale financial assets	(99,164)	229,464	262,687	(162,922)	7,543	7,631	1,209	1,331	(159,508)	(319,323)
Loans and receivables	(290,685)	(543,121)	-	-	180,040	249,253	6,987	19,075	(322,954)	(450,162)
Held for trading liabilities	(83,960)	(9,106)	-	-	-	(7)	-	-	-	-
Financial liabilities at fair value through profit or loss	(28,869)	(1,789)	-	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(384,592)	(161,722)	-	-	(498,571)	(499,564)	-	-	-	-
Derivatives	515,467	1,074,033	(12,104)	11,102	-	-	-	-	-	-

(*) Interest income and interest expense includes interest income and interest expense arising from effective interest rate amortization.

41. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2013 and 2012 is as follows:

In millions of won

	2013	2012
Held for trading investments	₩ 3,887,750	1,793,844
Financial assets at fair value through profit or loss	255,272	189,085
Available-for-sale financial assets	3,440,028	3,179,889
Loans and receivables	15,249,245	13,553,483
Derivative assets	767,450	615,557
	₩ 23,599,745	**19,331,858**

The maximum exposure to credit risk for financial guarantee contracts is ₩31,659 million as of December 31, 2013 (see notes 42 and 44).

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The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region is as follows:

In millions of won

	2013	2012
Korea	₩ 4,051,568	4,897,611
North America	2,205,422	844,935
Asia	3,263,791	3,441,146
Europe	4,079,597	2,804,731
Others	1,648,867	1,565,060
	₩ 15,249,245	13,553,483

(ii) Impairment loss

The aging of loans and receivables and the related allowance for impairment as of December 31, 2013 and 2012 are as follows:

In millions of won

	2013		2012	
	Gross	Impairment	Gross	Impairment
Not past due	₩ 14,253,429	(269,293)	12,835,605	(482,438)
Past due up to 6 months	843,751	(126,199)	796,769	(99,917)
Past due 6~12 months	425,504	(214,948)	559,910	(219,993)
Past due 1~3 years	784,167	(459,510)	270,618	(118,821)
More than three years	128,644	(116,300)	51,022	(39,272)
	₩ 16,435,495	(1,186,250)	14,513,924	(960,441)

The movement in the allowance for impairment in respect of loans and receivables during the years ended December 31, 2013 and 2012 is as follows:

In millions of won

	2013	2012
Beginning balance	₩ 960,441	517,550
Impairment loss recognized	331,203	469,920
Reversal of allowance accounts	(8,785)	(19,759)
Write-offs	(96,609)	(7,270)
Ending balance	₩ 1,186,250	960,441

The allowance accounts in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that all collection measures have been exhausted. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly.

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(iii) The analysis of the aging of financial assets that are past due as of December 31, 2013 and 2012 but not impaired is summarized as follows:

In millions of won

	2013				
	Carrying amount	6 months or less	6~12 months	1~3 years	More than 3 years
Loans and receivables	₩ 1,265,109	717,552	210,556	324,657	12,344

In millions of won

	2012				
	Carrying amount	6 months or less	6~12 months	1~3 years	More than 3 years
Loans and receivables	₩ 1,200,316	696,852	339,917	151,797	11,750

(2) Liquidity risk

(i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013					
	Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:						
Held for trading liabilities	₩ 1,629,168	1,629,168	1,232,641	18,874	360,230	17,423
Bank loans	12,953,423	13,250,601	8,753,701	1,689,051	1,930,662	877,187
Bond issues	2,889,734	3,091,408	240,636	142,902	1,752,149	955,721
Trade and other payables	6,488,483	6,579,216	6,328,257	116,641	125,155	9,163
Deposit liabilities	304,417	304,417	304,417	-	-	-
Others	13,648	13,648	13,648	-	-	-
Derivative financial liabilities:						
Derivative contracts used for hedging:						
Outflow	105,859	109,630	40,971	35,015	32,542	1,102
Other derivative contracts:						
Outflow	12,069	12,069	2,034	84	8,550	1,401
	₩ 24,396,801	24,990,157	16,916,305	2,002,567	4,209,288	1,861,997

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In millions of won

	2012					
	Carrying amount	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:						
Held for trading liabilities	₩ 131,830	131,830	94,960	36,870	-	-
Bank loans	12,133,479	12,483,665	7,532,111	929,228	2,564,570	1,457,756
Bond issues	2,693,047	2,981,445	194,815	49,180	1,678,200	1,059,250
Trade and other payables	5,983,863	5,984,532	5,725,198	63,131	195,715	488
Deposit liabilities	317,788	317,788	317,788	-	-	-
Others	15,234	15,234	15,234	-	-	-
Derivative financial liabilities:						
Derivative contracts used for hedging:						
Outflow	70,496	73,605	24,475	21,908	24,708	2,514
Other derivative contracts:						
Outflow	8,853	8,862	8,654	208	-	-
	₩ 21,354,590	**21,996,961**	**13,913,235**	**1,100,525**	**4,463,193**	**2,520,008**

The maximum amount of assurance for financial guarantee contracts is ₩31,659 million as of December 31, 2013 (see Notes 42 and 44).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(ii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2013 and 2012 are summarized as follows:

In millions of won

	2013					
	Carrying amount	Expected cash flows	6 months or less	6~12 months	1~3 years	More than 3 years
Forward exchange contracts						
Assets	₩ 53,616	54,745	38,012	10,396	6,176	161
Liabilities	(94,300)	(97,741)	(38,913)	(30,707)	(28,111)	(10)
Product forward						
Assets	2,190	2,190	2,190	-	-	-
Liabilities	(2,839)	(2,839)	(2,839)	-	-	-
Foreign currency swaps						
Liabilities	-	-	-	-	-	-
Interest rate swaps						
Liabilities	(4,028)	(4,275)	(718)	(661)	(1,814)	(1,082)
	₩ (45,361)	**(47,920)**	**(2,268)**	**(20,972)**	**(23,749)**	**(931)**

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In millions of won

	2012					
	Carrying amount	Expected cash flows	6 months or less	6~12 months	1~3 years	More than 3 years
Forward exchange contracts						
Assets	₩ 33,683	34,024	28,443	5,568	13	-
Liabilities	(61,974)	(64,456)	(23,439)	(20,581)	(20,435)	(1)
Foreign currency swaps						
Liabilities	(1,819)	(1,819)	-	-	-	(1,819)
Interest rate swaps						
Liabilities	(5,941)	(6,373)	(710)	(1,056)	(2,404)	(2,203)
	₩ (36,051)	**(38,624)**	**4,294**	**(16,069)**	**(22,826)**	**(4,023)**

(3) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts as of December 31, 2013 and 2012 is as follows:

In millions of won

	2013					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 363,738	750	186	237	22,912	387,823
Loans and receivables	10,514,735	183,829	44,777	6,415	481,807	11,231,563
Trade and other payables	(3,209,963)	(128,676)	(1,238)	(4,984)	(92,583)	(3,437,444)
Borrowings	(2,752,442)	(298,481)	-	(104,277)	(4,794)	(3,159,994)
Gross statement of financial position exposure	4,916,068	(242,578)	43,725	(102,609)	407,342	5,021,948
Derivative contracts	672,385	18,271	-	(16,279)	(1,133)	673,244
Net exposure	₩ 5,588,453	(224,307)	43,725	(118,888)	406,209	5,695,192

In millions of won

	2012					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 206,515	411	-	264	10,737	217,927
Loans and receivables	8,854,766	172,271	39,507	15,551	378,918	9,461,013
Trade and other payables	(2,699,895)	(147,175)	(239)	(7,448)	(87,982)	(2,942,739)
Borrowings	(2,056,207)	(178,370)	-	(81,956)	(21,928)	(2,338,461)
Gross statement of financial position exposure	4,305,179	(152,863)	39,268	(73,589)	279,745	4,397,740
Derivative contracts	558,826	(889)	-	-	141	558,078
Net exposure	₩ 4,864,005	(153,752)	39,268	(73,589)	279,886	4,955,818

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Significant exchange rates applied for the years ended December 31, 2012 and 2011 are as follows:

In won

	Average rate		Spot rate	
	2013	2012	2013	2012
USD	₩ 1,095.04	1,126.88	1,055.30	1,071.10
EUR	1,453.56	1,448.20	1,456.26	1,416.26
CNY	178.1	178.58	174.09	171.88
JPY(100)	1,123.41	1,413.14	1,004.66	1,247.50

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, CNY, JPY and other currencies as of December 31, 2013 and 2012 would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012. The changes in profit or loss are as follows:

In millions of won

	Profit or loss	
	2013	2012
USD (3 percent weakening)	₩ 167,654	145,920
EUR (3 percent weakening)	(6,729)	(4,613)
CNY (3 percent weakening)	1,312	1,178
JPY (3 percent weakening)	(3,567)	(2,208)

A strengthening of the won against the above currencies as of December 31, 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above assuming all other variables remain constant.

(4) Interest rate risk

(i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2013 and 2012 is as follows:

In millions of won

	2013	2012
Fixed rate instruments:		
Financial assets	₩ 6,097,337	3,082,659
Financial liabilities	(13,247,183)	(11,831,334)
	₩ (7,149,846)	**(8,748,675)**
Variable rate instruments:		
Financial assets	₩ 1,104,727	491,188
Financial liabilities	(2,602,830)	(3,006,666)
	₩ (1,498,103)	**(2,515,478)**

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(ii) Interest rate risk arises from savings and borrowings with floating interest rates. The Group properly hedges the risk borrowings with floating interest rates through interest rate swaps. Interest rate swap contracts as of December 31, 2013 are as follows:

In millions of won and In thousand of foreign currency

Counterparties	Amount	Interest rate		Expiration date
The Korea Development Bank	KRW 70,000	Receives floating interest rate	CD (91 days)+1.95%	2020.11.20
		Pays fixed interest rate	6.73%	
JP Morgan	KRW 210,000	Receives floating interest rate	CD (91 days)	2016.09.23
		Pays fixed interest rate	2.68%~3.07%	
Standard Chartered Bank	USD 22,500	Receives floating interest rate	LIBOR+2.7%	2015.06.15
		Pays fixed interest rate	4.00%	
	USD 20,000	Receives floating interest rate	LIBOR(6M)+1.8%	2014.11.30
		Pays fixed interest rate	3.05%	
	USD 20,000	Receives floating interest rate	CDI+0.64%	2016.03.19
		Pays fixed interest rate	9.43%	

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2013 and 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012. The changes in equity and profit or loss are as follows:

In millions of won

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2013				
Variable rate instruments	₩ (14,981)	14,981	-	-
Interest rate swaps	3,460	(3,460)	519	(546)
Net cash flow sensitivity	₩ (11,521)	11,521	519	(546)
2012				
Variable rate instruments	₩ (25,155)	25,155	-	-
Interest rate swaps	1,702	(1,702)	533	(559)
Net cash flow sensitivity	₩ (23,453)	23,453	533	(559)

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(5) Fair values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In millions of won

	2013		2012	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets carried at fair value:				
Held for trading investments	₩ 3,887,750	3,887,750	1,793,844	1,793,844
Financial assets at fair value through profit or loss	255,272	255,272	189,085	189,085
Available-for-sale financial assets(*)	3,440,028	3,440,028	3,179,889	3,179,889
Derivative assets	767,450	767,450	615,557	615,557
	₩ **8,350,500**	**8,350,500**	**5,778,375**	**5,778,375**
Cash and cash equivalents	₩ **1,336,613**	**1,336,613**	**1,107,690**	**1,107,690**
Assets carried at amortized cost:				
Loans and receivables	₩ 15,249,245	15,249,245	13,553,483	13,553,483
Liabilities carried at fair value:				
Held for trading liabilities	₩ 1,157,220	1,157,220	102,399	102,399
Financial liabilities at fair value through profit or loss	484,017	484,017	38,283	38,283
Derivative liabilities	105,860	105,860	70,496	70,496
	₩ **1,747,097**	**1,747,097**	**211,178**	**211,178**
Liabilities carried at amortized cost:				
Bank loans	₩ 12,953,423	12,953,423	12,133,479	12,133,479
Bond issues	2,889,734	2,889,734	2,693,047	2,693,047
Trade and other payables	6,488,483	6,488,483	5,983,863	5,983,863
Deposit liabilities	304,417	304,417	317,788	317,788
Others	13,648	13,648	15,234	15,234
	₩ **22,649,705**	**22,649,705**	**21,143,411**	**21,143,411**

(*) The amounts of available-for-sale financial assets that were recorded at their acquisition cost because the fair values cannot be estimated reliably as of December 31, 2013 and 2012 are ₩114,633 million and ₩141,400 million, respectively.

(ii) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The interest rates applied as of December 31, 2013 and 2012 are as follows:

	2013	2012
Available-for-sale financial assets	2.55%~16.96%	6.57%~17.90%
Derivatives	1.96%~5.03%	3.25%~5.30%

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(iii) Fair value hierarchy

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2013 and 2012 are as follows:

In millions of won

	Level 1	Level 2	Level 3	Total
2013				
Held for trading investments	₩ 1,085,808	2,765,816	36,126	**3,887,750**
Financial assets at fair value through profit or loss	-	155,157	100,115	**255,272**
Available-for-sale financial assets	3,017,887	214,012	93,496	**3,325,395**
Derivative assets	-	767,450	-	**767,450**
Held for trading liabilities	1,014,452	132,849	9,919	**1,157,220**
Financial liabilities at fair value through profit or loss	-	-	484,017	**484,017**
Derivative liabilities	-	105,860	-	**105,860**
2012				
Held for trading investments	241,462	1,490,036	62,346	**1,793,844**
Financial assets at fair value through profit or loss	-	140,931	48,154	**189,085**
Available-for-sale financial assets	2,764,082	181,579	92,828	**3,038,489**
Derivative assets	-	615,557	-	**615,557**
Held for trading liabilities	53,229	49,170	-	**102,399**
Financial liabilities at fair value through profit or loss	-	-	38,283	**38,283**
Derivative liabilities	-	70,496	-	**70,496**

The changes of level 3 financial instruments are as follows:

In millions of won

	Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Held for trading investments	₩ 62,346	30,669	(62,162)	5,273	36,126
Financial assets at fair value through profit or loss	48,154	140,153	(87,475)	(717)	100,115
Available-for-sale financial assets	92,828	7,606	(6,700)	(238)	93,496
Held for trading liabilities	-	10,779	-	(860)	9,919
Financial liabilities at fair value through profit or loss	38,283	773,650	(327,576)	(340)	484,017

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 are comprised primarily of listed equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Unlisted equity securities, investments in capital and others investments in companies newly established or having no comparative company are excluded from the fair value valuation because their fair value cannot be measured reliably.

(6) Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety as of December 31, 2013 are as follows:

In millions of won

		Financial assets at fair value through profit or loss	Loans and receivables	
		Held for trading investments	Trade receivables	Long-term other receivables
Carrying amount of assets	₩	617,031	5,564	15,415
Carrying amount of associated liabilities		588,800	5,008	14,343
For those liabilities that have recourse only to the transferred assets:				
Fair value of assets		617,031	5,564	15,415
Fair value of associated liabilities		588,800	5,008	14,343
Net position	₩	**28,231**	**556**	**1,072**

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(7) Offsetting of financial assets and financial liabilities

The details of financial assets or financial liabilities netting arrangements as of December 31, 2013 and 2012 are as follows:

In millions of won

	December 31, 2013						
					Related amount: won't be setoff in the Statement of Financial Position		
		Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the Statement of Financial Position	Financial instruments	Received cash security	Net amount
Financial assets							
Held for trading investments	₩	617,031	-	617,031	(617,031)	-	-
Financial assets at fair value through profit or loss		90,451	-	90,451	(90,451)	-	-
Loans and receivables		324,699	(147,259)	177,440	(166,038)	-	11,402
Derivative assets		5,916	-	5,916	(5,916)	-	-
	₩	**1,038,097**	**(147,259)**	**890,838**	**(879,436)**	**-**	**11,402**
Financial liabilities							
Held for trading liabilities	₩	1,145,152	-	1,145,152	(1,145,152)	(29,000)	-
Financial liabilities at fair value through profit or loss		480,311	-	480,311	(480,311)	-	-
Financial liabilities carried at amortized cost		839,177	(147,259)	691,918	(601,437)	-	90,481
Derivative liabilities		1,481	-	1,481	(1,481)	-	-
	₩	**2,466,121**	**(147,259)**	**2,318,862**	**(2,228,381)**	**(29,000)**	**90,481**

(*) The 'related amount that won't be setoff in the statement of financial position' is accounted to the limit of 'Net financial assets presented in the Statement of Financial Position'.

The details of financial assets or financial liabilities netting arrangements as of December 31, 2013 and 2012 are as follows:

In millions of won

	December 31, 2012						
					Related amount: won't be setoff in the Statement of Financial Position		
		Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the Statement of Financial Position	Financial instruments	Received cash security	Net amount
Financial assets							
Held for trading investments	₩	119,208	-	119,208	(119,208)	-	-
Financial assets at fair value through profit or loss		82,841	-	82,841	(82,841)	-	-
Loans and receivables		290,639	(101,449)	189,190	(175,851)	-	13,339
Derivative assets		578	-	578	(578)	-	-
	₩	**493,266**	**(101,449)**	**391,817**	**(378,478)**	**-**	**13,339**
Financial liabilities							
Held for trading liabilities	₩	288,332	-	288,332	(288,332)	(102,600)	-
Financial liabilities at fair value through profit or loss		142,687	-	142,687	(142,687)	-	-
Financial liabilities carried at amortized cost		323,353	(101,449)	221,904	(129,422)	-	92,482
Derivative liabilities		405	-	405	(405)	-	-
	₩	**754,777**	**(101,449)**	**653,328**	**(560,846)**	**(102,600)**	**92,482**

(*) The 'related amount that won't be setoff in the statement of financial position' is accounted to the limit of 'Net financial assets presented in the Statement of Financial Position'.

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42. Commitments and Contingencies

(1) As of December 31, 2013, the Group has entered into bank overdraft agreements with Korea Exchange Bank and others amounting to ₩582,000 million, USD 20,000 thousand, EUR 7,500 thousand, CNY 446,196 thousand, INR 700,000 thousand and general loan agreements amounting to ₩760,000 million, USD 957,674 thousand, EUR 72,750 thousand, CNY 7,583,870 thousand and JPY 3,500,000 thousand and BRL 82,406 thousand.

(2) As of December 31, 2013, the Group has entered into credit facilities agreements such as letters of credit with various banks for the Group's exports and imports totaling ₩30,000 million, USD 11,113,960 thousand and INR 1,850,000 thousand.

(3) As of December 31, 2013, the Group has entered into credit facilities agreements such as pre-shipment credit and network loan with various banks amounting to ₩5,254,100 million, USD 200,124 thousand, CNY 2,700,000 thousand and INR 16,659 thousand.

(4) In order to secure bank loans and construction contract performance guarantees, the Group has provided seven blank notes and one check as of December 31, 2013.

(5) As of December 31, 2013, the Group is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 1,229,844 thousand, EUR 96,250 thousand, CNY 7,206,609 thousand, INR 1,300,000 thousand and BRL 109,956 thousand and purchase loans of customers amounting to CNY 543,138 thousand of solidarity with local dealers. The Group has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 286,240 thousand) which is being built by Hyundai Arabia Company LLC., Moho Nord Tension Leg Platform Project (contract amount: USD 692,943 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,227,386 thousand) which is being built by HHI France SAS and HHI Mauritius Ltd, one of the Group's subsidiaries. The Group has also provided certain performance guarantees for bareboat charter amounting to USD 350,158 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Group has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Group's subsidiaries, for the construction of five ships at a contract amount of USD 707,300 thousand.

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(6) In connection with the Group's contract performance guarantees, the Group has been provided with maximum guarantees amounting to ₩6,058,422 million and USD 35,802,911 thousand and W3,879,380 million and USD 38,503,338 thousand by various banking facilities, of which regarding ships advance from customers, the Group has also been provided with maximum guarantees amounting to USD 27,615,985 and USD 32,252,319 thousand by various banking facilities. Regarding this, the Group collateralizes its ships under construction and construction materials.

(7) The Group entered into a consortium agreement on a natural resource development project with various organizations including Korea National Oil Corporation. Related other non-current assets as of December 31, 2013 and 2012 are summarized as follows.

In millions of won

	2013	2012
Other non-current assets	63,307	155,734
Accumulated impairment	(63,307)	(5,280)
	-	150,454

The Group obtained borrowings for a natural resource development project from the Korea National Oil Corporation (see Note 22).

(8) As of December 31, 2013, the Group entered into a conditional commercial paper purchase guarantee contract guaranteed by HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD. and other companies amounting to ₩471,400 million. In relation to the project financing loan of the Seoul Yeoksam-dong Diodeca Building construction project, the Group entered into a purchase contract with Lee-Kun Hwan, the borrower, where the Group is committed to financing obligations up to ₩30,000 million collateralized by the prior beneficiary right, should the borrower fail to repay the loan. In addition, in regards to the project financing loan for the Goyang Samsong Knowledge Industry Center, the Group entered into another purchase contract with Miraesamsong 1st Private Company, the borrower, where the Group is committed to financing obligations up to ₩13,000 million collateralized by the prior beneficiary right, should the borrower fails to repay the loan.

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(9) As of December 31, 2013, in relation to the project financing loan of the Andong Ok-dong apartment construction project, the Group entered into guarantee contracts as follows.

In millions of won

	Issuing entity		Agreement limits	Maturity	Business
Underlying asset purchase commitment	HIEMOTION CO., LTD.	₩	30,000	2014-08-28	Gimpo Gamjung district apartment construction project
	HIGH4SQUARE CO., LTD.		40,000	2016-10-11	Anyang and Pyeongchon apartment construction project
	DIONE PLUS 1 CO., LTD.		100,000	2019-12-18	New Songdo City public housing construction project
	MSQUAREDONGCHEON 2ND CO., LTD.		49,200	2017-05-12	Yongin and Dongcheondong distribution business facilities construction project
	MOONJUNG2 FOURTH CO., LTD.		20,000	2018-02-16	Munjeong-dong efficiency apartment and downtown construction project
	HIWEST CO., LTD.		30,000	2014-09-30	Pyeong-dong in Suwon Shopping mall construction project
	HANAMM4 CO., LTD.		30,000	2014-11-14	Hanam Residential Complex Completion
	HIJY, LLC		40,000	2014-12-19	Dongsak 2nd District in Pyeongtaek public housing construction project
	SEORABEOL 1000YEARS THE 1ST CO., LTD.		22,500	2017-04-27	Hwangseongdong in Gyeongju public housing construction project
	HWANGSEONG E-PYEONHAN SESANG 1ST CO., LTD.		22,500	2017-04-27	Hwangseongdong in Gyeongju public housing construction project
	HL PROJECT CO., LTD.		11,200	2015-12-17	Redeemable convertible preferred stock of LOTTE Engineering & Construction Co., Ltd.
	H.S.BLUE FIRST CO., LTD		20,500	2019-02-12	Subordinated debt of JB Woori Capital Co., Ltd.
	JINIFOREVER 1ST CO., LTD.		42,000	2020-11-11	Subordinated debt of Lotte Non-Life Insurance Co., Ltd.
			457,900		
Unsecured loan commitment	Naro Development & Construction CO., LTD.		17,470	2014-08-01	Andong Ok-dong apartment construction project
	DWPFV Co., Ltd.		50,000	2017-07-01	Munjeong-dong efficiency apartment construction project
	Cheongju Technopolis Co., Ltd.		20,000	2016-04-01	Cheongju Industrial Complex land development project
			87,470		
		₩	**545,370**		

(10) The Group entered into a currency interest swap contract for ship building and chartering with Korea Exchange Bank. When The Group pays settlement amount for contract termination, The Group is able to get a loan from Korea Exchange Bank. Additionally, the Group entered into a guarantee contract, which ensures it is able to borrow up to ₩40,000 million if the above loan is made.

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(11) The Group entered into a stock purchase agreement with Busan Bank, which is an investment trust company of Hyundai Ship Private Fund 2, on December 28, 2012. The Group, pursuant to the agreement, sold stocks of HI Gold Ocean Kmarin No. 8 Ship Investment Company (7,788,229 shares of common stock) in January 2013. In connection with this transaction, the Group made a beneficiary contract with Hanwha Life Insurance Co., Ltd. on December 27, 2012, retaining the right of first refusal to purchase a beneficiary certificate of Hyundai Ship Private Fund 2, within an exercise period and amount of contracted price for sale. The Group also entered into a guarantee contract to ensure its ability to pay the difference between the contracted price for sale and the actual price, should Hanwha Life Insurance Co., Ltd. sells this beneficiary certificate to a third parties for less than the price.

(12) The Group entered into convertible loan agreements with ship owners in Liberia. As of December 31, 2012, the loan balance is USD 116,100 thousand.

43. Litigation

(1) The Group repurchased the 13 million shares of Prudential Investment & Securities ("PIS", formerly Hyundai Investment Trust & Securities Co., Ltd.) from Canadian Imperial Bank of Commerce ("CIBC"). The Group requested SK Hynix Inc. ("SHI", formerly Hynix Semiconductor Inc.) and Hyundai Securities Co., Ltd. ("HSC") to honor their written promissory note, which was rejected by SHI and HSC. Accordingly, the Group filed a ₩50,300 million lawsuit for incidental repurchase expenses against SHI and HSC on December 30, 2004. On October 22, 2009, the Group won its claim for incidental expenses amounting to ₩50,300 million of principal and accrued interest thereon and recovered ₩73,700 million. However, on November 11, 2009, SHI and other companies filed an appeal to the court, and the court ruled partially in favor of the plaintiff on November 10, 2011. The Group returned ₩2,600 million on November 14, 2011 and filed an appeal to the Supreme Court on November 25, 2011. The original verdict was confirmed through final ruling on November 28, 2013 with a dismissal of the Group's appeal.

(2) The National Tax Service imposed additional income tax amounting to ₩107,600 million on March 27, 2006, which has been settled by the Group. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Group's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Group filed administrative litigation. However, the Group lost the first trial on January 5, 2011 and appealed on January 25, 2011. In relation to the intermediate appeal, the Group partially won the litigation on February 15, 2013 for the settlement of the claim amounting to ₩52,700 million. However, the Group and the National Tax Service did not accept the Court's decision and filed appeals on February 27, 2013 and February 28, 2013, respectively.

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(3) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Group Limited. ("PTT") on June 25, 2011, the Group engaged a subcontractor ("Britoil") that owned a tugboat. While the tugboat was moving a barge, for reasons unknown, an existing gas pipeline owned by PTT, was damaged resulting in a gas leak. At the request of the PTT, the Group worked on recovery and repair, which was completed around October 2011, and billed PTT for the cost of repairs. PTT in turn asked for compensations for damages related to the gas leak and loss of gas. The Group and PTT were unable to reach an agreement regarding the cause of accident, amount of damages, contractual limitations of liability, and distribution of insurance proceeds. On June 22, 2012, PTT filed a lawsuit in Thai court claiming damages amounting to USD 143 million against the Group, Britoil and PTT's insurer ("Dhipaya") as a co-defendants. The Group vigorously defended itself against that claim and filed a lawsuit requesting the cost of repairs against PTT on March 28, 2013 and requesting insurance against Dhipaya on February 11, 2013. The impact on the Group's financial statements, if any, cannot be reliably estimated.

(4) On January 16, 2009, the Group entered into a longtime contract purchasing polysilicon with Woongjin Polysilicon Co., Ltd. ("WPC"), and paid USD 91 million in advance. WPC interrupted facilities operation without any notice, and creditor of WPC declared the default on October 17, 2012. The Group gave notice of the cancellation of a contract to WPC on January 25, 2013, and requested prepaid payment to Seoul guarantee insurance company ("SGI") that guaranteed refund the repaid payment on February 7, 2013, but SGI did not accepted request for payment. The Group filed a lawsuit in Seoul Central District Court claiming guarantee insurance amounting to USD 91 million against SGI on April 5, 2013. The Group received that amount of money for provisional payment and the case is currently pending.

(5) The Fair Trade Commission imposed fines on two LPG importers and four domestic oil refinery companies including the Group for alleged collusive price-fixing on LPG prices from January 1,2003 to December 31, 2008. A fine of ₩26,314 million was imposed on the Group, which it paid on June 29, 2010. However, the Group appealed to the Fair Trade Commission decision to Seoul High Court in May 2010. After losing the second trial, the Group appealed to the Supreme Court, where the case is currently pending.

Additionally, 117,611 private cab drivers and others jointly filed a lawsuit against four domestic oil refinery companies including the Group and two LPG importers claiming damages of ₩10,500 million based on the Fair Trade Commission's decision. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

(6) Hankook Shell Oil Co., Ltd. filed litigation in Seoul Central District Court in February 2012 against the Group, amounting to ₩14,800 million, for damages for contamination cleanup costs due to fuel spills at the Group's refinery on the site of the Hankook Shell Oil Co., Ltd.. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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(7) In February 2007, the Fair Trade Commission imposed a fine amounting to ₩9,300 million on the four domestic oil refinery companies, including the Group, for alleged collusive price-fixing. The Group paid the fine on July 16, 2007. With regard to the imposition, the Group filed an official appeal to the Fair Trade Commission in May 2007, but the Commission announced the rejection of the appeal in July 2007. The Group lost the second trial and the case is currently pending in the Supreme Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

(8) The Fair Trade Commission concluded on September 16, 2011, that the employees of four refineries, including the Group's retail sales staff, were engaged in arrangement on the restrictions of admission of gas stations, which was conducted in a task force meeting held in March 2000. The Fair Trade Commission ordered the Group to pay fines amounting to ₩75,400 million, and brought criminal charges against the Group. The Group paid the fine and appealed the case. Seoul High Court ruled in favor of the Group in 2013, and the Fair Trade Commission appealed to the Supreme Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

(9) Korea National Oil Corporation ("KNOC") imposed a fine amounting to ₩9,700 million in regards to the refund of the excessive tax on oil imports. The Group filed litigation seeking the revocation of the administrative fine order to by KNOC. Suwon District Court ruled in favor of the Group in 2013, and KNOC appealed. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

(10) The Defense Acquisition Program Administration ("DAPA") offset to payment of oil amounting to ₩9,300 million on the Group, for alleged collusive bidding for the supply of military fuel. With regard to the redemption, the Group filed a lawsuit against DAPA for non-payment of oil amounting to ₩9,300 million in December 2012. The case is currently pending in the Seoul Central District Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

(11) The Korea Supreme Court made a ruling on scope of ordinary wage in December 2013, The Group is currently a defendant the requested lawsuit of ordinary wages (amounting to ₩24,900 million). In consideration of the Group's facts and circumstances, the impact on the Group's financial statements, if any, cannot be reliably estimated.

In addition to the cases mentioned above, the Group is currently a defendant in 58 lawsuits involving claims totaling: ₩92,900 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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44. Related Parties

(1) Significant transactions for the years ended December 31, 2013 and 2012 between the Company and associates or joint ventures are as follows:

In millions of won

		2013			
		Sales and other		Purchases and other	
		Sales	Dividends income	Raw materials purchase	Others purchase
Subsidiaries:					
Hyundai Corporation	₩	924,901	2,496	7,733	5,099
Wärtsilä-Hyundai Engine Company Ltd.		3,158	6,611	110,923	-
Hyundai Cosmo Petrochemical Co., Ltd.		43,307	-	-	-
Others		8,951	200	-	36
	₩	**980,317**	**9,307**	**118,656**	**5,135**

(*) Including associates' subsidiaries.

In millions of won

		2012			
		Sales and other		Purchases and other	
		Sales	Dividends income	Raw materials purchase	Others purchase
Subsidiaries:					
Hyundai Corporation	₩	1,102,855	2,496	19,323	2,878
Wärtsilä-Hyundai Engine Company Ltd.		3,155	-	47,375	-
Hyundai Cosmo Petrochemical Co., Ltd.		233,117	-	-	-
Others		35,611	100	-	13
	₩	**1,374,738**	**2,596**	**66,698**	**2,891**

(*) Including associates' subsidiaries.

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(2) Outstanding balances as of December 31, 2013 and 2012 between the Company and associates or joint ventures are as follows:

In millions of won

		2013			
		Trade and other receivables		Trade and other payables	
		Trade receivable	Other receivables	Trade payables	Other payables
Subsidiaries:					
Hyundai Corporation	₩	223,529	143	35	35,637
Wärtsilä-Hyundai Engine Company Ltd.		1,024	35,063	-	-
Hyundai Cosmo Petrochemical Co., Ltd.		163	-	-	-
Others		1,473	1,320	-	10,225
	₩	**226,189**	**36,526**	**35**	**45,862**

(*) Including associates' subsidiaries

In millions of won

		2012			
		Trade and other receivables		Trade and other payables	
		Trade receivable	Other receivables	Trade payables	Other payables
Subsidiaries:					
Hyundai Corporation	₩	328,331	574	260	16,436
Wärtsilä-Hyundai Engine Company Ltd.		356	62,546	26,002	-
KAM Corporation		-	66,278	-	-
Hyundai Cosmo Petrochemical Co., Ltd.		34,451	-	-	-
Others		1,457	1	100	10,346
	₩	**364,595**	**129,399**	**26,362**	**26,782**

(*) Including associates' subsidiaries

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(3) Significant transactions for the years ended December 31, 2013 and 2012 between Subsidiaries and associates or joint ventures are as follows:

In millions of won

Subsidiary Company	Associates and joint ventures	2013		
			Purchases and other	
		Sales and other	Raw materials purchase	Others purchase
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩ 3	558	-
	Wärtsilä-Hyundai Engine Company Ltd.	220	53,109	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Corporation	-	-	1,380
Hyundai Oilbank Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	20,370	-	78,499
	Hyundai Corporation	710,033	-	198
	Wärtsilä-Hyundai Engine Company Ltd.	2,251	-	-
	KAM Corporation	3	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	1,950,851	1,204,638	-
Hyundai Energy & Resources Co., Ltd.	Hyundai Corporation	1,447	-	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	301	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	736	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	-	281,853	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Corporation	1,158	-	-
		₩ 2,687,373	1,540,158	80,077

(*) Including associates' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

In millions of won

Subsidiary Company	Associates and joint ventures	2012			
		Sales and other		Purchases and other	
		Sales	Dividends income	Raw materials purchase	Others purchase
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	₩ 70,711	-	-	-
	Hyundai Corporation	1	-	258	-
	Wärtsilä-Hyundai Engine Company Ltd.	140	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	23,268	-	-	-
	Hyundai Corporation	-	-	990	-
Hyundai Oilbank Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	466	-	-	74,081
	Hyundai Corporation	623,386	-	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	1,529	-	-	-
	KAM Corporation	44	-	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	2,028,204	-	1,287,248	135
Hyundai Energy & Resources Co., Ltd.	Hyundai Corporation	1,477	-	-	9
HI Investment & Securities Co., Ltd.	Hyundai Corporation	6	-	-	-
	The Second Partners Win-Win Investment Fund	-	1,519	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	2	-	-	-
	KAM Corporation	3	-	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	3	-	-	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	368	-	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	736	-	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Corporation	3,189	-	-	-
Hyundai Construction Equipment Americas.,Inc.	Hyundai Corporation	-	-	57,722	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Merchant Marine Co., Ltd.	-	-	-	76
	Hyundai Corporation	744	-	3,644	-
Jahnel-Kestermann Getriebewerke GmbH	Hyundai Corporation	281	-	-	-
		₩ 2,754,558	1,519	1,349,862	74,301

(*) Including associates' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(4) Outstanding balances as of December 31, 2013 and 2012 between Subsidiaries and associates or joint ventures are as follows:

In millions of won

		2013			
		Trade and other receivables		Trade and other payables	
Subsidiary Company	Associates and joint ventures	Trade receivable	Other receivables	Trade payables	Other payables
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩ 1	117	-	222
	Wärtsilä-Hyundai Engine Company Ltd.	19	30,241	-	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Corporation	-	23	-	127
Hyundai Oilbank Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	11,855	-	6,159	-
	Hyundai Corporation	23,756	-	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	98	-	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	158,290	29	130,208	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	-	117	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	-	184	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	-	-	37,432	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Corporation	-	-	373	-
		₩ 194,019	30,711	174,172	349

(*) Including associates and joint ventures' subsidiaries.

In millions of won

		2012		
		Sales and other		Trade and other payables
Subsidiary Company	Associates and joint ventures	Trade receivable	Other receivables	Trade payables
Hyundai Samho Heavy Industries Co., Ltd.	Wärtsilä-Hyundai Engine Company Ltd.	₩ 23	24,854	-
Hyundai Oilbank Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	-	-	4,390
	Hyundai Corporation	10,291	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	173,909	10	125,361
		₩ 184,223	24,864	129,751

(*) Including associates and joint ventures' subsidiaries.

(5) Details of guarantees between the Company, subsidiaries and associates as of December 31, 2013 are as follows:

In thousands of foreign currency

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Hyundai Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	Standard Chartered Bank and others	Performance	USD	350,158
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	Mizuho Corporate Bank Ltd.	Payment	USD	30,000
				USD	380,158

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(6) Compensation for key management of the Group for the years ended December 31, 2013 and 2012 is ₩24,196 million and ₩23,599 million, respectively. Key management is defined as directors and internal auditors who have important roles and responsibilities involving the planning, operation and control of the Group.

45. Share-based Payment

In accordance with 2009 and 2010 wage bargaining agreements, the Group contributed a portion of its Hyundai Mipo Dockyard Co., Ltd. shares into a trust securities account in order to support the employee stock ownership plan. The trust of securities as of the reporting date is as followings:

In millions of won

	Shares	Number of shares	Exercise price	Periods	Financial institution	Note
First	Common stock of Hyundai Mipo Dockyard Co., Ltd.	-	₩ 76,759	2009.11~2013.08	Korea Exchange Bank	Withdrawal is limited during the period. (Retiring employees are eligible to withdraw)
Second		170,153	81,486	2010.11~2014.08		

The above trust securities transaction is classified as cash-settled share-based payment arrangements, which compensates employee service with cash or other assets based on the value of the Group's stocks and other equity instruments. It is applied to employees, who unconditionally become entitled to stock appreciation rights as soon as it is granted. Accordingly, the amount that covered under the wage bargaining agreements is recognized as salary expense, and additional costs arising from stock appreciation right are recognized as compensation expenses associated with stock options.

In millions of won, except share data

	First trust securities		Second trust securities		Total	
	Number of stocks	Accrued expenses	Number of stocks	Accrued expenses	Number of stocks	Accrued expenses
Beginning balance	₩ 149,543	19,200	172,125	24,004	321,668	43,204
Issuance	-	-	-	-	-	-
Expiration of options due to exercising of rights and others	(149,543)	(19,761)	(2,072)	(308)	(151,615)	(20,069)
Compensation expenses associated with stock options(*)	-	561	-	6,815	-	7,376
Ending balance	₩ -	-	170,053	30,511	170,053	30,511

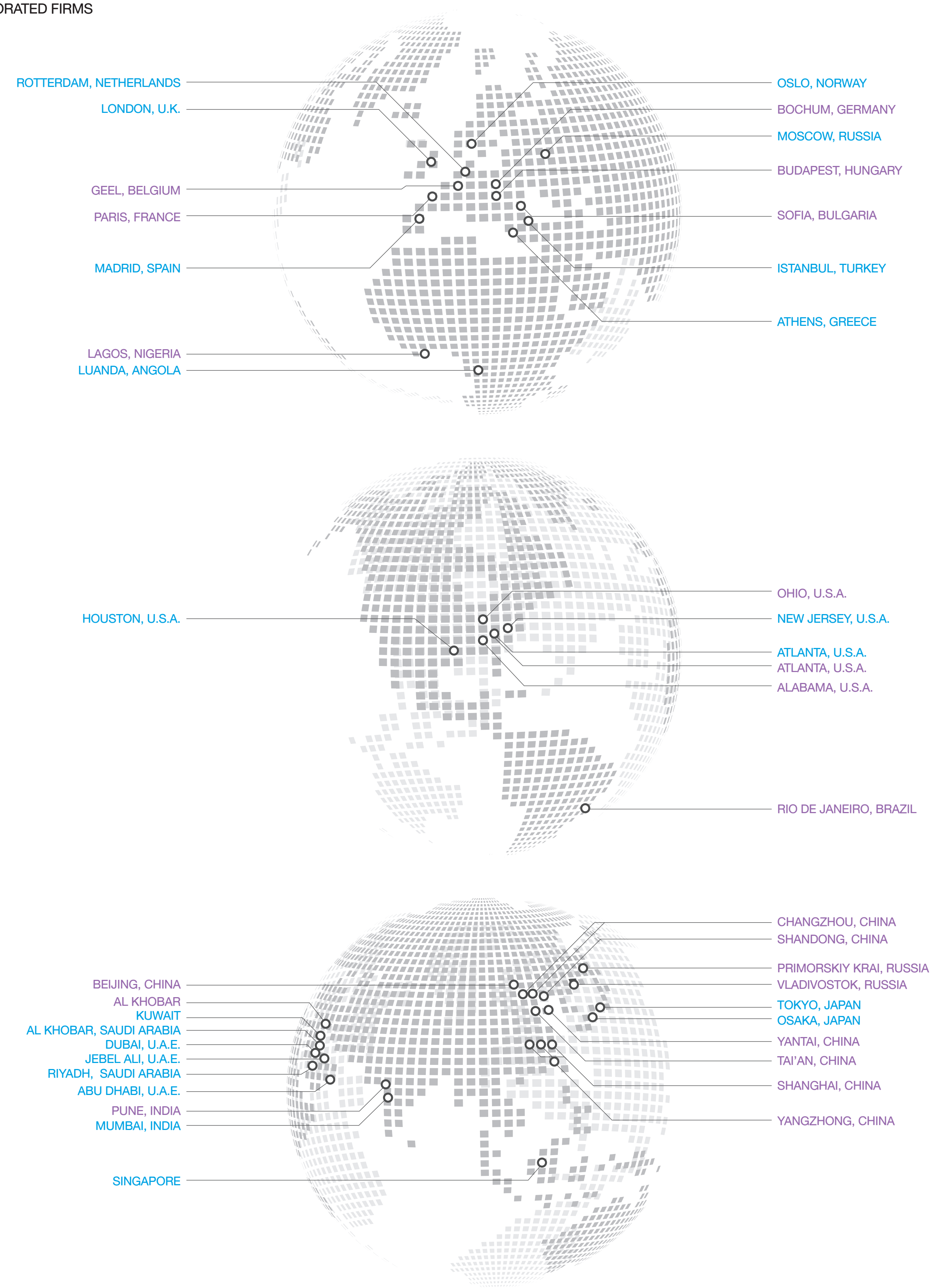
(*) Compensation expenses are adjusted by considering stock price volatility and other factors in based on the Black Scholes option pricing model. Significant assumptions used in the Black Scholes option pricing model are as follows:

In won

	Fair value of stocks	Exercise price	Expected volatility in stock price	Expected dividend	Expected exercise period	Risk free rate
First trust securities	₩ -	76,759	-	-	-	-
Second trust securities	179,420	81,486	25.57%	-	0.62 years	2.87%

HHI Global Network

- OFFICES
- INCORPORATED FIRMS



OVERSEAS OFFICES

EUROPE

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5-17 HAMMERSMITH GROVE
LONDON, W6 0LG, UK
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RAADHUSGT. 20, 0151
OSLO, NORWAY
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FAX: 47-2310-0899

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175 62, PALEO FALIRO
ATHENS, GREECE
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3067 GG, ROTTERDAM,
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FAX: 31-10-212-5134

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PLANTA 0, 28046 MADRID
SPAIN
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FAX: 34-91-733-2389

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DEREBOYU CADDESI MEYDAN
SOKAK BEYBI GIZ PLAZA
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FAX: 90-212-290-2862

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WORLD TRADE CENTER, ENT. 3 #703,
KRASNOPRESNENSKAYA NAB. 12,
MOSCOW, 123610, RUSSIA
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FAX: 7-495-258-1382

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300 SYLVAN AVENUE
ENGLEWOOD CLIFFS
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15990 NORTH BARKERS
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HOUSTON, TEXAS 77079, U.S.A.
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BLDG., 1-7-1 YURAKU-CHO
CHIYODA-KU, TOKYO 100-0006
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FAX: 81-3-3216-0728

OSAKA
I-ROOM 5TH FLOOR NAGAHORI
PLAZA BLDG. 2-4-8 MINAMI
SENBA, CHUO-KU
OSAKA 542-0081, JAPAN
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FAX: 81-6-6261-5818

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7 TEMASEK BOULEVARD
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038987, SINGAPORE
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FAX: 65-6337-8966

MUMBAI
5TH FLOOR, EAST QUADRANT
THE IL&FS FINANCIAL CENTRE
PLOT NO. C-22, G-BLOCK
BANDRA-KURLA COMPLEX
BANDRA(E), MUMBAI 400 051, INDIA
TEL: 91-22-2653-3420~26
FAX: 91-22-2653-3429~30

MIDDLE EAST

DUBAI
205, BUILDING 4, EMAAR
SQUARE, SHEIKH ZAYED ROAD
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15TH FLOOR, AL-SOUR TOWER,
AL-SOUR STREET, AL-QIBLAH,
KUWAIT
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FAX: 965-2291-5355

JEBEL ALI
JEBEL ALI FREEZONE LOB 18,
FLAT NO.301 & 302, 3RD FLOOR,
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AL KHOBAR
7TH FLOOR, AL KHOBAR BUSINESS
GATE BUILDING, P.O. BOX 20753,
AL KHOBAR - 31952 KINGDOM OF
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AKARIYA PLAZA, OLAYA STREET,
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FAX: 966-1-464-2352

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COMMERCIAL TOWER, BAINUNA
STREET, ABU DHABI, U.A.E,
P.O. BOX: 45727
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FAX: 971-2-666-0631

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RUA LUCRECIA PAIM NO. 28/30
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FAX: 244-222-370-669

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GETRIBEWRKE GMBH)
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FAX: 36-1-220-6708

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(HOTEL HYUNDAI VLADIVOSTOK)
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VLADIVOSTOK, 690091, RUSSIA
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FAX: 7-4232-40-7007

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[HYUNDAI ELECTROSYSTEMS CO.,
LTD.] P. B.: 692760, 15,
POTEMKINA STR., ARTEM,
PRIMORSKIY KRAI, RUSSIA
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FAX: 7-4232-30-2552

PRIMORSKIY KRAI
(HYUNDAI MIKHAILOVKA AGRO LTD.)
P. B.: 692519, 42, VOLODARSKOGO
STR., USSURIISK, PRIMORSKIY KRAI,
RUSSIA
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FAX: 7-4234-31-5085

PRIMORSKIY KRAI
(HYUNDAI KHOROL AGRO LTD.)
P. B.: 692273, 40, LENINSKAYA STR.,
KHOROL REGION,
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USA, INC.) 215 FOLMAR PARKWAY,
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SOUTH AMERICA

RIO DE JANEIRO
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BRAZIL) RODOVIA PRESIDENTE
DUTRA, KM 316 (XEROX),
CEP: 27.580-000, ITATIAIA, RJ, BRAZIL
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FAX: 86-10-8321-1353
8321-4730 (FACTORY)

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JIANGSU 213125, CHINA
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FAX: 86-519-8519-1385 (SALES)
8519-1089 (ADMIN)

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FAX: 86-519-8302-1726

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INDUSTRIES MACHINERY. CO., LTD.)
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TAIANHIGH-TECHZONE, SHANDONG
CHINA
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FAX: 86-538-349-0098

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801, SHENHONG INTERNATIONAL
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AL-MUTLAG DISTRICT, P.O. BOX
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LAGOS
(HYUNDAI WEST AFRICA LIMITED)
PLOT B, BLOCK 12E, ADMIRALTY
WAY, LEKKI, LAGOS, NIGERIA
TEL: 234-1-342-7729

Affiliated Companies

HYUNDAI MIPO DOCKYARD CO., LTD.
Business Line Shipbuilding, Conversion & Repairs
Major Shareholder Hyundai Samho Heavy Industries Co., Ltd (45.21%)

HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.
Business Line Shipbuilding
Major Shareholder Hyundai Heavy Industries Co., Ltd. (94.92%)

NEW KOREA COUNTRY CLUB
Business Line Country Club
Major Shareholder Hyundai Heavy Industries Co., Ltd. (40.00%)

HYUNDAI OILBANK CO., LTD.
Business Line Manufacturing of Petroleum Products
Major Shareholder Hyundai Heavy Industries Co., Ltd. (91.13%)

HYUNDAI FINANCE CORPORATION
Business Line Granting of Credit
Major Shareholder Hyundai Heavy Industries Co., Ltd. (67.49%)

HYUNDAI OIL TERMINAL CO., LTD.
Business Line Oil Storage Business
Major Shareholder Hyundai Oilbank Co., Ltd. (70.00%)

HYUNDAI VENTURE INVESTMENT CORPORATION
Business Line Granting of Credit
Major Shareholder Hyundai Finance Corp. (68.38%)

HYUNDAI E&T CO., LTD.
Business Line Other Engineering Services
Major Shareholder Hyundai Mipo Dockyard Co., Ltd. (100.00%)

HYUNDAI ENERGY & RESOURCES CO., LTD.
Business Line Services for Crude Oil and Natural Gas Mining
Major Shareholder Hyundai Heavy Industries Co., Ltd. (40.00%)
Hyundai Mipo Dockyard Co., Ltd. (35.00%)
Hyundai Oilbank Co., Ltd. (15.00%)
Hyundai Corporation (10.00%)

HYUNDAI FUTURES CORPORATION
Business Line Entrust and Brokerage of Futures Transactions
Major Shareholder Hyundai Finance Corp. (65.22%)

WÄRTSILÄ-HYUNDAI ENGINE CO., LTD.
Business Line Manufacture, Assemble and Test of Marine Engines and Parts
Major Shareholder Hyundai Heavy Industries Co., Ltd. (50.00%)

HYUNDAI CUMMINS ENGINE COMPANY
Business Line Manufacture of Engines
Major Shareholder Hyundai Heavy Industries Co., Ltd. (50.00%)

ULSAN HYUNDAI FOOTBALL CLUB CO., LTD.
Business Line Football Club
Major Shareholder Hyundai Heavy Industries Co., Ltd. (100.00%)

HYUNDAI HEAVY MATERIAL SERVICE
Business Line Sale and Manufacture of Machinery Equipment for Shipbuilding
Major Shareholder Hyundai Heavy Industries Co., Ltd. (100.00%)

HYUNDAI SHELL BASE OIL CO., LTD.
Business Line Manufacturing of Base Oil
Major Shareholder Hyundai Oilbank Co., Ltd. (60.00%)

KOMAS CORPORATION
Business Line Shipping
Major Shareholder Hyundai Heavy Industries Co., Ltd. (100.00%)

HI INVESTMENT & SECURITIES CO., LTD.
Business Line Securities Brokerage
Major Shareholder Hyundai Mipo Dockyard Co., Ltd. (83.24%)

HI ASSET MANAGEMENT CO., LTD.
Business Line Asset Management
Major Shareholder HI Investment & Securities (92.42%)
Hyundai Mipo Dockyard Co., Ltd. (7.57%)

HOTEL HYUNDAI CO., LTD.
Business Line Hotel Operation
Major Shareholder Hyundai Heavy Industries Co., Ltd. (100.00%)

TAEBAEK WIND POWER CO., LTD.
Business Line Sale and Manufacture of Facilities for Wind Power Generation
Major Shareholder Hyundai Heavy Industries Co., Ltd. (35.00%)

HYUNDAI CORPORATION
Business Line Exporting
Major Shareholder Hyundai Heavy Industries Co., Ltd. (22.36%)

HYUNDAI COSMO PETROCHEMICAL CO., LTD.
Business Line Manufacturing of Petrochemicals
Major Shareholder Hyundai Oilbank Co., Ltd. (50.00%)

MUJU WIND POWER CO., LTD.
Business Line Sale and Manufacture of Facilities for Wind Power Generation
Major Shareholder Hyundai Heavy Industries Co., Ltd. (45.00%)

CHANGJUK WIND POWER CO., LTD.
Business Line Sale and Manufacture of Facilities for Wind Power Generation
Major Shareholder Hyundai Heavy Industries Co., Ltd. (43.00%)

HYUNDAI-AVANCIS CO., LTD.
Business Line Sale and Manufacture of Solar Module
Major Shareholder Hyundai Heavy Industries Co., Ltd. (50.00%)

CORPORATE DATA

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Seoul Office
14th Floor, Hyundai Building, 75, Yulgok-ro
Jongno-gu, Seoul 110-793, South Korea

Date of Establishment
December 28, 1973

Paid-in Capital
KRW 380 billion

Common Stock
76,000,000 shares

Number of Employees
26,013

General Shareholders' Meeting
March 21, 2014

Listing
Listed on the Korea Stock Exchange
in August 1999.
KSE Ticker: 009540

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