AT HYUNDAI OILBANK,
DELIVERING VALUE TO OUR
CUSTOMERS IS MORE THAN
AN ASPIRATION. IT IS A PASSION
THAT HAS DRIVEN US AROUND
THE CLOCK **24 HOURS** A DAY
AS WE HAVE WORKED TO
CREATE NEW VALUE IN ENERGY
365 DAYS A YEAR FOR NEARLY
A HALF CENTURY.

50 ANNIVERSARY

Growing and Sharing for Another Century

ENERGY IS OUR VALUE.

HYUNDAI OILBANK ANNUAL REPORT 2013

Hyundai Oilbank

Company Overview

Business Overview

Financial Review

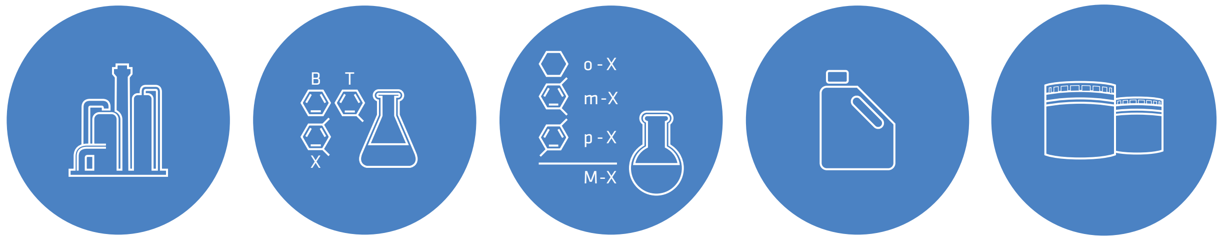
ENERGY IS OUR VALUE.

At Hyundai Oilbank, we enhanced our competitiveness by achieving the highest-level upgrading ratio in the South Korean industry through the #2 Heavy Oil Upgrading (HOU) facility. We also diversified our business portfolio by increasing our petrochemical production capacity through the #2 BTX (Benzene, Toluene, P-Xylene) Project, and by entering into the lubricant base oil business. In addition, we accomplished vertical integration by completing our oil terminal, the nation's first commercial oil storage facility, and launching the XTeer lubricant brand.

We have grown by contributing to the development of the national energy industry and by devoting ourselves to customer convenience. Based on our half-century history of challenges and achievements, we bring our extensive experience to influence the next fifty years as a comprehensive and prominent energy company.

HYUNDAI OILBANK AT A GLANCE

Our Businesses



Petroleum | BTX | Mixed-Xylene | Base Oil | Oil Terminal

Our Products

Petroleum

Gasoline
Ultra-Low-Sulfur Diesel
Kerosene
Diesel
Fuel Oil
Liquefied Petroleum Gas
Jet Fuel
Naphtha

Petrochemical

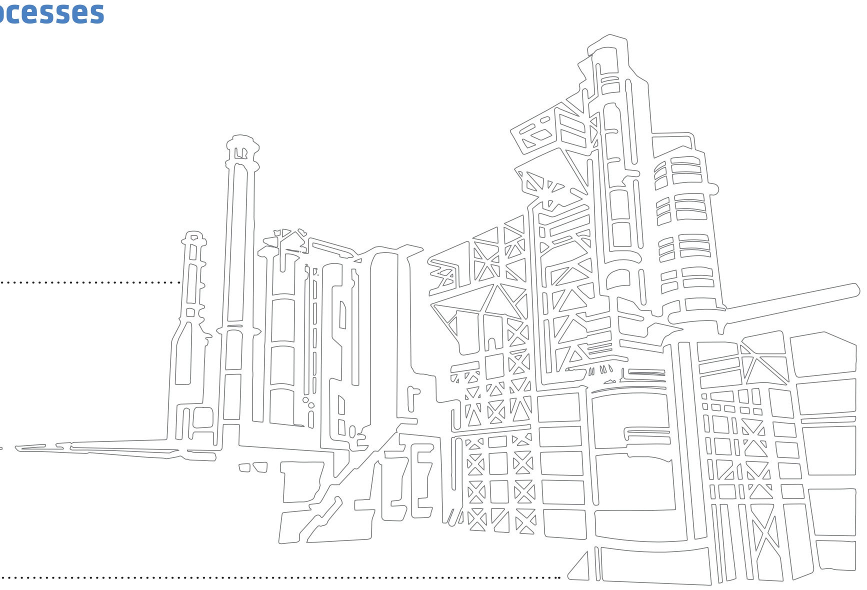
Propylene
Alkylate
Benzene
Paraxylene

Lubricant Oil

For Automobiles
For Other Industrial Purposes
For Ships

Our Facilities & Key Processes

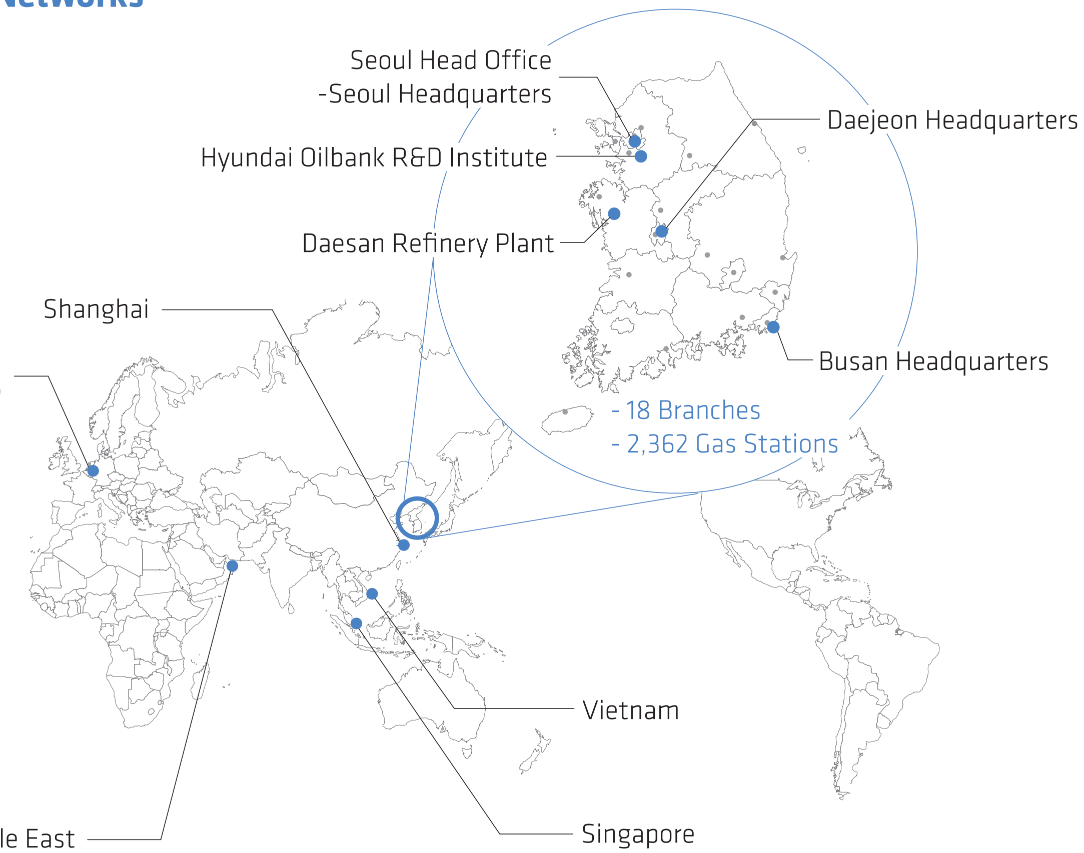
#1, 2 CDU
#1 HOU plant (HCR, DCU)
#2 HOU plant (ARDS, RFCC)
#1, 2 BTX
#1 LBO



Joint Ventures

Hyundai Cosmo Petrochemical
Hyundai and Shell Base Oil
Hyundai Oil Terminal
Hyundai Chemical

Business Networks



Corporate Social Responsibility

Hyundai Oilbank 1% Nanum Foundation

Through our commitment to giving back to the community, we launched the Hyundai Oilbank 1% Nanum Foundation in February 2012, where approximately 96% of our employees donate 1% of their monthly salaries to help our neighbors in need.

Hanmaeum Hall, a Facility for Our Business Partners

Opened in April 2012 as a facility for our partner companies, Hanmaeum Hall is equipped with a dining hall, shower and sports facilities as well as office spaces to provide comfort and productivity.

Hyundai Daejuk Park

Completed on a 17,400 square meter site in September 2011, Hyundai Daejuk Park provides community residents with access to cultural and sports activities, equipped with a natural grass ball field, basketball and volleyball courts, and other facilities.

Hwagok Reservoir Park in Seosan

Scheduled for completion in May 2014, Hwagok Reservoir Park in Seosan will provide local residents with a place for rest and relaxation and an opportunity for income creation as an ecological park with wooden bridges and waterside hiking trails.

FINANCIAL HIGHLIGHTS

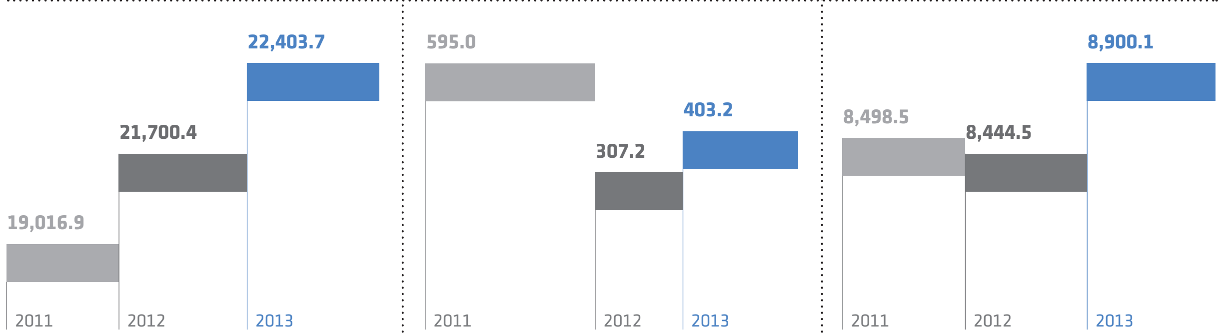
At Hyundai Oilbank, our 2013 commitment focused on developing new business models and enhancing our competitiveness amid the rapidly changing market conditions. Moving forward, our positive growth will continue by building a healthier financial foundation and securing global growth engines through steady investments and changes in our earnings structure.

In KRW billions

	2011	2012	2013
For the Year			
Sales	19,016.9	21,700.4	**22,403.7**
Operating Profit	595.0	307.2	**403.2**
Profit Before Income Tax	450.1	222.7	**215.1**
Net Income	366.3	171.4	**158.4**
At Year-End			
Total Assets	8,498.5	8,444.5	**8,900.1**
Total Liabilities	5,907.0	5,682.9	**5,941.4**
Total Equity	2,591.5	2,761.6	**2,958.7**
Stability Indicators			
Current Ratio	99.2%	116.3%	**102.2%**
Liabilities-to-Equity Ratio	227.9%	205.8%	**200.8%**
Dependence on Borrowings	34.1%	35.7%	**34.9%**
Interest Coverage Ratio	7.1	2.0	**3.3**

* Based on K-IFRS

Sales In KRW billions | **Operating Profit** In KRW billions | **Total Assets** In KRW billions



ENERGY IS OUR VALUE.

Creating Valuable Energy

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At Hyundai Oilbank, our value begins from energy. We grow our future competitiveness by strengthening our current values and attaining new businesses, centering on petroleum energy. Ultimately, we are dedicated to creating more innovative and profitable energy sources through constant change and challenge so that people and the environment can continue to thrive in harmony.

Refining Value: Key Businesses
– Continuous growth through value creation in the petroleum business

Expanding Value: New Businesses
– Value innovation through business diversification

Empowering Value: Great Workplace
– Meaningful and vibrant work environment

Sharing Value: Responsibilities
– Sustainable growth through value sharing

Refining Value: Key Businesses

Continuous Growth through Value Creation in the Petroleum Business

In 2013, Hyundai Oilbank achieved the industry's largest operating profit even amid the bearish refining margins following slowdowns in the world economic growth. We are promoting stable revenues in the oil refining business through market diversification and by establishing new operations, while consolidating our foothold for future growth by firmly establishing our initiatives in the petrochemical and lubricant sectors.

Posted the Industry's Largest Operating Profit in 2013

Hyundai Oilbank produced stable results in the petroleum and petrochemical businesses, its key distribution, in 2013. Our share of the domestic light oil market was maintained at an annual 22%, and we also achieved desired outcomes in our overseas operations. These included diversifying crude oil suppliers and expanding direct transactions. As a result, our 2013 operating profit reached KRW 403.2 billion, the largest in the domestic industry. In addition to stable earnings in the oil refining business, we expect additional revenues from the petrochemical and lubricant sectors. We are joining forces to maximize our corporate value, targeting sales of KRW 30.0 trillion by 2016.

Operating Profit: **KRW 403.2 billion**

RFCC (Residue Fluidized Catalytic Cracking)

Recorded the Industry's Highest Upgrading Ratio

Hyundai Oilbank improved its refining margins, while generating stable operating profit, based on its 134,000 BD HOU facilities and the industry's highest upgrading ratio of 34.4%.

ARDS (Atmospheric Residue De-Sulfurization)

Began Commercial Operations of #2 BTX Plant

Hyundai Oilbank founded Hyundai Cosmo Petrochemical, a joint venture with Cosmo Oil of Japan, in 2009. It achieved mechanical completion of the # 2 BTX (Benzene, Toluene, p-Xylene) plant in November 2012, and began commercial operations in February 2013. The #2 BTX Project completion led to a rise in our annual BTX production capacity to 1,400,000 tons, including 800,000 tons of P-Xylene, and 120,000 tons of Benzene. We contribute KRW 1 trillion annually to the national economy through increased exports of petrochemical basic raw materials. Using the commercial operations of our mixed-xylene (MX) plant in 2016, we will complete vertical integration of our BTX business and further augment our competitiveness in the petrochemical business.

Petrochemical Production Capacity: **1.4 million tons**

#2 BTX Plant

Expanding Value: New Businesses

Value Innovation through Business Diversification

Looking forward to increased prosperity, Hyundai Oilbank will focus its entire capacity on stable earnings acquisition from its new businesses, under its 2014 management goal to "Maximize Corporate Value." While we had been dedicated to securing foundations for business diversification in the past, we now seek to maximize our corporate value by procuring stable revenues from such new undertakings as lubricant base oil and the #2 BTX plant, and by more efficient operation of our plants.

Launched Hyundai Chemical, a Joint Venture with Lotte Chemical

Hyundai Oilbank inaugurated Hyundai Chemical, signing a joint venture contract with Lotte Chemical, to pursue the condensate refining and MX manufacturing businesses, in January 2014. Hyundai Chemical will begin full-fledged production at our Daesan refinery after its mechanical completion in the second half of 2016. Subsequently, Hyundai Oilbank and Lotte Chemical will anticipate an impact of over KRW 2 trillion annually through the in-house production of MX and naphtha, negating the need for import dependency. Exports are also estimated to increase by about KRW 3 trillion annually through the sales of diesel and jet oil, which are generated during the MX production process. Meanwhile, Hyundai Oilbank will be capable of processing 530,000 barrels of crude oil daily, a surge of 36% from the existing 390,000 barrels.

An increase in Exports: **KRW 3 trillion annually**

Crude Oil Processing: **530,000 barrels daily**

Short for "Extreme Steering," XTeer conveys outstanding driving performance. This lubricant is produced by mixing lubricant base oil, which is fabricated by processing residue oil from the heavy oil upgrading (HOU) process, with multiple additives. Hyundai Oilbank supplies various engine oil products such as XTeer TOP, XTeer Ultra GSL, and XTeer DSL.

Entered Lubricant Business and Launched XTeer

Hyundai Oilbank entered the automobile engine oil market by launching XTeer, a new lubricant product, in 2013. Thus, we have secured a system of vertical integration to also enable us to produce lubricant products, following the start of building a joint venture lubricant base oil plant with Royal Dutch Shell. By producing 180,000 barrels of finished products annually, we plan to actively tap into the lubricant market at home and abroad. This will consist of expanding our distribution network to include over 2,400 gas stations and light vehicle repair shops nationwide, and launching new industrial products, such as heavy machinery and industrial equipment.

Launched New Lubricant Product: **XTeer**

Lubricant Production: **180,000 barrels annually**

Empowering Value: Great Workplace

Meaningful and Vibrant Work Environment

Hyundai Oilbank has been globally recognized as one of the best workplaces in Korea, based on its outstanding CEO leadership, meaningful and vibrant work environment, excellent employee engagement, and company pride. In addition to being a safe and healthy workplace, we are growing as a company that is trusted and favored in harmony between labor and management.

Named One of the Best Employers in Korea by Aon Hewitt

Hyundai Oilbank was named as one of the 2013 Best Employers in Korea by Aon Hewitt in February 2013. The results of interviews and surveys conducted by the world's largest human resources and consulting services provider judged that Hyundai Oilbank enjoyed high employee engagement and pride, and excellent CEO leadership. Hyundai Oilbank has introduced a broad range of employee welfare programs, while helping them develop their expertise in order to create a gratifying workplace.

The Best Place to Work in 2013

Declared wage freeze for co-prosperity
Hyundai Oilbank declared a wage freeze for all its employees in February 2013, a first among large domestic companies. This was based on our labor and management's will for co-prosperity and trust, and considered our uncertain business environment amidst a global economic crisis.

Committed to Developing a Safe Working Environment of Company

Our Daesan Refinery Plant accomplished one million man hours of work with no accidents at the end of 2013, thanks to its dedication to improving its working environment and ensuring safety. A man-hour is an index that is calculated by multiplying the number of workers, working hours, and the number of working days. This impressive result was achieved by carrying out a zero accident campaign for over 160 days, prompted by a plant worker's minor injury suffered in May 2013. Hyundai Oilbank is committed to developing a safe workplace through its pledge to safety based on the establishment of efficient production facilities.

Achieved Zero Accidents: **1 million man-hours**

Sharing Value: Responsibilities

Sustainable Growth through Value Sharing

Hyundai Oilbank has proposed new corporate social responsibility models through innovative activities. Our 1% sharing program, with approximately 96% employee participation and over 180 directly run gas stations, spreads our giving culture and underlies our broad array of CSR activities.

Named CSR Leader in Innovation Leadership Category at the Management Grand Awards

Hyundai Oilbank was named the CSR leader in the innovation leadership category at the 2013 Management Grand Awards by KMA Consulting in October 2013. We were credited with leading innovations by presenting new CSR models. This included the first-ever 1% employee salary donation program among Korean companies in 2011 following an agreement between labor and management. In addition, we founded Hyundai Oilbank 1% Nanum Foundation as part of our CSR efforts. We also undertook responsibility for employee welfare and benefits of our partner companies. Such efforts include building Hanmaeum Hall for the employees of our business partners.

Participation Ratio of 1% Employee Salary Donation: **96%**

Hyundai Daejuk Park
Completed on a 17,400 square meter site in September 2011, Hyundai Daejuk Park provides community residents with access to cultural and sports activities, equipped with a natural grass ball field, basketball and volleyball courts, and other facilities.

Hwagok Reservoir Park in Seosan
Scheduled for completion in May 2014, Hwagok Reservoir Park in Seosan will provide local residents with a place for rest and relaxation and an opportunity for income creation as an ecological park with wooden bridges and waterside hiking trails.

Continuously Diffused “1% Sharing” Culture

At Hyundai Oilbank and its affiliated companies, 96% of our 1,800-plus employees have voluntarily chosen to participate in donating 1% of their monthly salaries, and this consensus has been spreading to our retired employees, gas station owners, business partners, and even employee families. Our more than 180 directly run service stations also began to join this 1% sharing program, donating 1% of their monthly net income, starting in 2014. We publicly posted a “1% Sharing Gas Station” sign for them, while spreading this sharing culture to include independent gas stations as well.

Number of 1% Nanum Foundation’s Beneficiaries:

4,130 (’11~’13)

MESSAGE FROM THE CEO

"In 2013, Hyundai Oilbank recorded KRW 22,403.7 billion in sales and KRW 403.2 billion in operating profit despite global economic slowdowns. In 2014, we will concentrate our capabilities so that our targeted businesses can generate full-scale earnings. We will also continue to lay the strong groundwork to grow into "the best total energy company" through the discovery of future growth engines."

Dear valued shareholders, customers and other stakeholders:

I am pleased to report on the management activities and performances of Hyundai Oilbank.

Since our inception in 1964 as South Korea's first privately owned oil refinery, we have put our utmost mission-centered efforts into providing a driving force for national economic and industrial development for nearly half a century.

In 2013, we recorded sales of KRW 22,403.7 billion and an operating profit of KRW 403.2 billion despite the global economic slump. Our share of the domestic light oil market, which had long been hovering around 18%, continued to be steadily maintained at over 22% since our inclusion in the Hyundai Heavy Industries Group. Our various new businesses focused on diversifying our earnings portfolio, in addition to our crude oil refinery, are also speeding up.

First, our #2 BTX plant, a joint venture with Cosmo Oil of Japan, successfully began commercial operations in February 2013. This allowed us to increase our annual BTX production capacity to 1,400,000 tons, triple the previous capacity, and the portion of their sales to total sales also expanded from 9% to 14%.

We also launched Hyundai Oil Terminal, the industry's first commercial oil storage facility, which we constructed through land reclamation off the Ulsan New Port. With a storage capacity of 280,000 kiloliters and dock facilities capable of handling tankers of up to 50,000 deadweight tons, the terminal will serve as a significant logistics base for petrochemical products in the southeast of Korea, going forward.

The joint venture lubricant base oil plant with Shell, capable of processing 20,000 barrels of lubricant base oil daily, also entered its final stages of completion, targeting commercial operations in the first half of 2014. The plant will be equipped with a vertical integration system to produce both (lubricant) base oil and lubricant.

Our joint venture condensate refining and mixed-xylene manufacturing business with Lotte Chemical will also pick up full-scale speed. Upon the plant's completion in 2016 to refine 140,000 barrels of condensate crude oil, our crude oil processing capacity will be increased from 390,000 to 530,000 barrels daily. This is also expected to produce an impact worth more than KRW 2 trillion and KRW 3 trillion on annual imports and exports, respectively.

In 2014, we will concentrate our capabilities so that our targeted businesses can generate full-scale earnings. We will also continue to lay the strong groundwork to grow into "the best total energy company" by actively discovering future undertakings and growth engines such as polypropylene derivatives, steel, and coal chemicals.

At Hyundai Oilbank, we have continued the simple but meaningful practice of sharing 1% of our employees' monthly salaries with neighbors in need since 2011. Although we are fulfilling our natural expectations as a member of society, we feel proud that this sharing program is spreading to other companies. Going forward, we will put forth even more effort to fulfill our corporate social responsibilities so that goodwill can be felt in all areas of our community.

This year marks our 50th anniversary. With gratitude for your deep trust and commitment through the present, we ask for your continued support and encouragement going forward. The hard-working team at Hyundai Oilbank is dedicated to contributing to the national economic development and raising the values of our shareholders, customers, and other stakeholders.

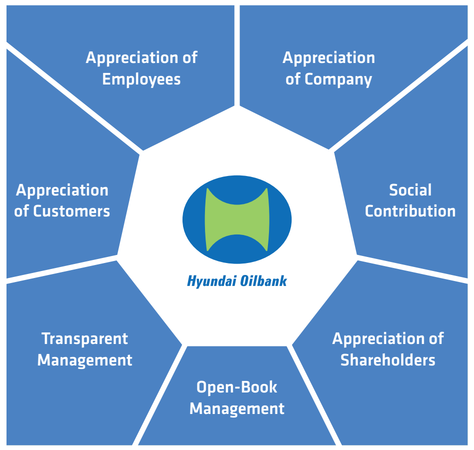
Thank you.

President & CEO Kwon Oh-gap

Kwon Ohgap

MANAGEMENT PHILOSOPHY

At Hyundai Oilbank, we established a fundamental management philosophy that goes beyond upholding our initial goals and social responsibilities, and furthers our role in contributing to the economic and social development of the communities we serve. This is put into practice, encompassing seven detailed policies.



Customers	〉Deliver top-quality products and services 〉Provide proactive support
Employees	〉Improve quality of life
Shareholders	〉Practice transparent management 〉Maximize shareholder value
Partners	〉Create a win-win culture 〉Follow fair trade practices
Society	〉Contribute to national economic and social development
Environment	〉Practice eco-friendly management 〉Minimize environmental impact

Enhancing Stakeholder Value

With the utmost respect, we are trying to deliver greater value to all of our stakeholders, from customers and shareholders, to employees and our local communities. We are heightening our reputation and elevating our intrinsic value so that our employees recognize that they are our most valuable asset, asserting importance to mutual respect, broadening communications, and fostering their creativity. Recognizing that customer satisfaction is fundamental, we continue to create customer value, acting honestly and earnestly. To maximize shareholder value, we pursue sustainable value through efficient management. We also recognize the important role we have to play in Korea's energy industry, making every effort to contribute to national economic and social development as we seek win-win growth with local communities.

Building Trust through Action

As we strive to impart superior satisfaction to our stakeholders, we also aim to be a trusted and respected company in our society by practicing management that is both open and transparent. We uphold social norms and order with high ethical standards, leading the way in fair and transparent management. In addition, we proactively disclose necessary business information and practice open-book management in which our employees participate freely. Through this, we are strengthening our core capabilities to offer the finest products and services, and achieving our corporate vision to enhance the benefits of our customers, employees, partners, shareholders, and local communities. By doing so, we will become a reliable company that fulfills its fundamental goals and responsibilities.

IDEAL EMPLOYEE

Hyundai Oilbank's employees strive to internalize and live up to the ideal of a Creative Doer; someone who lives the philosophy of the company by HHI's founder, Mr. Chung Ju-yung in relation to their work. This Creative Doer has the passion to achieve creative wisdom, positive thinking, and unwavering drive.

CREATIVE DOERS

	Passion to Achieve the Best	Creative Doers work with passion, achieving their own progress as well as the growth of the company. They create value for themselves and the company, displaying dauntless pioneering spirit, passion to fulfill the needs of clients, professionalism and personal responsibility, and unwavering drive.
	Innovative Mind to Change the World	With imaginative ideas and creative implementation, Creative Doers create positive changes in relation to their work with the goal of creating a better tomorrow for all. They also lead others to work for innovation and collaborate for future growth, drawing on their extensive experience and knowledge, insight, and positive thinking.
	Trust and Credibility in Relationships Based on Honesty and Integrity	Creative Doers are reliable, treat others with respect, communicate honestly, and act with integrity. They accept diversity without prejudice, act with fairness in mind, and gain trust and credibility from colleagues and the public based on honesty and integrity.

MANAGEMENT STRATEGY

At Hyundai Oilbank, we secured global growth engines by implementing our new businesses as quickly as possible in 2013. The year 2014 will be dedicated to revamping our refinery business to overcome worsening profitability in the global oil refining market, while consolidating a foothold for our next takeoff through the continuous discovery and pursuit of new undertakings.

2014 Strategies

Revolutionize Oil Refining Business	Improve Economical Efficiency by Importing Optimal Crude Oil	〉Increase imports of opportunity crude such as extra high and sour crude oil 〉Expand types of imported crude oil
	Raise Production Efficiency	〉Achieve zero emergency stops and accidents 〉Reduce utility expenses by optimizing energy usage
	Improve Sales Profitability	〉Increase high-margin sales by diversifying export routes 〉Develop markets through alliances with global refiners
Identify and Pursue New Businesses	Pursue New Businesses that Utilize Byproducts	〉Steam supply business from FBC boilers 〉Petrochemical business, utilizing propylene 〉Carbon black business, using slurry oil
	Pursue Cooperative Projects	〉Joint venture with Lotte Chemical to produce mixed-xylene 〉Lubricant supply to pan-Hyundai Group, the nation's largest lubricant consumer

ETHICS MANAGEMENT

Hyundai Oilbank will strengthen its status as a "Trusted and Respected Company" in the middle of the rapidly changing market environment by internally pursuing transparent management and continuous innovations based on the "Hyundai Spirit": Creative Insights, Positive Will, and Strong Drive.

Corporate Commitment

Hyundai Oilbank launched its ethics management initiative in 2002. Since we joined Hyundai Heavy Industries Group in 2010, an enterprise-wide consensus has formed regarding the need for a greater transparency in management and a continuous innovation. Based on this, we are trying to become a "company wanted have transactions" with customers and business partners, a "company wanted to work" for the officers and employees, and a "company that fulfils its social duties" for the state and society and contributes the developments of the state and human society.

Hyundai Heavy Industries Group, in order to ensure its status as a global leading company that befits international standards, began strengthening its compliance management in 2014. For example, it created the "Group Compliance Office" and mandated its president-level executives to take charge of compliance management. In tune with the Group's compliance management, we will strengthen our prevention activities to raise the law-abiding spirit of all our members in response to the newly strengthening laws and the environment.

Management Framework

We operate an organized and practical ethics management system by implementing education, publicity and various practice programs based on the rules of ethics including the Ethics Charter, the Rule of Ethics, and the Practice Guidelines for Work Ethics. In particular, we have added and are applying the rules of ethics for specific duties with respect to the duties for purchase, personnel, financial and accounting, data processing, and sales, which require more strict ethics.

Major Support Systems

Gift Return System (Clean Notice)	In 2013, we implemented stronger ethics management. Our employees are prohibited from accepting meals, money and valuables, gifts, and any monies for congratulation or condolence from our business partners or interested parties. If they have unavoidably received money and valuables or gifts from transacting parties, items must be returned immediately. But in case of unreturnables, they should donate items to a designated social welfare entity.
Reporting Conflict of Interest	With respect to transactions with the company, where the company's officer or employee or a business partner's officer or employee has or is likely to have an interest relation with the other transacting party, the company causes the relevant person to give the company a prior notice to allow for fair and transparent transactions by taking measures to avoid a conflict of interest.
Whistleblower Protection and Rewards	The reports and the content of reports in principle shall be prohibited from being disclosed and the secrets shall be guaranteed. With respect to rightful reports or the content of reports, we ensure that disadvantages or discriminations should not occur. In order to give rewards to reporters of wrongful or irregular activities, we are running reward program.
Ethics Website and Online Reporting	We operate our own website (http://ethics.oilbank.co.kr) for the purpose of giving information of our ethics management. It introduces our ethics management system and progresses, and various rules of ethics including the Ethics Charter can be seen. It also provides the "Rules of Ethics by Example" and the "Q&A for Ethics Management," etc. and unethical activities may be reported in the 'Cyber Reporting.'
Education	We provide new employees and newly promoted employees with the group education for ethics management every year. All employees watch a monthly ethics video and enroll in Hyundai Heavy Industries Group's customized cyber curriculum for ethics management.
Compliance Management	We carry forward "Anti-Corruption Compliance Program" to effectively settle down our compliance management. This program, featuring precaution, prevention, and response measures, contains such content as employee education on laws and ordinances at home and abroad, ethics, and codes of conduct; improvement of internal control systems; and enhancement of regular monitoring.

COMPLIANCE PROGRAM

We recognize that respecting fair market competition is key to improving our corporate competitiveness. We have been executing a fair trade compliance program covering all aspects of our operations since 2003.

At Hyundai Oilbank, we have applied the compliance program to our overall management activities since 2003. The program observes the Monopoly Regulation and Fair Trade Act by implementing behavioral standards to prevent law violations that can arise from our daily management activities. Its goals are to reduce legal expenses following violations in the short term, and to enhance our corporate competitiveness by raising our corporate value in the long term.

Efforts for Compliance

At Hyundai Oilbank, our entire staff pledges compliance together with our CEO, who conveys his commitment to yearly practice. We also continue to implement a broad range of CP programs. These include internal and external employee training, compliance inspections, and prior business reviews. In addition, we operate an integrated internal compliance system by establishing disciplinary and CP-related document management systems. Major action items are as follows.

Core Elements	Action Items
CEO Leadership	〉Conveys commitment and policy through electronic correspondence and website
Program Organization	〉Appoints chief compliance officer
	〉Team in charge: Government Relations Team
Compliance Handbook	〉Published and distributed in December 2003
Training Programs	〉Internal training programs (regulatory change training, compliance manager training, compliance inspection and training, training for new hires, existing employees, team leaders and gas station owners, and special training as necessary)
	〉External training programs (supervised by the Korea Fair Competition Federation and Fair Trade Commission)
	〉Cyber Training Center (online training)
Oversight System	〉Company-wide compliance regulations and procedures
	〉Whistleblower channels (including CP consultation room and alerting device)
	〉CP inspections, prior business reviews
Disciplinary System	〉Disciplinary measures determined by personnel regulations
	〉Final action, up to and including dismissal, reviewed and decided by personnel committee
Document Management System	〉CP operation-related online and offline document management
	〉Team in charge: Government Relations Team

RISK MANAGEMENT

At Hyundai Oilbank, we rapidly respond to environmental changes in overseas and domestic oil refining markets, forecasting and analyzing risk to prevent and mitigate it in pursuit of greater operational stability and profitability.

Risk Management Organization

We operate a risk management committee chaired by the CEO to effectively manage all conceivable risks that may occur due to changes in oil prices. We use a variety of methods to effectively and systematically manage all forms of uncertainty, including oil price risk, exchange rate risk, and refining margin risk.

Oil Price Risk

The oil we import from the Middle East is normally purchased by contract at the price set during the month of loading. Consequently, price fluctuations that may occur during the one-month transit time to Korea serve as a risk. We operate a system to hedge against such a risk. By implementing an early warning system, we are able to effectively respond when fluctuations occur. A consultative team consisting of the responsible executive and team leader formulates and executes a phased response plan. Risk exposure is managed in a flexible manner according to oil price conditions, and through this, we can simultaneously avoid risk and anticipate improved earnings. In addition, we hedge against refining margins according to product through forward trading, by analyzing product price movements that fluctuate in linkage with oil prices. We minimize losses from oil price fluctuations by fixing margins through hedging once a certain level has been reached.

Exchange Rate Risk

Since we both import crude oil and export refined petroleum products, we are inherently exposed to risk from exchange rate fluctuations. We operate a risk management committee to set and review our exchange rate risk management strategy. Excluding speculative transactions, we hedge our risk to reduce or minimize exchange rate risk. We consult with external organizations to ensure systematic risk management and have implemented a system for determining risk exposure. We have also established internal risk management regulations, which guide us in hedging our exchange rate risk.

Crude Oil Import Diversification

We are aggressively pursuing the diversification of crude oil imports to avoid geopolitical risks, including the rapidly increasing risk of sourcing crude oil from Iran and other countries in the Middle East. An expansion in advanced facilities in Northeast Asia leads to a rise in demand for crude oil from the Middle East, however it is necessary to ease the heavy reliance on the Middle East and diversify crude types for cost cuts. Going forward, we will impede the risk while simultaneously maximizing earnings by increasing new crude oil imports through organic linkage with plants.

Marine Loading Facility

CORPORATE GOVERNANCE

At Hyundai Oilbank, we know that transparent corporate governance is a hallmark of global companies. At our general shareholders' meeting held in March 2012, we appointed three outside directors to our board as we affirmed and elevated the board's role as the highest decision-making body of our company. Our goal is to create an advanced governance structure that will meet the expectations of all our stakeholders.

Board Role

Our board supports strategic decision-making in pending business issues and provides advisory and oversight functions to ensure transparency in management with the ultimate objective of achieving greater corporate value. Toward this end, the board elects and delegates authority to the CEO, oversees executive team performance, and provides guidance and recommendations. We believe the board plays a key role in bolstering our transparency and efficiency as well as enhancing our credibility with shareholders, investors, and markets.

Board Composition

Our articles of incorporation and board regulations provide for a five-member board chaired by the president and consisting of two inside directors and three outside directors, all of whom are elected at the annual general shareholders' meeting. As the highest decision-making body of the company, the board is tasked with approving decisions regarding financial structure improvement, investment projects, and other major business matters.

Board of Directors

Inside Directors	**Kwon Oh-gap** 2010~Present: President & CEO, Hyundai Oilbank 2009~Present: President & CEO, Hyundai Heavy Industries Sports 2013~Present: Commissioner, K League
	Moon Jong-bak 2013~Present: Vice President, Hyundai Oilbank 2014~Present: President & CEO, Hyundai and Shell Base Oil
Outside Directors	**Kim Kap-soon** 2009~Present: Vice Chairman, Deloitte Korea 2008: Director, Seoul Regional Tax Office
	Kim Kap-you 1996~Present: Attorney, Bae, Kim & Lee 2002~Present: Arbitrator, Korean Commercial Arbitration Board 2009~Present: Member, American Arbitration Association
	Lee Bong-joo 2007~Present: Professor, Department of Social Welfare, Seoul National University 2007~Present: Chairman, Korean Society of Child Welfare

Board Committees

Our board has three committees to enhance independence, professionalism, and efficiency. The composition and responsibilities of the Outside Director Nominating Committee, Audit Committee, and Internal Transaction Monitoring Committee are as follows.

Committee Roles

Committee	Members	Major Roles & Responsibilities
Audit Committee	**Kim Kap-soon** **Kim Kap-you** **Lee Bong-joo**	〉Examines the Company's accounting and corporate activities 〉Requests reports on operations and reviews corporate financial status 〉Handles legal and other situations delegated by the articles of incorporation or board 〉Handles selection, replacement, and dismissal of the audit firm
Internal Transaction Monitoring Committee	**Kim Kap-soon** **Kim Kap-you** **Lee Bong-joo**	〉Approves major internal transactions among HHI Group affiliates
Outside Director Nominating Committee	**Kwon Oh-gap** **Kim Kap-soon** **Lee Bong-joo**	〉Nominates outside director candidates to be appointed at the annual general shareholders' meeting

Major Board Activities

The board met nine times during 2013, deciding a total of 28 agenda items.

Key Board Resolutions in 2013

Shareholders' Meeting, Board & Governance	〉Approval of convocation of general shareholders' meeting and adoption of the agenda items for FY 2013 〉Approval of convocation of provisional general shareholders' meeting and adoption of the agenda items 〉Appointment of CEO
Investment	〉Approval of capital increase in Hyundai and Shell Base Oil (3 times) 〉Approval of selection of FBC boiler installation company 〉Approval of purchasing transformer from Hyundai Heavy Industries 〉Approval of agreement for steam turbine generator installation with Hyundai Heavy Industries 〉Approval of purchasing transformers and circuit breakers from Hyundai Heavy Industries 〉Approval of purchasing electric materials and equipment from Hyundai Heavy Industries 〉Approval of purchasing additional installment of distributed control system from Hyundai Heavy Industries
Accounting and Finance	〉Approval of FY 2013 financial statements 〉Approval of FY 2013 business report 〉Approval of transaction limit terms with related HHI Group financial companies (quarterly) 〉Approval of internal transaction limit with HHI Group companies (quarterly) 〉Approval of internal transaction with HHI Group companies 〉Approval of purchasing pier for Hyundai Cosmo Petrochemical 〉Approval of 112th corporate bond issue
Other Areas	〉Approval of sponsorship agreement with Hyundai Heavy Industries Sports 〉Approval of sponsorship agreement with K LEAGUE 〉Approval of 2014 business plan

EXECUTIVE COMMITTEE

At Hyundai Oilbank, our executive team is dedicated to continuously identifying new business engines and creating a greater future, positioning our 50th anniversary as the propeller toward the next 50 years.

Moon Jong-bak
Head of Planning & Coordination Office and Global Business Division

In 2014, Hyundai Oilbank's top priority will be the promotion of effortless commencing of its new businesses. This began with Hyundai Oil Terminal in December 2013, and moves forward with Hyundai and Shell Base Oil and FBC Boiler No. 9 ahead of commercial operations in 2014. Joint venture agreements for condensate refining, mixed-xylene manufacturing, and carbon black are also scheduled for conclusion by the second half of 2014. We will not spare our support for the on-schedule establishment of these new businesses.

Yoo Jae-bum
Head of Hyundai Oilbank R&D Institute

Hyundai Oilbank R&D Institute will strive to enhance the competitiveness of our existing businesses such as refining, BTX, Lubricant Base Oil, and lubricant. In line with the post-refined oil age, we will progressively seek out new businesses and concentrate on securing vital and relevant technologies. At the same time, we will focus on core technologies to produce and utilize basic gas such as CO, H_2, and CO_2, that are arousing keen attention as green energy sources in the petrochemical sector. By discovering advanced talent and strengthening our research partnerships with prominent universities, we will also contribute to raising the company's competitiveness.

Kim Byung-sup
Head of Sales & Marketing Division

We will preemptively respond to the market environment with flexible policies and organizational adaptation to enhance our sales competitiveness. Based on responsible management, we will produce high-level results through keen competition, and improve our vulnerable sales channels to retain our solid market share and enhance our profitability. We will also strive to normalize the domestic sales of our XTeer lubricant, and develop its export markets. Through the lubricant base oil produced by Hyundai and Shell Base Oil from the second half of 2014, we will reduce our costs and maximize collaboration using its competitive added value.

Kang Dal-ho
Head of Production Division

In 2014, we are determined to complete our project plans successfully. These include regular repair on apparatuses in our plant No. 1, revamping our HCR and VDU processes, beginning the operation of our LBO plant and #9 coke fluidized bed boiler, and replacing a catalyst in the Bunker-C hydrocracking process. In addition, we will focus on preventing any and all safety negligent accidents and environmental accidents by reformulating world-class advanced safety and environmental standards. In the meantime, we will escalate our competitiveness in the refining business even more, by processing opportunity crude in cooperation with the Global Business Division.

Kang Myeong-seop
Head of New Business and Construction Division

Our company launched the New Business and Construction Division, by expanding and reorganizing our project department at the end of 2013. This was to efficiently and successfully pursue and carry out new businesses that would become the foundations for our growth engines. Since beginning patent designs in February 2012, our lubricant base oil project will go into commercial operations in the second half of 2014, following mechanical completion in the first half of 2014. Additionally, we will concentrate our capacity on achieving minimum accident rates, zero quality defect ratios, and cost cuts; and optimizing construction periods by project stage in the plant construction area.

Cho Young-cheul
Head of Management Support Division

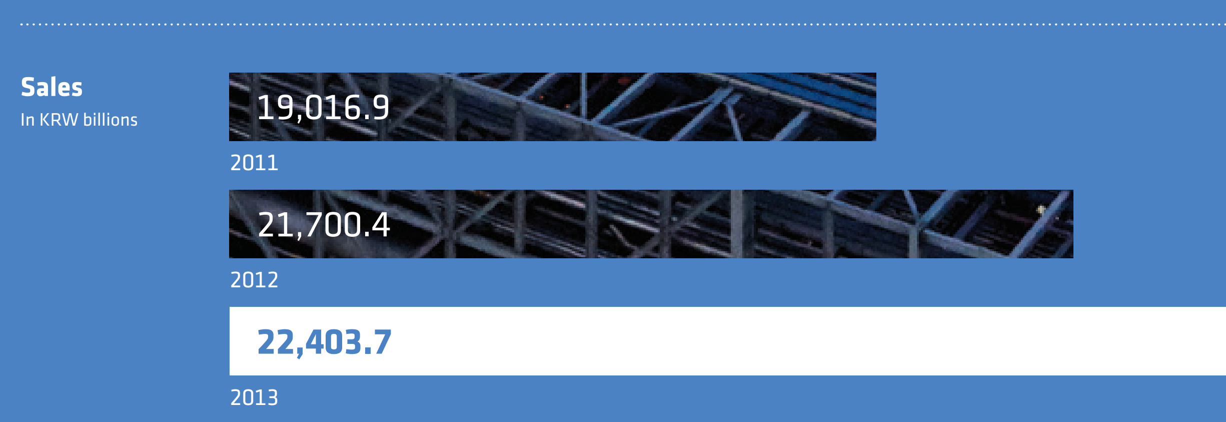
We are committed to managing our profits and losses in each area. We will cut costs by diversifying our channels and improving our procurement processes, including integrated procurement, while preparing against margin reductions through active hedging. We will cope with changes in our management environment such as oil prices, margins, and exchange rates as rapidly as possible, by minimizing unnecessary inventory losses and establishing a profit and loss estimation system. By strengthening support for our joint subsidiaries, we will exert all caution in tax risk management, and by enhancing our employees' capabilities and laying the groundwork for creative thinking, we will develop a dynamic company.

Jang Ji-hak
Head of Global Business Division

Our export capabilities will extend beyond Asian and focus on offshore markets such as Africa. By using our overseas sales networks in locations including Singapore, Shanghai, the Middle East, and Vietnam, we will make active inroads with the entire world as our stage. By easing reliance on the Middle East for oil imports, we will seek to diversify fuel types and supplying regions. In addition, we will continue to upgrade our company-wide demand and supply adjustment system. By analyzing organic relationships among crude oil procurement and production, sales, and exports, we will establish sales strategies that will enable us to optimize earnings on a company-wide level, and respond to changes in the market as quickly as possible.

BUSINESS OVERVIEW

In 2013, Hyundai Oilbank maximized its profitability in the refinery business by raising its productivity in preparation against changes in the management environment, and stably maintained its domestic light oil market share of 22%. As a result, we recorded KRW 22,403.7 billion in sales and KRW 403.2 billion in operating profit. We will mobilize our transformation into a total energy company, by innovating our refining-centric business portfolio, while focusing on identifying new growth engines.



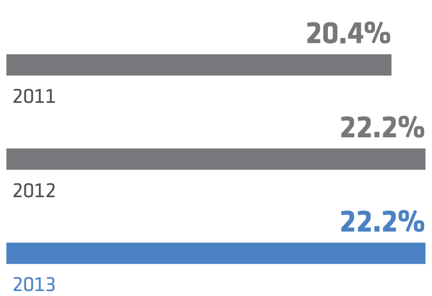
PETROLEUM BUSINESS

At Hyundai Oilbank, we expanded our share of Korea's light oil market to 22.2% in 2013 through our daily production capacity of 390,000 barrels combined with a nationwide network of 2,362 gas stations. With our strengthened heavy oil upgrading capabilities, we are now surging forward by solidifying our status as the nation's top petroleum refining and marketing company.

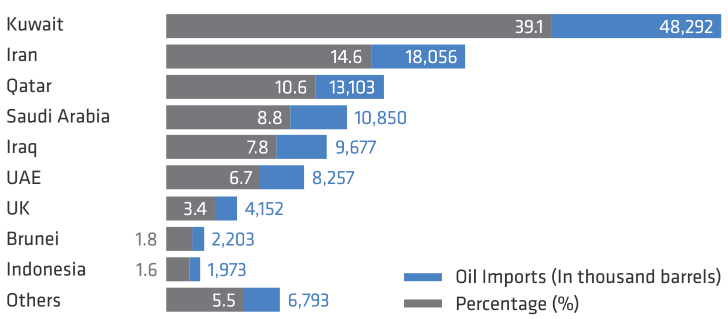
Diversifying Suppliers and Expanding Upgrading Capacity

In 2013, we continued to ensure a stable supply of crude oil from Kuwait and Qatar, countries with abundant oil reserves and low geopolitical risks that make them preferred regional suppliers in Asia. At the same time, we pursued reducing the risk of over-reliance on the Middle East by diversifying suppliers. For example, we continued to expand the imports of North Sea crude oil, and also began to import lower-priced Latin American crude oil. Our total daily crude oil refining capacity equaled 390,000 barrels as of December 2013, including a 130,000 barrel-per-day of upgrading capacity for producing light products. Our growing capacity to produce high-value-added products increases our capability to manage fluctuating international crude oil prices and to build solid business footing, which will further improve both financial stability and profitability.

Light Oil Market Share in 2013



Oil Imports by Country in 2013



Growing Domestic Middle Distillate Oil Market Share

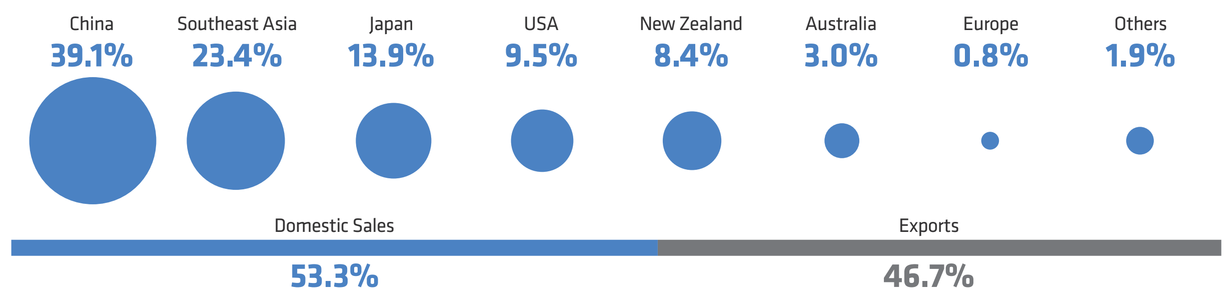
We focused on sales growth through strengthened sales competitiveness and invigorated marketing despite the difficult circumstances, including slow business at home and abroad, and the Korean government's policies of the oil market restructuring program. In addition, we continued to increase our share of the domestic middle distillate oil market to over 22% amid keen competition through the #2 HOU Project. In the meantime, in June 2013 we launched XTeer, a lubricant brand for automobiles and other industrial purposes, targeting the domestic and overseas markets for our business diversification.

Expanding Export Markets and Strengthening Overseas Network

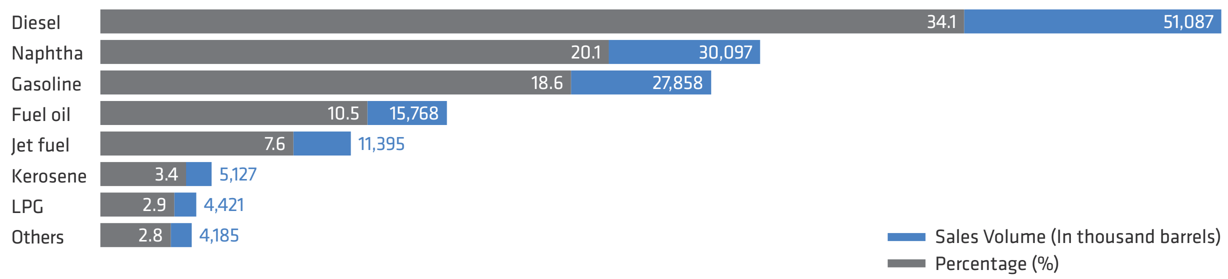
We sold approximately 50 million barrels of petroleum products to such export markets as China, Japan, and Singapore in 2013. We also continued to expand our markets, mainly by increasing direct overseas transactions with Australia, New Zealand, Vietnam, and the Philippines. We also moved forward with third-party transactions for crude oil and petroleum products by enhancing the functions of our two existing subsidiaries (Singapore and Shanghai) and two branches (Vietnam and the Middle East), while seeking offshore transactions with the Middle East and Africa. Going forward, we will proactively advance into new markets with high profitability through a wide range of trading using our overseas sales networks.

Exports by Country in 2013

* Excluding naphtha and supplies to petroleum companies in Daesan



Sales Volume by Product in 2013



Hyundai Oilbank's Daesan Refinery Plant with crude oil refining capacity of 390,000 barrels a day

PRODUCTS

At Hyundai Oilbank, we produce a wide range of high-quality petroleum products and petrochemical feedstocks that serve as foundations for modern civilization and ease of daily living—from cooking and heating fuels to transportation fuels and industrial feedstocks—to create a better and happier future for everyone.

Premium Gasoline

Our high-quality, high-octane premium gasoline carries an octane rating of over 98. This eco-friendly, high performance gasoline features additives that improve engine performance, prevent declines in power output or fuel economy even in extended harsh driving conditions, and significantly reduce harmful emissions.

Gasoline

This volatile mixture of liquids is widely used as a fuel in spark-ignition internal combustion engines. Environmental regulations in Korea mandate that gasoline contains under 0.7% benzene by weight and under 10 mg/kg of sulfur. Our high-quality gasoline grades meet and exceed these standards by a large margin. In addition to containing engine-cleaning additives, our grades are formulated to improve fuel dispersion and combustion.

Ultra-Low-Sulfur Diesel

We are supplying Korea's first eco-friendly ultra-low-sulfur diesel that dramatically lowers exhaust and noise over standard diesel grades. These improved products also contain high-quality additives that help keep engines clean. All our diesel products have been bio-diesel mixtures since 2006, making our lineup even more eco-friendly.

Kerosene

Our kerosene products for indoor use are Korean Eco-Label certified, have almost no odor, and are virtually smoke- and soot-free when burned, making them ideal for use as indoor heating fuels. Our advanced refining process produces highly affordable products with excellent thermal and combustion efficiency.

Fuel Oil

Our fuel oil products are classified by sulfur content, application, and viscosity. Primarily used as internal combustion engine and boiler fuels, they include low-sulfur, marine, and class A, B, and C. Our marine fuel oil is divided into different classes of viscosity based on engine type, size, and specifications.

Liquefied Petroleum Gas

Propane is used for residential and commercial cooking and heating. Butane is used as a vehicle fuel as well as fuel for portable cooking and heating and industrial purposes. We produce sulfur-free LPG in an odorless, aerosol form, using strict quality control to minimize carburetor residue, the primary cause of LPG vehicle breakdowns.

Jet Fuel

Fuel for gas-turbine engines must deliver favorable combustion and starting characteristics that will not clog air filters but will operate in low-pressure, low-temperature high-altitude environments. We produce kerosene-based fuels, including JP-8 for military use and Jet A-1 for civilian aviation use.

Naphtha

This liquid is widely used in the petrochemical industry to produce gasoline, solvents, fertilizer, and other petrochemical products. Heavy naphtha has a boiling point of above 100°C and is reformed into benzene, toluene, and xylene to become feedstocks used to produce synthetic rubbers, paint solvents, plastics, and polyester fibers.

Benzene, Toluene, Paraxylene

Benzene is a highly flammable colorless to pale yellow liquid with a distinctive odor that is the most important aromatic compound used in nylon, styrofoam, and insulation materials. Paraxylene is separated and produced from mixed-xylene to make polyester, film, and polyethylene terephthalate.

Propylene

This core petrochemical feedstock is used in a broad range of products such as acetone, isopropyl alcohol, acrylonitrile, nylon 6, polypropylene, propylene oxide, epichlorohydrin, and polyisoprene. These materials are ultimately used to make acrylics, synthetic rubbers, plastics, detergents, and many other products.

Alkylate

The low vapor pressure and sulfur content of this liquid make it a high-quality, eco-friendly gasoline blending stock that boosts octane without adding aromatic compounds that cause air pollution.

FACILITIES

At Hyundai Oilbank, we increase value through the stable supply of high-quality products, equipped with state-of-the-art refining facilities. We strive to protect the environment by making our Daesan refinery one of the safest and most eco-friendly in the industry that minimizes pollutant emissions by improving our processes.

Refinery Growth and Progress

We are currently building Korea's most modern petroleum refinery through ongoing expansion and upgrade projects. Located on a northwest coastal site covering approximately 3.3 million square meters, our Daesan refinery is capable of refining 390,000 barrels of oil a day (as of the end of 2013), 130,000 barrels of which are upgraded to high-value-added light oil products. Our #2 BTX plant began commercial operations in February 2013, and our lubricant base oil plant is scheduled for completion in 2014 to further diversify our petrochemical product portfolio as we take the next step toward being one of the world's most advanced refineries.

(1) Crude Distillation Unit: The CDU process separates crude oil into different petroleum fractions by their boiling points. When crude oil leaves the storage tank, it is preheated to between 130°C and 139°C in a heat exchanger and passed through a desalter. This step is necessary because crude oil typically contains 10 to 3,000 mg/kg of salts which, if not removed before distillation, could allow the formation of hydrochloric or other acids, causing corrosion or blockage of downstream piping, equipment, and process units. After desalting, the crude oil is heated to 350°C and the fractions are drawn off from top to bottom—LPG, naphtha, kerosene, diesel, and fuel oil—based on their boiling points and then fed to downstream processes to remove impurities.

(2) Vacuum Distillation Unit: The VDU process performs distillation at below atmospheric pressure. Approximately 50% of the crude oil remains as residue after the CDU process. The VDU distills this residue in a near-vacuum state to obtain high-viscosity oils such as vacuum gas oil, drawing off the different fractions from top to bottom—vacuum light gas oil (VLGO), vacuum heavy gas oil (VHGO), and vacuum residue (VR)—based on their boiling points. The VLGO, VHGO and VR are then fed to downstream hydrotreating and cracking processes.

(3) Hydrocracking Unit: The HCR process "cracks" or breaks down the lower-quality heavy oil from the VDU process and removes impurities to produce good quality light oil. The HCR has several sections. The reactor cracks and purifies the heavy oil feed, and the gas recycler provides the hydrogen necessary for the catalytic reaction. The fraction column separates the oil fractions based on boiling point. The resulting kerosene and diesel are used as blendstocks, while the LPG and naphtha are fed to downstream processes.

(4) Delayed Coking Unit: The DCU process breaks down the residual oil from the CDU or VDU processes at its thermal cracking temperature of around 490°C to produce light oil and byproduct coke. The lighter oil fractions are supplied to the hydrocracking and hydrotreating processes, while the coke is either used for fuel or sold as a product.

(5) Hydrotreating Units: The naphtha hydrotreating (NHT) process hydrogenates, desulfurizes, and denitrogenates the unsaturated hydrocarbons in naphtha and LPG, using a catalyst at elevated temperatures and pressures to enrich the hydrocarbons with hydrogen to remove nitrogen and oxygen impurities. The kerosene hydrotreating (KHT) process removes impurities such as sulfur, nitrogen, and oxygen from the kerosene feed of the CDU, using hydrogen and a catalyst to upgrade it to low-sulfur kerosene. The gas oil hydrotreating (GHT) process removes over 96% of sulfur and nitrogen compounds from the light oil products produced by the CDU and DCU using hydrogen and a catalyst. The treated products are transferred to storage tanks and used as blendstocks for a wide range of products.

#1 Plant (CDU: Crude Distillation Unit, VDU: Vacuum Distillation Unit)

HCR (Hydro Cracking Unit)

(6) Platforming Unit: The PLT process converts the low-octane naphtha produced by the CDU into high-octane naphtha reformate. The unit consists of a reactor section where the catalytic reforming process takes place and a recovery section where impurities formed by the catalytic reactions are removed. The reformate is used as a gasoline blendstock or feedstock for benzene, toluene, or xylene production, while the hydrogen byproduct of this process is fed to the hydrotreating processes.

(7) Atmospheric Residue De-Sulfurization Unit: The ARDS process takes high-sulfur atmospheric residue from the refining process and adds hydrogen at high pressure and temperature conditions to trigger a desulfurization reaction, producing gas oil and low-sulfur fuel oil, the latter of which is used as feedstock for the RFCC process.

(8) Residue Fluidized Catalytic Cracking Unit: The RFCC process converts the low-sulfur fuel oil from the ARDS process using a fluidized catalyst into gasoline as well as light olefins and bunker-C oil for use as feedstocks in downstream propylene recovery, butamer, and alkylation processes.

Facilities

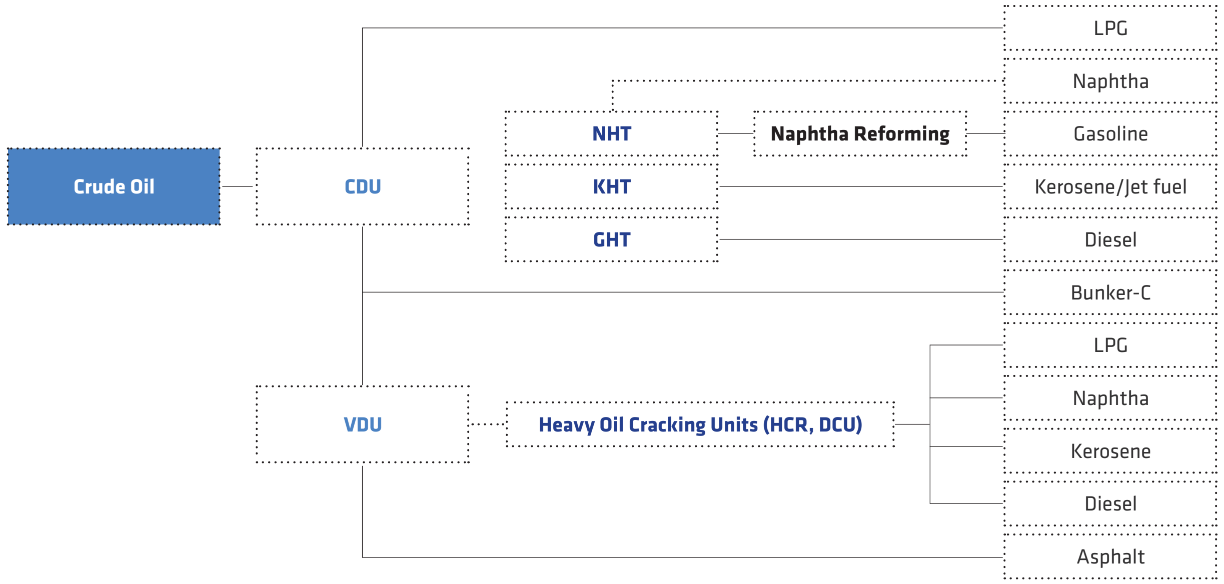
Our Daesan Refinery consists of #1 Plant, #2 Plant, and BTX Plant.

Total Capacity (Unit: thousand barrels/day)

Process	#1 Plant	#2 Plant	#1 BTX	#2 BTX	Total
Crude Distillation Unit (CDU)	110	280			390
Vacuum Distillation Unit (VDU)	76	-			76
Light End Recovery Unit (LER)	9	7.5			16.5
Naphtha/Mogas* Hydrotreating Unit					
› Naphtha Hydrotreating Unit	12	22			34
› Platforming Unit	4	21			25
› Mogas Hydrotreating Unit	-	34			34
› Alkylation Unit	-	16			16
› Mogas Merox Unit		10			10
Kerosene/Gas Oil Hydrotreating Units					
› Kerosene Hydrotreating Unit	-	58			58
› Gas Oil Hydrotreating Unit	22	102			124
› Kerosene Merox Unit	27	-			27
Heavy Oil Cracking Plant					
› Hydrocracking Unit	37	-			37
› Delayed Coking Unit	35	-			35
› Atmospheric Residue Desulfurization Unit	-	79			79
› Residue Fluidized Catalytic Cracking	-	62			62
BTX Process (tons per annum)					
› Benzene	-	-	120,000	115,000	235,000
› Paraxylene	-	-	380,000	800,000	1,180,000

(*) Mogas: Short for motor gasoline, it is a material to formulate gasoline.

Process Flow



DCU (Delayed Coking Unit)

HEAVY OIL UPGRADING PLANT

At Hyundai Oilbank, we boast an industry-leading 34.4% upgrading ratio by successfully operating the #2 HOU plant, which is capable of processing 62,000 barrels a day. This facility allows us to create new values, by increasing both profitability and competitiveness through higher refining margins.

#2 HOU Plant

In September 2011, we officially completed our #2 Heavy Oil Upgrading plant—our largest investment to date worth KRW 2.6 trillion. This put in place a new platform for our growth in the refining business, increasing our daily upgrading capacity by 62,000 barrels, rising from 72,000 to 134,000.

In the refining industry, HOU plants take high-sulfur heavy oil (bunker-C) and convert it into eco-friendly, high-value-added petroleum products of gasoline, diesel, propylene, and alkylate. These cutting-edge facilities are also called “ground oilfields,” meaning that they produce oil on the ground. We operate two upgrading plants—the #1 HOU that decomposes fuel oil produced in the #1 crude distillation unit (CDU), and the #2 HOU that decomposes fuel oil produced in the #2 CDU.

Our #1 HOU plant, in operation since 1989, mainly producing diesel and kerosene, consists of the Hydrocracking Unit and the Delayed Coking Unit. Its daily refining capacity is 37,000 barrels by the Hydrocracking Unit and 35,000 barrels by the Delayed Coking Unit.

Our #2 HOU plant includes atmospheric residue de-sulfurization (ARDS) and residue fluidized catalytic cracking (RFCC) processes. The ARDS process takes the low-quality bunker-C from the refining process and adds hydrogen to trigger a desulfurization reaction. The RFCC produces such petroleum products as LPG, gasoline, and diesel as well as petrochemical feedstocks like propylene, using fuel oil from the heavy oil hydrocracking process as a raw material. The plant’s daily refining capacity is 79,000 barrels by the ARDS and 62,000 barrels by the RFCC.

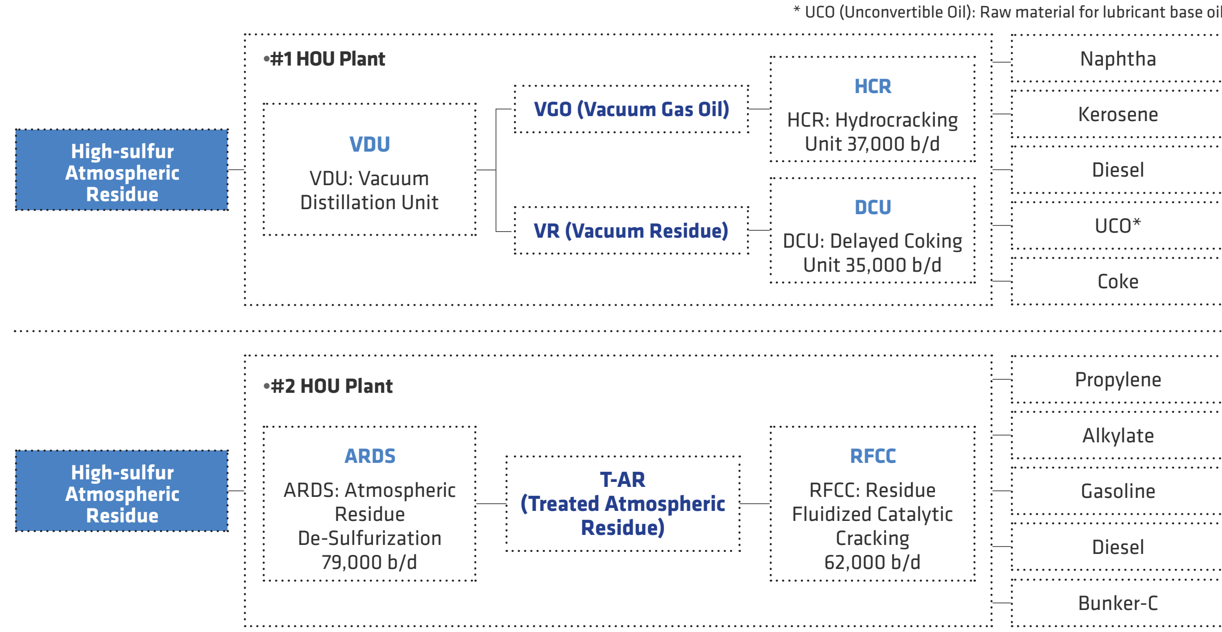
Expanding Margins & Markets

With the completion of our #2 HOU plant, we have increased our total daily upgrading capacity to 134,000 barrels and achieved the industry-leading 34.4% upgrading ratio. This enables us to process the 40% to 50% portion of bunker-C oil that remains after crude oil refining into high-value-added products, improving our refining margins and generating stable operating profit.

The plant also gives us a quality edge, enabling us to produce gasoline and diesel products that meet the under-15 part per million sulfur content standard, the world’s toughest standard, as required by law in the US state of California. This opens the door for us to actively pursue exports to the US and other major markets that are adopting stricter standards on petrochemical products.

In short, the #2 HOU plant provides the foundation for higher refining margins, resulting in improved profitability, a higher level of competitiveness in the refining industry, and ultimately, greater corporate value.

HOU Process Flow



#2 HOU (Heavy Oil Upgrading) Plant

BTX PLANT

At Hyundai Oilbank, we are boldly investing to expand our operations in value-added petrochemical fields. Our BTX Plant is designed to diversify our business portfolio and revamp our revenue base, which will make us even more competitive in the years ahead.

#2 BTX Plant

Hyundai Cosmo Petrochemical is a joint venture with Cosmo Oil of Japan founded in 2009. It achieved the mechanical completion of #2 BTX in November 2012, 19 months after it began engineering, procurement, and construction (EPC) in April 2011, and began full-scale commercial operations in February 2013.

Our #2 BTX plant produces p-xylene and benzene, by using mixed-xylene (MX) as feedstocks. At the time of its completion, it recorded 3,000,000 zero accident man-hours, and its construction was completed five months earlier than originally scheduled.

In particular, the facility is able to proactively respond to changes in international raw materials prices as Cosmo Oil provides its MX requirements. We are also generating great synergies in relation to BTX product sales through active joint marketing.

Business Portfolio Diversification

Through the #2 BTX, Hyundai Cosmo Oil increased its annual BTX output to 140,000 tons, including 800,000 tons of paraxylene and 120,000 tons of benzene. Actively responding to growing demand especially from China, India, and other Asian markets, the company has increased its annual sales by approximately KRW 1 trillion, while contributing to the national economy through 900,000 tons of petrochemical feedstock exports each year. We at Hyundai Oilbank will complete vertical integration in the BTX business and further enhance our competitiveness in petrochemicals through the MX manufacturing business, targeting commercial operations in 2016.

Key Processes

#1 BTX Process Flow

Naphtha → Naphtha Splitting/ Naphtha Hydrotreating → Naphtha Reforming (Benzene & Paraxylene Production) → BTX BZ Process → Benzene 120,000 tons

Naphtha Reforming (Benzene & Paraxylene Production) → BTX PX Process → Paraxylene 380,000 tons; Byproducts

#2 BTX Process Flow

Mixed-Xylene → BTX PX Process → Benzene 115,000 tons; Paraxylene 800,000 tons; Byproducts

#1 BTX Plant

#2 BTX Plant

NEW BUSINESSES AND EXPANSION OF GLOBAL NETWORK

We actively initiated lubricant base oil and oil terminal businesses to secure new future growth engines. In addition, we established overseas subsidiaries and branches, enabling them to build independent business areas. Based on this, we plan to innovate our business structure, which has been weighted toward petroleum refineries, and generate a stable revenue base to rise as a total energy provider.

Lubricant Base Oil Business

For the lubricant base oil business, we established HYUNDAI and SHELL Base Oil in April 2012, a joint venture with the Shell Petroleum Company Limited, and began the construction of a lubricant base oil plant on an approximate 46,000 square meter site inside our Daesan refinery in 2013. Capable of handling 20,000 barrels a day, it is scheduled to begin full-fledged production, following its mechanical completion, in 2014.

This business will produce base oil for lubricants by using the byproducts of our hydrotreating process. As one of the most reliable revenue sources for refiners that shows a stable profit rate due to high entry barriers resulting from limited feedstock, the lubricant base oil market is forecast to maintain upswings going forward, particularly enjoying greater sales growth in Asia. We plan to export a significant portion of our products from this plant to China, the largest consuming market, and other countries in Asia through Shell's global distribution network. Sales are expected to reach approximately KRW 1 trillion annually, beginning in 2015.

Oil Terminal Business

We established Hyundai Oil Terminal to pursue the oil storage business more professionally, and successfully raised KRW 33 billion by signing an investment agreement with STIC Investments, a private equity firm, in February 2012. We completed the construction of a large-scale oil storage facility for petroleum and petrochemical products at Ulsan New Port that began in 2011, by investing a total working capital of KRW 100 billion and completed 86,821 square meters of land reclamation. The terminal has a storage capacity of 280,000 kiloliters and dock facilities capable of handling tankers of up to 50,000 deadweight tons. The terminal securely stored the first arrival of products in December 2013, attracting customers for 96% of its total storage capacity despite the worsened market situation. Hyundai Oil Terminal intends to grow into an oil terminal with a nation-wide network, by managing oil reservoirs of Hyundai Oilbank in each region under contract from January 2014.

Moving forward, it expects to evolve into the largest storage and logistics company for petroleum and petrochemical products in the southeast part of Korea, by attracting business from both home and abroad. It also intends to engage in a wide range of relevant businesses, by utilizing its domestic and overseas logistics networks.

Condensate Refining and Mixed-Xylene Manufacturing Business

We established Hyundai Chemical, a joint venture with Lotte Chemical, to pursue the condensate refining and MX manufacturing business in January 2014. To be built on a 220,000 square meter site in our Daesan refinery, Hyundai Chemical will produce 1,000,000 tons of MX by processing 140,000 barrels of condensate daily. Construction will commence in 2015, and full-fledged production will begin following mechanical completion in the second half of 2016. The condensate refining and MX manufacturing business produces petrochemical products such as MX, Naphtha, and benzene, and petroleum products such as jet fuel and diesel through the crude oil refining and MX manufacturing processes by importing condensate, which is extra light crude oil.

Currently, Hyundai Oilbank and Lotte Chemical are relying on imports for most mixed-xylene, a key material for the BTX process. Through the establishment of Hyundai Chemical, they can improve the supply stability of raw materials, and complete vertical integration in the BTX business through the linkage with existing plants. When Hyundai Chemical is completed, we will have the capacity to process 530,000 barrels of crude oil a day, up 36% from the existing 390,000 barrels, and the entire amount of its products and byproducts, including MX will be sold to Hyundai Oilbank, Lotte Chemical, and Hyundai Cosmo Petrochemical.

Through the in-house production of MX and naphtha, major products of this business, both companies should see an impact of over KRW 2 trillion due to decreased imports. Exports are also estimated to increase by about KRW 3 trillion annually through the sales of jet fuel and diesel that are generated from the MX production process. At the same time, Hyundai Oilbank and Hyundai Cosmo Petrochemical will be able to enjoy additional combined benefits amounting to tens of billions of Korean won annually through the sales and purchase of MX and byproducts. This effort is expected to enhance our business competitiveness even further.

Fluidized Bed Combustion (FBC)

We completed our cutting-edge FBC facility in September 2012. By producing 220 tons of steam per hour, we are reducing more than KRW 50 billions of expenses. Our steam production cost is approximately half of other major companies, thus leveraging our cost competitiveness. By installing additional FBC facilities by September 2014, we plan to steadily supply steam to the Daesan Petrochemical Complex in our community, significantly contributing to enhancing the competitiveness of local industries as well.

Overseas Subsidiaries and Branches

We are actively promoting our overseas branches to subsidiary status in order to broaden their radius of operations and build independent business areas. In October 2012, we established our Shanghai subsidiary, following our first subsidiary in Singapore. The Shanghai subsidiary had been securing clients for our head office and assisting with operations as a branch, but current plans are in motion to launch the trading business independently and directly enter into the Chinese market going forward.

In July 2012, we opened a new branch in Vietnam, which will likely provide a broad range of business opportunities with great potential. This is to more aggressively tap into the Southeast Asian market in which demand for petroleum products is expected to rise going forward. Vietnam, which has a supply shortage of petroleum but is also enjoying high economic growth, will act as our key base targeting the Southeast Asian market.

Hyundai Oil Terminal

QUALITY MANAGEMENT

At Hyundai Oilbank, we are enhancing the quality of our post-sales services in all stages through exhaustive quality inspections and use of our quality complaint management system, prioritizing the importance of our customers. Through R&D, we focus on basic quality control that contributes to improving the qualitative competitiveness of our products, as we strive to meet market expectations and maximize customer satisfaction.

Quality Management Principles and Initiatives

With a desire to offer our customers the finest products, we conduct exhaustive quality tests on all our products from the beginning of the production process to the end of the pump at each of our service stations, by observing regulations stipulated by relevant laws and ordinances. Notably, in order to ensure high quality management during the final distribution stage, we carry out regular quality inspections throughout the year to systematically control the quality of our products in the market to proactively prevent any possible deterioration.

This rigorous commitment to quality management enabled us to once again pass all regular fuel-quality tests administered by the Ministry of Trade, Industry and Energy and the Ministry of Environment in 2013. The reliability of our quality tests was also confirmed by the Korea Institute of Petroleum Management (K-Petro), passing testing for all fuel types and categories within the acceptable margin of error. We were also recertified for the ISO 9001 quality management system, winning international recognition for our quality and management levels.

Quality Complaint Management System

The Quality Management Team at Hyundai Oilbank is responsible for responding to all customer complaints regarding quality issues. All submitted complaints are processed in consultation with other relevant departments within the company. The customers are then notified of the outcomes once they are processed. In addition, an IT system for quality control is used to resolve potential delays in the complaint handling process to ensure response speed and efficiency. The company also runs a full-time technical support center in Pangyo to provide quick troubleshooting support and speedy on-site customer assistance, equipped with cutting-edge testing and analysis equipment.

Pursuant to company policies, even in cases where the cause of the complaint is not clear, Hyundai Oilbank representatives must visit the customer within 72 hours of receiving the complaint to consult and collect samples for further testing. The type of testing required is determined based on the presented complaint, and once the tests are completed, the customer is notified immediately of the results. We also operate regular quality training programs for our sales force and service station operators, and annually publish a quality handbook as part of our efforts to promptly address customer's quality concerns. Additionally, information on hazardous substances contained in the company's products is also provided in strict compliance with health and safety-related regulations to help protect the health and safety of all customers.

Quality Complaint Handling Procedure

1		2		3		4
Complaint received	»	Sampling	»	Quality testing	»	Notification of results to customer and responsible department within 72 hours

Hyundai Oilbank R&D Institute

We opened the Hyundai Oilbank Central Technology R&D Institute in the Pangyo Techno Valley district of Seongnam in November 2011 to take the lead in diversifying our business portfolio and driving future businesses. The institute serves as a center point for forward-looking research and development at Hyundai Oilbank, as it consolidates the R&D functions and personnel previously scattered across a number of company worksites around Korea. It is tasked with developing new technologies and training high-caliber technical professionals, spanning a wide range of fields such as oil refining, lubricant oil, next-generation fuels, and petrochemicals. It has actively pursued collaboration with domestic universities, government-run research institutes, and international companies in the fields of petroleum and petrochemicals. One example is the memorandum of understanding signed in October 2011 with Cosmo Oil of Japan covering R&D as well as technological cooperation in all fields of energy, including the exchange of engineers. We particularly decided to introduce catalysts from Cosmo Oil for our #1 GHT process in October 2013, establishing a foothold to secure original catalyst technologies. In order to accomplish its mission as an incubator of talent, motivation and power for discovering new growth engines, the institute aims to achieve the following vision and goals.

First, it assertively promotes R&D in close linkage with the enhancement of technological competitiveness and the business diversification strategy. It will continuously discover government-supported R&D tasks, and strengthen industry-research-academy collaborations to solve global energy problems and discover new growth engines.

Second, it will do its best to secure technologies for our business diversification. Specifically, it will focus on securing production technologies that are needed for our advance into such promising business areas as FBC hydrotreating, marine opportunity crude processing, catalysts, coke gasification, carbon black manufacturing and syngas application, polypropylene derivatives, lubricant, lubricant base oil, high value-added solvents, carbon black, modified asphalt, and the diversification of aromatic series.

Third, the institute will be committed to hiring key talent to explore future new growth engines and bring them to realization in the intensifying global technology race. It will broaden the range of its technological cooperation both in and outside Korea, while increasing efforts to secure a technological position that fits with the company's status and vision.

MARKETING & SERVICE

At Hyundai Oilbank, we increase our sales volume and enhance our sales competitiveness by consolidating customer loyalty mainly through strengthened brand value, service quality, and affiliate marketing, and by building up partnerships with associated service stations.

Strengthening Brand Value

We have carried out a wide variety of activities to raise corporate preference and embed a friendly company image in consumers since our outset as a member of the Hyundai Heavy Industries family in 2010. These include our reinforced sports marketing activities such as the title sponsorship of the K-League—Korea's top professional football league, and sponsoring the Ulsan Hyundai Football Club for three years in a row. We have also held the Dream Concert K-pop festival for youth as well as a marketing idea contest for university students to enhance our brand value.

In 2013, we rolled out the XTeer lubricant brand, emphasizing Hyundai technologies, following the launch of the lubricant business. We have been actively publicizing the brand through multiple media outlets to facilitate its early entry into the market, improve its awareness, and promote its sales, while offering customers a chance to experience XTeer through events.

Visual design plays an important role in communicating our brand message. Our company-widely integrated corporate identity guidelines create a unified brand image and improve brand awareness, ensuring a consistent, standardized design for our gas stations, attendant uniforms, advertising materials, offices, and all other spaces as we aim to set the industry standard for design excellence. We are particularly focused on developing unique designs for our service stations that are the nearest customer contact points, primarily by applying our own characters and art walls. We also help our directly-run and independent service stations to improve their operating environment by publishing a "*Guide to the Architecture and Layout of Gas Stations*" and a "*Guide to Environmental Standards for Gas Stations*." These efforts are to enhance our corporate image and brand awareness, and assist our affiliate service stations become landmarks in their areas.

Improving Service Quality

We are Korea's first refiner to assign service and partnership specialists known as "Market Designers" to each region to systematically improve the gas station service. We also operate a "Welcome Team" to demonstrate standardized service delivery and improve each attendant's service skill, helping to invigorate station sales. We pay attention to our buyer needs through a customer advisory panel, gaining valuable feedback from a consumer perspective on our marketing activities and level of service as well as advice on how we can improve the customer experience. At the same time, we are spreading exemplary service models to our business settings across the country, by holding the "Impressive Customer Service Story Contest," and publishing "Hyundai Oilbank in My Heart" with winning stories selected from the contest.

In the mean time, our call center is on the frontline in serving our customers, earning the industry's top rating on the Korea Service Quality Index (KSQI) by the KMA Consulting for the fifth straight year in 2013. It also ranked first in the service station category at the 2013 KS-CQI (Korean Standard-Service Quality Index) surveys by the Korea Standards Association for the second straight year, winning recognition for excellence in our service.

Expanding Affiliate Marketing

We have actively expanded the accumulation and usage of points from our bonus cards through marketing partnerships with the nation's leading companies in the credit card, retail, automobile, insurance, food and beverage, and restaurant industries. As high oil prices have persisted over the past few years, consumers have become increasingly price-sensitive. We have partnered with credit card companies to offer new cards that help customers save money on their gas purchases. We have also partnered with events such as major musicals and concerts, festivals, and hypermarkets as part of a nationwide regional partner program, building our image as a gas station that provides fun, money-saving benefits.

Consolidating Customer Loyalty

Our marketing begins with the scientific mining of customer data from the over 1.3 million customers who carry our bonus card. By utilizing a digital coupon system, we implement tailored customer relationship management (CRM), taking into account the business conditions by service station, along with customer information by age group, region, and transaction type, and execute CRM campaigns for card-holding customers and business partners with high cost efficiency. We also hold differentiated promotional events such as the "Pang Pang gift festival for summer vacation," "Thanks giving gift festival with newly harvested one," and "Lunar New Year's Envelope of Love," targeting our bonus card customers. Through these, we increase the value of our bonus card that provides a solid foundation to secure customers, while maximizing customer loyalty.

Building Up Partnerships with Affiliate Service Stations

In 2012, we introduced a Partner Relationship Management (PRM) program to build up partnerships with our affiliate service stations by providing the ultimate in services to their owners. We also host charitable partner relationship programs, targeting service station owners and their families. These include Queens Party, Healing Camp, Junior Football Camp, Children's Industrial Expedition, Dinner in the City and discounts for health checkups at major hospitals as well as travel deals. We also support free vehicle inspection service with an alliance with Kia Motors, group purchases for promotional materials, painting work, and attendant uniforms.

In addition, we visit and hold surprise parties for workers at our service stations throughout the year, while operating the first "Thanks Team" in Korea, which assists with their fueling service operations. Going forward, we will focus on increasing customer loyalty, enhancing ongoing partnerships to secure regular customers, and preemptively carrying out innovative marketing activities such as mid- to long-term brand investments, which will lead to our sustainable growth.

ENVIRONMENTAL MANAGEMENT

At Hyundai Oilbank, we minimize environmental impact from our business activities through an advanced integrated environmental system, by continuously investing in green-focused facilities, and by carrying out preventive efforts such as employee training and environmental inspections.

Integrated Environmental Management System

In 2007, we developed an integrated safety, health, and environmental (SHE) management system to effectively manage environmental information that had been previously scattered across our organization. All our major activities to achieve our environmental management goals are carried out in this system.

Integrated SHE Management System

Establishing Integrated System | Disclosing Environmental Information | SHE Education and Training | Increasing Green Purchasing | Outsourcing Waste Management and Disposal

Major Areas of Integrated SHE System

Prior Environmental Impact Assessment	〉Assess potential environmental impact from all our management activities, and devise corrective measures.
Environmental Goals Management and Disclosure	〉Implement regular inspections, reviews, and audits on environmental performance, and publicly disclose environmental goals.
Compliance with Environmental Management Regulations	〉Comply with environmental management regulations provided by the International Convention on Environment, domestic environmental laws and regulations, and Hyundai Oilbank.
Prevention of Environmental Pollution	〉Establish environmental goals and improvement plans, and promote prevention of environmental pollution by continuously improving sustainability, prevention and control processes.
Ongoing Training	〉Implement ongoing training that instills purpose and motivation in employees for attention to environmental impacts within their job performance.
Minimization of Environmental Pollution	〉Save energy and promote 3R (Reduce, Reuse, Recycle) for waste, air and water pollutants to minimize environmental pollution from our production activities.

Efforts to Improvement the Environment

Our constant innovations are aligned toward the pursuit of a clean environment.

(1) Environmental Investments: We are expanding the introduction of high-performance pollution control facilities to minimize the generation of pollutants at our business locations. Beginning with our investments in the production of cleaner fuels such as ultra-low-sulfur diesel and gasoline, we have installed a number of high-performance pollution-control facilities such as electrostatic precipitators and DeNOx facilities. We have also implemented an ongoing leak detection and repair (LDAR) program to reduce volatile organic compound (VOC) emissions. Through 2015, we plan to invest in vapor recovery units (VRUs) for our terminal facilities as well as advanced wastewater treatment facilities as part of our ongoing commitment to preserve the environment.

(2) Responding to Climate Change: We are continuously carrying out greenhouse gas reduction activities to minimize GHG emissions, including energy management, process improvement, waste heat recovery, and operations improvement. By actively participating in the Korean government's green growth policies such as GHG reduction registry, the GHG & Energy Target Management System, and emissions trading, we are leading the way to a low-carbon society.

(3) Environmental Conference and Inspections: We conduct regular audits and inspections of each business location and operate an environmental conference to prevent or eliminate all conceivable environmental risks as part of our commitment to accident prevention and mitigation.

Environmental Inspections and Audits	Environmental Conference
〉Identify environmental risk factors through prior inspections 〉Manage implementation results on measures and plans following environmental inspections 〉Verify compliance with environmental laws, regulations, and guidelines 〉Verify on-site facility/equipment management 〉Implement quarterly (directly-run service stations, logistics centers, Production Division)	〉Establish environmental investment plans and examine execution results 〉Establish measures for major pending issues 〉Monitor pollutant discharge concentration by discharge facility 〉Share revisions to key laws and regulations 〉Implement quarterly (Sales Division, Production Division)

Chemical Emergency Response Programs

We are operating a chemical safety team (CST) in partnership with the Ministry of Environment and companies in the Daesan Industrial Complex to promptly address potential damage to the environment by managing chemical accidents as rapidly as possible. In addition, we realigned our incident response manual to improve our in-house prevention and control abilities, and as a result, execute five prevention and control drills annually.

Grand prize winner of Hyundai Oilbank Environmental Photo Contest

SOCIAL CONTRIBUTION

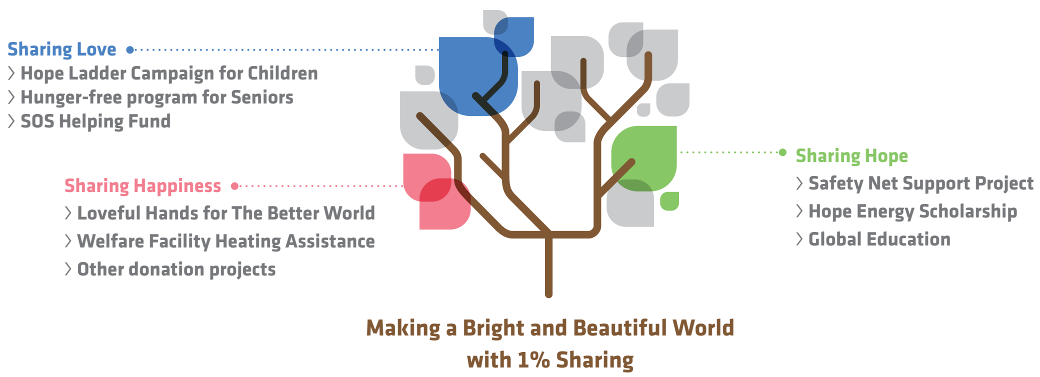
At Hyundai Oilbank, we are inspired by our slogan, "Full of Love, Hopeful Energy" to offer a broad range of social contribution activities. Our goals are to be a company that delivers hope to children and youth, a company that lends a hand to those in need, and a company that protects and loves the earth.

Full of **Love**, **Hopeful** Energy

This CSR mark shows our will for social contributions to spread compassion for humanity through service to customers and society, with two loving faces looking at each other embraced in a smile.

Hyundai Oilbank 1% Nanum Foundation

Since September 2011, our employees have donated 1% of their monthly salaries to realize a warm and sound society by reaching out to our neighbors in need. We were the first large company in Korea whose employees pledged to do so every month, contributing to the spread of a sharing culture joined by other influential businesses, independent service stations, and even employee families. Hyundai Oilbank 1% Nanum Foundation is translating Sharing Love, Sharing Hope, and Sharing Happiness into action to support the underprivileged.



Supporting Local Communities

We are building win-win partnerships with residents of the Seosan region where our headquarters are located through a wide variety of community initiatives. Since 2003, we have operated a rice purchasing program to help lift farming incomes and build a self-supporting farming economy. We have helped protect fish resources and revitalize and increase the income of local fishing communities by sponsoring an annual rockfish restocking program and coastal cleanup in the Samgilpo area.

Hyundai Oilbank Scholarship Foundation is also delivering scholarships of KRW 50 million each year to middle school, high school, and university students who have high academic performance or come from families in need.

In September 2011, we completed Daejuk Park on a 17,400 square meter site, providing community residents with access to cultural and sports activities, equipped with a natural grass ball field, basketball and volleyball courts, and other facilities. Scheduled for completion in May 2014, Hwagok Reservoir Park in Seosan will provide local residents with a place for rest and relaxation and an opportunity for income creation as an ecological park with wooden bridges and waterside hiking trails.

Volunteer Activities

We support and encourage employee volunteer service by making a financial contribution (KRW 10,000 per volunteer hour) to the charities they volunteer at. Our employees are providing over 5,000 hours of community service each year. In 2013, our volunteers participated in diverse programs including those led by each employee club and the Seven Color Rainbow Family Volunteer Group, actively lending a helping hand wherever it was needed to practice giving.

Donation Programs

We join our parent company, Hyundai Heavy Industries, in contributing every year to a number of charity programs including the Community Chest of Korea. We have also partnered with three other Korean refiners to create a special KRW 100 billion fund to provide relief to the disadvantaged who are suffering in this age of high oil prices as well as run a number of industry-wide programs to establish a responsible energy culture. We carry out a wide range of other donation activities, including delivering care packages to an affiliated military unit, and supporting heating expenses for small-scale social assistance facilities. We also offer scholarships for the children of cargo transporters and coast guard service members in need. In addition, we support 57 needy young people in Africa and Asia by matching the cash value of bonus card points that 3,067 of our customers have donated through a sharing campaign.

Hiring the Disadvantaged

We operate employment programs that offer jobs to the physically disabled and senior citizens to assist with self-sufficiency. Since 2003, we have hired disabled individuals including those with severe challenges, as car wash attendants at our directly run gas stations in cooperation with Korea Employment Agency for the Disabled. In 2010, we began working with senior employment organizations to hire senior citizens as pump attendants under our Silver Star program. As of the end of 2013, we employed approximately 1,000 seniors at stations across the nation. We plan to steadily expand both of these hiring programs to give marginalized populations more opportunities for self-actualization and social engagement.

Carrying out anti-smoking campaign

Our 770 plus employees (approximately 95% of whom attempted to quit smoking) have donated a total of KRW 170 billion to the Korea Health Promotion Foundation through a matching grant program since we declared ourselves a smoke-free business in 2012. We are expanding our anti-smoking campaign to include our worksites, and are also seeking customer participation along with our gas stations across the country.

FINANCIAL REVIEW

At Hyundai Oilbank, we are committed to achieving our new vision of being a total energy provider despite today's rapidly changing market conditions. We pledge growth by enhancing our values and capacity over the next 50 years to maximize our corporate values and achieve even greater success.

Operating Profit
In KRW billions

Year	Operating Profit
2011	595.0
2012	307.2
2013	403.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclaimer on Forward-Looking Statements

This report contains forward-looking statements related to future activities, events, and developments that reflect company expectations regarding its financial results and business conditions at the time of this publication. These forward-looking statements are based on multiple assumptions regarding the future business environment and may prove incorrect. Actual results may differ materially from expectations contained in these forward-looking statements due to various risks and uncertainties underlying the company's assumptions. Such risks and uncertainties include but are not limited to changes in the company's internal management and changes in the external environment.

The company undertakes no obligation to publicly update or revise any forward-looking statements to reflect risks or uncertainties that have occurred after the publication of this report. Consequently, the company can give no assurance that the circumstances or events presented in these forward-looking statements will take place as forecast, as they are based on expectations at the time of writing. Please be cautioned that the company will not provide an update on any changes to its risk factors or forward-looking statements after the publication date.

I. Economic & Market Overview

1. 2013 Economic Overview

In 2013, the international economic climate was faced with increasing uncertainties due to a number of factors. These included a delay in economic recovery and US federal government spending cuts in the form of budget sequestration; the calming of the sovereign debt crisis and ongoing economic slowdowns in Europe; China's cooling economy; rising international raw materials prices; trade conflicts following the expansion of regionalism; and currency wars between various countries. As a result, the entire world economy maintained a low growth trend although it escaped a global economic crisis.

On the domestic front, economic growth was boosted by increasing exports to major countries including the US despite the stunted growth of the world economy. However, domestic business conditions were contracted by structural problems such as the high won and low yen trend, worsening household financial structures, and deteriorating financial conditions of companies.

Capital requirements in the domestic financial markets were reduced over the year due to the ongoing conservative fund management pattern since the financial crisis and also as a result of decreased demand from private enterprises following economic uncertainties. Financing slightly moved downward overall as the corporate bond market weakened, although borrowing conditions in the loan market marginally improved from the previous year.

2. Market Overview

1) International Oil Price and Foreign Exchange Rate

The international crude oil market is characterized by limited availability, concentrated regional production, uncertain supply and demand, and price volatility. Viewed from a basic supply and demand perspective, it can be described as a seller's market. The primary oil-producing nations are clustered in the Middle East. Some 75% of proven global oil reserves are held by regional oil producers, who also account for 40% of annual global oil production.

Most regional producers are members of the Organization of Petroleum Exporting Countries (OPEC), an organization that has enormous influence in international oil markets. However, non-OPEC producers are rapidly increasing their international market share, giving them significant influence in the market as well.

Today's international oil market prices are determined by a broad and complicated range of factors. These include economic factors affected by rising global oil demand, supplies from non-OPEC producers, current OPEC market policy, and fluctuations in inventory levels; geopolitical factors such as political unrest in Iran and other oil producing nations in the Middle East; and financial factors such as futures markets or speculative behavior or strategy.

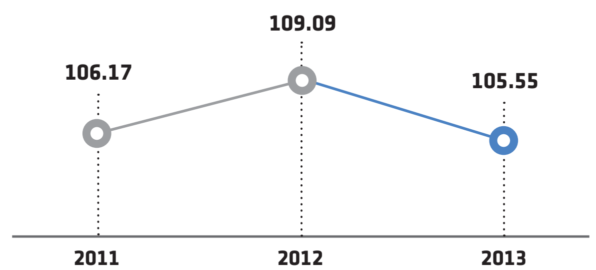
International crude oil prices rose to USD 113.7 per barrel in mid-February. This was primarily caused by political instability in the Middle East early in the year, and production reductions by Saudi Arabia. In mid-April they fell to USD 97.5, primarily due to weakening demand following the global economy's feeble recovery, expanded production of non-traditional petroleum, and the strengthening US dollar.

In May and June, these prices fluctuated around USD 100 as the causes of increase (such as the ongoing geopolitical risk in the Middle East) and decrease (such as satisfactory production and increasing inventories) crisscrossed. Since then, they moved upward to exceed USD 110, following a significant decline in the production capacity of the OPEC nations. This was mainly led by intensifying political instability in the Middle East and Africa, including the situations of Egypt and Syria, and setbacks in petroleum production by Libya.

The prices dropped marginally from the beginning of September as the geopolitical risk in the Middle East mitigated partially, including reduced concerns over the Syria situation. In November through the end of the year, they repeatedly fluctuated around USD 107, due mainly to the improvement of economic indicators in the US, and continued disruptions in oil production in Libya despite Iraq's tentative agreement on nuclear negotiations. As a consequence, the average crude oil price fell slightly from the 2012 figure.

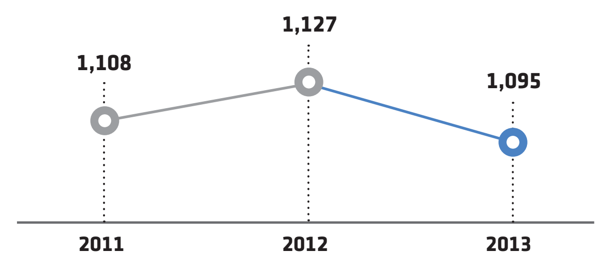
Dubai Crude Average Selling Price

(Unit: USD/barrel)



Average Foreign Exchange Rate

(Unit: KRW/USD)



The Korean won-US dollar rate saw a rise, influenced by the weakened yen as Japan's exceptional quantitative easing (QE) policy was enforced in full-scale. In addition, the rate sharply rose again from KRW 1,071 in the beginning of the year to KRW 1,159 in June, following uncertainties in the international financial markets due to the sovereign debt crisis in Europe and an official announcement by the US Federal Reserve Chairman Ben S. Bernanke about the possibility of QE tapering in May.

Afterward, the rate gradually showed downward movements due to an increasing current account surplus and feeble economic recovery at home, while the US dollar was expected to sustain a strong rally ahead of its nation's economic recovery and QE tapering and the yen/dollar rate continued to stabilize around JPY 100. As a result, the 2013 average won-dollar rate rose by KRW 32 over the year to KRW 1,095. In 2014, the won will likely remain strong in general although volatilities will shrink following the modest growth of the global economy and the possibility of additional pump-priming measures in Japan and the Euro zone.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2) Korean Oil Refining Industry Overview

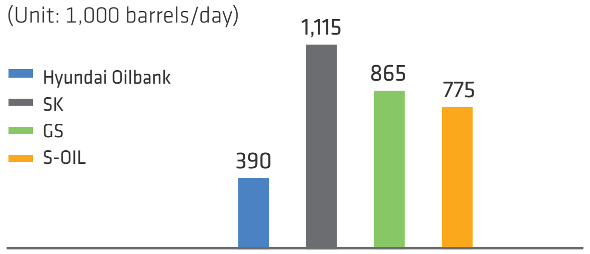
The Korean oil refining industry has held the world's sixth-largest crude refining capacity of 2,949,000 barrels a day as of 2013 through large-scale refinery expansion projects since the early 1990s. These facilities enable economies of scale that now give the industry a competitive advantage in international markets.

The domestic refining industry had a difficult year in 2013, led by declines in demand and supply for petroleum products. Demand reduced following the foreign exchange risk in East Asia, and supply decreased following the expansion of refining facilities in China and the Middle East. Exports also slightly fell from the previous year due mainly to the stuttering recovery of the global economy and downfalls in their petroleum unit prices.

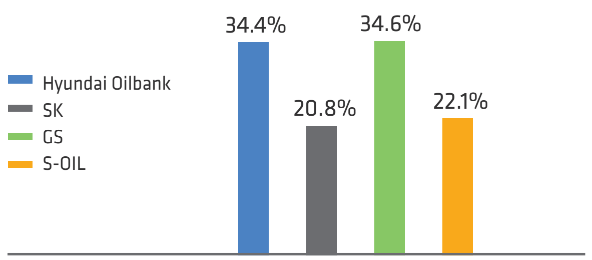
Hyundai Oilbank led its competitors in profit rates in the petroleum refining sector, based on its domestic market share surpassing its refining capacity. Its profitability also proved solid as upgrading margins generated by the price gap between middle distillate oil products and heavy oil products showed satisfactory movement.

Refining Capacity

(Unit: 1,000 barrels/day)



Upgrading Ratio



In 2014, negative factors continue to coexist such as concerns over the collection of investment funds in emerging countries following the exit strategy of the US, external vulnerability of emerging countries, remaining foreign exchange risk and slowing economic growth in East Asia. Exports will likely increase, however, by securing competitiveness through continuous investments, armed with various strategies. These include diversifying exports in the refining industry, expanding the weight of high value-added exports, and upgrading quality.

II. Business Risk Management

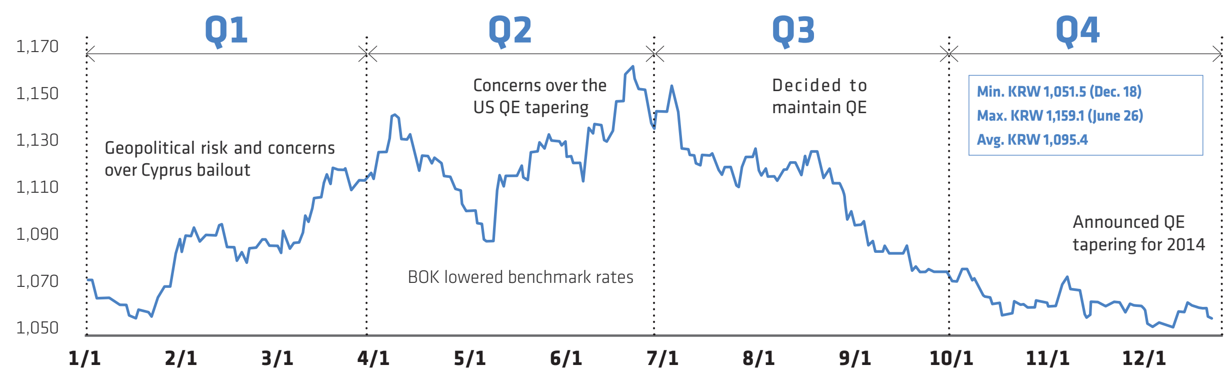
The company is intrinsically exposed to exchange rate risk in relation to the foreign currency cash flow, which involves foreign currency accounts payables that are generated during the crude oil purchasing process, usance borrowings, foreign-currency accounts receivables arising from the exports of products, and other foreign-currency payments. Other variables include risks from change in profit and loss due to time differences between crude oil shipment and sales of petroleum products, change in price differences between crude oil and products, change in the prices of fixed-price products purchased by tender, and change in profit and loss when leasing oil storage facilities and buying oil reserves from the Korea Gas Corporation.

To manage such business risks, the company operates a risk management committee to establish and examine its basic exchange rate risk management strategies and remove or minimize exposed risks through hedging associated with real transactions by excluding speculative trading. In addition, the company analyzes international oil prices and market conditions and establishes risk-related strategies, while actively responding to the rapidly changing external environment.

1. Exchange Rate Risk

To predict future exchange rate fluctuations, the company carefully observes exchange rate trends and analyzes reasons for fluctuations, while concurrently determining hedging ratios by exchange intervals.

Change in Exchange Rate Risk in 2013



The company engaged in foreign exchange forward contracts and others to manage risk arising from change in exchange rates as follows:

Derivative Products

Purpose	Type of Contract	Details of Contract	Contract Unit	Contract Value
Cash flow hedge	Interest swap contract	CP floating rate risk hedge	KRW	70,000 million
Trading purposes	Foreign exchange forward contracts	Foreign exchange risk hedge	USD	584 MM

MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Oil Price Risk

The company manages its risk exposure to reduce its business risk arising from oil price fluctuations. By predicting change in oil prices, we determine our control ranges by oil price intervals, and adjust our exposure ratio based on this. In 2013, our risk exposure ratio stood at 34%, and our refining margins improved by KRW 2.9 billion by hedging against 2.6 million barrels.

Derivative Products

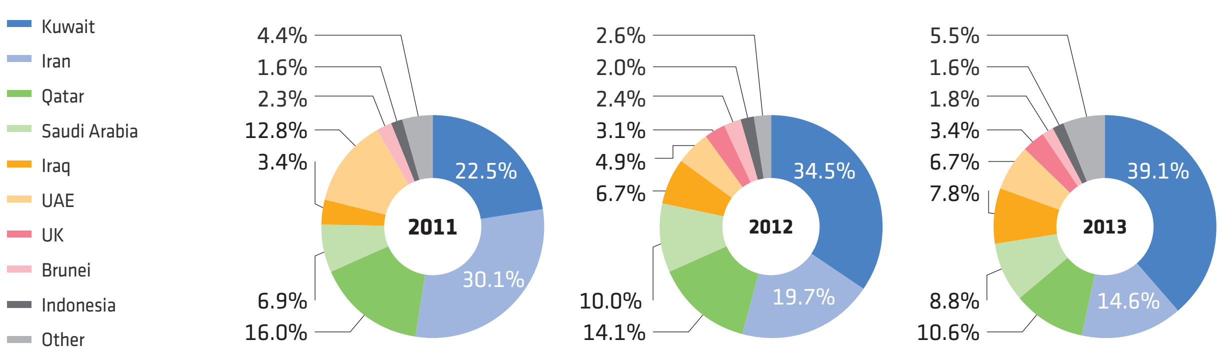
Purpose	Type of Contract	Details of Contract	Contract Unit	Contract Value
Cash flow hedge	Commodity forward contracts	Refining margin risk hedge	USD	876,330
Trading purposes	Commodity forward contracts	Commodity price risk hedge	USD	326,760

In 2014, we plan to manage our exposure ratio against risk in oil price downfalls. With regard to targets for heading against refining margins, we have equally applied the statistics for the past seven years, but will establish new targets by actively reflecting our extension and market changes such as strengthened specifications.

3. Crude Oil Import Risk

The company relies on imports for the entire volume of crude oil owing to the nature of the petroleum refining industry. Due to the concentration of oil supply regions worldwide, crude oil is primarily sourced from the Middle East, and the stable procurement and supply of this oil are becoming important issues due to the coexistence of political and geographical destabilizing factors in the oil producing countries of the Middle East. Consequently, we are seeking the diversification of crude oil imports to manage this risk. In the future, we will intercept the risk while maximizing our revenues by increasing new oil imports through an organic linkage with plants.

Oil Imports by Country



III. 2013 Business Results

1. Operational Overview

Unit: In KRW billions

Summary of Income Statements	2013	2012	YoY % Change	
1. Sales	22,403.7	21,700.4	703.3	3.2%
2. Cost of Goods Sold	21,604.9	21,035.8	569.1	2.7%
3. Gross Profit	798.7	664.7	134.0	20.2%
4. Selling and Administrative Expenses	395.6	357.4	38.2	10.7%
5. Operating Profit	403.2	307.2	96.0	31.3%
6. Financial Income (Costs)	-85.7	-80.7	-5.0	-6.2%
7. Other Non-Operating Income (Expenses)	-105.5	-18.8	-86.7	-461.2%
8. Share of Profit of Associates	3.2	14.9	-11.7	-78.5%
9. Net Income	158.4	171.4	-13.0	-7.6%
Operating Margin	1.80%	1.42%		0.38%p
Net Margin	0.71%	0.79%		-0.08%p

In 2013, the company was faced with difficult management conditions that comprised a slight fall in its capacity utilization ratio, following a decline in global petroleum products; a rise in the production capacity of global companies including those in China; and reduced demand for extra heavy oil due to the economic slump. Despite such a climate, we recorded sales of KRW 22.4 trillion, an increase of 3.2% over the year. This was led by increasing the sales of middle distillate oil, developing new overseas markets, and advancing into new businesses.

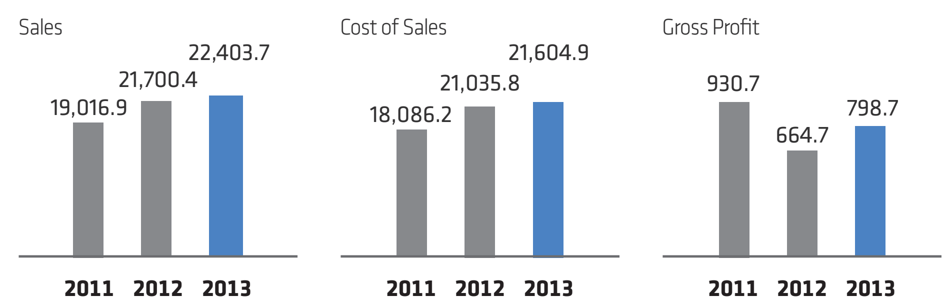
Gross profit and operating profit surged by 20.2% and 31.3%, respectively, over the year to KRW 798.7 billion and KRW 403.2 billion. Net income, however, contracted by 7.6% to KRW 158.4 billion, although operating profit improved following a rise in other non-operating income due mainly to unfavorable foreign exchange movements. Consequently, operating margin edged up by 0.38% points to 1.80%, and net margin edged down by 0.08% points to 0.71%.

2. Profit Analysis

1) Sales

In 2013, sales increased by 3.2%% over the year to KRW 22.4 trillion, although our operating capacity fell by 7% due to downfalls in oil prices and the repair maintenance of our #2 CDU and #2 HOU. The increase was attributed to a rise in sales of high-margin products and sales by our subsidiaries since the completion of our #2 HOU project.

Change in Sales
(Unit: In KRW billions)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Retail Sales

The company sells light oil products to end-users through gas stations, agencies, the National Agricultural Cooperative Federation, and LPG filling stations or to other agencies and retail outlets. The retail sales channel is the primary domestic channel, which we are expanding in strategic regions as well as increasing channel sales through strengthened advertising and mass promotions to build market share.

Direct Sales

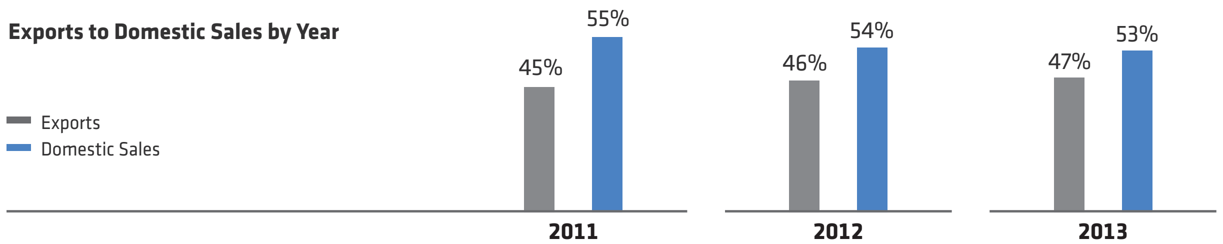
The company sells to corporate sales channels including industrial firms, the military and government, and tender sales. Unlike retail sales, which primarily deal in the supply of light oil products, these sales include marine fuel oil, jet fuel, asphalt, naphtha, and a variety of other products. We have established the Hyundai Oilbank R&D Institute to steadily improve quality. We also seek to boost sales and profitability by entering new markets.

Exports

The company exports the portion of production that exceeds domestic demand through petroleum product traders, general trading companies, and direct sales on both long-term and spot contracts. The portion of exports has steadily increased due to a rise in the operating capacity ratio and a more diverse range of export products since the completion of heavy oil upgrading facilities in 2011.

We also pushed forward with third-party transactions of crude oil and petroleum products and offshore trading in the Middle East and Africa, by strengthening the functions of our two subsidiaries in Singapore and Shanghai and two branches in the Middle East and Vietnam. We plan to use the future to actively advance into new highly profitable markets with various trading by utilizing our overseas sales network.

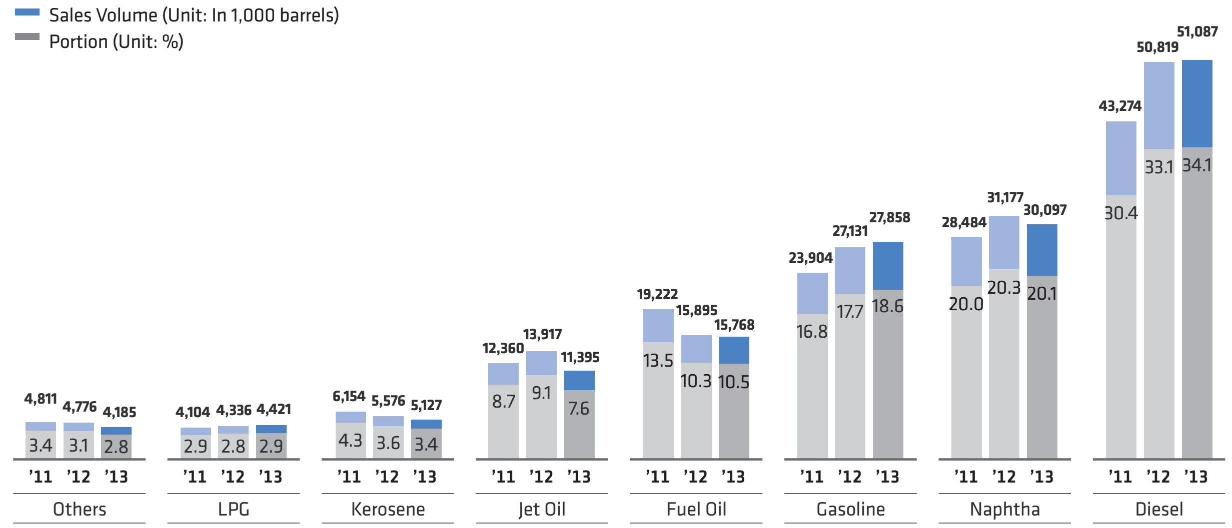
Exports to Domestic Sales by Year



Sales

With the operation of the #2 HOU plant, our upgrading ratio rose from 17.4% to a domestic industry-leading 34.4%. This gave us the ability to produce higher-value-added products, improving overall business competitiveness and strengthening our profit base as well as lifting our light oil market share. In terms of product sales volume, diesel led the way, 34.0% of the total, followed by naphtha, gasoline, and fuel oil. Our market share for light oil products such as gasoline, jet fuel, and kerosene remained at 22.2%, the same as the prior year's level.

Sales Volume by Product

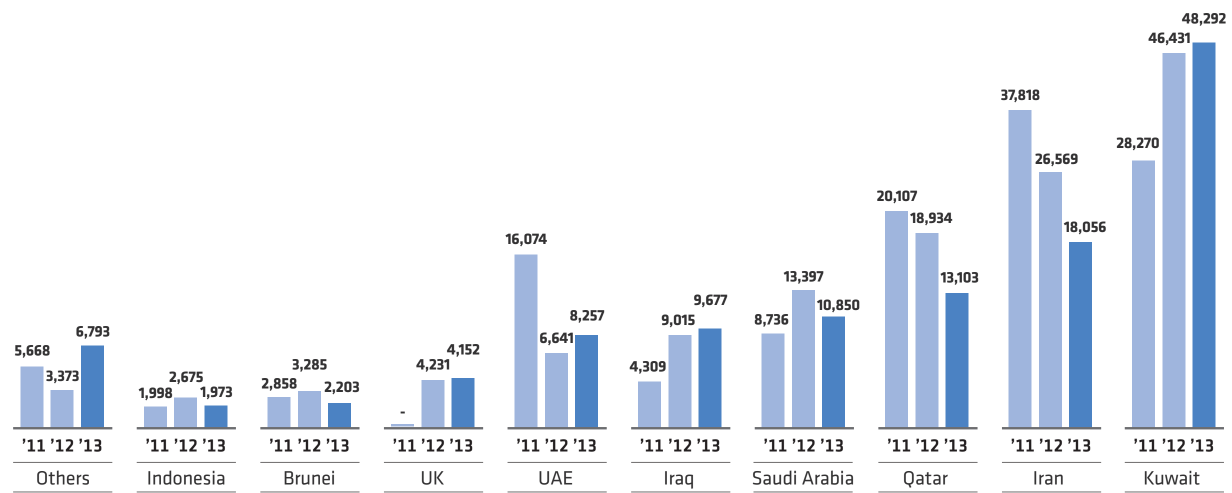


2) Cost of Goods Sold

The company imports 90% of its oil requirements from the Middle East, and the majority of the oil required for stable operation of the #2 HOU plant is sourced under long-term contracts with state-owned oil companies of oil producing countries. Beginning in 2012, we particularly made efforts to secure cost competitiveness and stable supply lines by diversifying suppliers. For example, we imported crude oil from the North Sea, and increased the import volume from Kuwait and Qatar, ensuring a steady supply of high-sulfur heavy fuel oil for our new #2 HOU plant in preparation for economic sanctions against Iran.

Crude Oil Imports by Country

(Unit: In barrels thousands)

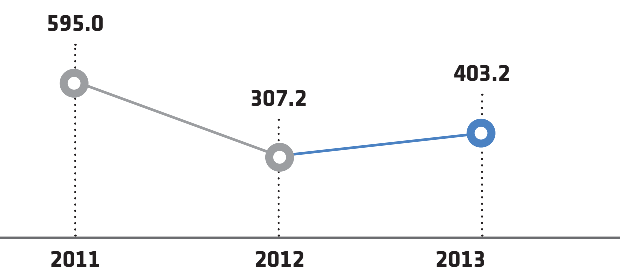


MANAGEMENT'S DISCUSSION AND ANALYSIS

3) Operating Profit

We recorded our largest-ever operating profit in 2011, surging by 152% over the year to KRW 595.0 billion. This was primarily influenced by an improvement in our refining margins, a rise in sales volume, and the completion of the #2 HOU project. In 2012, operating profit fell by 48.4% from the preceding year due mainly to a decrease in refining margins following the slowing growth of petroleum product consumption that was led by economic slowdowns worldwide. In 2013, operating profit climbed by 31.3% over the year to KRW 403.2 billion, ranking us first in the refining industry for the third consecutive year although refining margins remained similar to the prior year's level. This growth chiefly stemmed from the won's ascent, improved productivity, and our ongoing profitability-centered sales policies.

Change in Operating Profit
(Unit: In KRW billions)



4) Financial Income (Costs)

The loss on financial income increased by 6.2% from KRW 80.7 billion in 2012 to KRW 85.7 in 2013. This mainly stemmed from a drop in financial income due to a decrease in financial products and unfavorable exchange rates.

Unit: In KRW billions

	2013	2012	YoY % Change	
Financial Income	88.3	105.9	-17.6	-16.7%
Financial Costs	174.0	186.6	-12.6	-6.7%
Financial Income (Costs)	-85.7	-80.7	-5.0	-6.2%

5) Net Income

Net income backed off by 7.6% over the year to KRW 158.4 billion in 2013. This was affected by unfavorable external conditions including exchange rates, although operating profit increased thanks to improved profitability due to business diversification, ongoing cost savings, and the production of high value-added goods.

3. Financial Status

1) Summary of Financial Position

At the end of 2013, the company held consolidated assets of KRW 8,900.1 billion, a 5.4% rise from the previous year-end. Current assets moved upward by 5.0% to KRW 3,900.5 billion. This was essentially caused by a fall in cash and cash equivalents, although inventories and receivables increased. Non-current assets rose by 5.7% to KRW 4,999.6 billion due to an increase in property, plant and equipment, primarily reflecting our capital increases and facility investments for Hyundai and Shell Base Oil.

Current liabilities swelled by 19.5% to KRW 3,816.0 billion, led by the liquid transfers of corporate bonds and the repayment of facility loans, and non-current liabilities decreased by 14.6% to KRW 2,125.4 billion. Total liabilities increased by 4.5% to KRW 5,941.4 billion. Total shareholders' equity increased by 7.1% to KRW 2,958.7 billion, following a rise in retained earnings. Liabilities-to-equity ratio also shrank by 5.0% points to 200.8%, improving our financial structure.

Unit: In KRW billions

Key Financial Indicators	2013	2012	YoY % Change	
Current Assets	3,900.5	3,714.9	185.6	5.0%
Non-Current Assets	4,999.6	4,729.6	270.0	5.7%
Total Assets	8,900.1	8,444.5	455.6	5.4%
Current Liabilities	3,816.0	3,193.8	622.2	19.5%
Non-Current Liabilities	2,125.4	24,892	-363.8	-14.6%
Total Liabilities	5,941.4	5,682.9	258.5	4.5%
Total Equity	2,908.3	2,727.3	181.0	6.6%
Capital Stock	1,225.4	1,225.4		
Capital Surplus	-22.6	-22.6		
Accumulated Other Comprehensive Income	-7.1	-9.4	2.3	-24.5%
Retained Earnings	1,704.1	1,533.9	170.2	11.1%
Non-Controlling Interest	58.9	34.3	24.6	71.7%
Total Shareholders' Equity	2,958.7	2,761.6	197.1	7.1%
Liabilities-to-Equity Ratio	200.8%	205.8%		-5.0%p

2) CAPEX

Additional investment increased year-on-year in 2013, influenced by regular repair and maintenance for the #2 BTX plant. The company continues its investments to secure new growth engines. These include facility investments to improve our productivity such as the construction of FBC boilers and the lubricant base oil business. Investments by year are as follows:

Unit: In KRW billions

	2013	2012	YoY % Change	
New Investment	210.4	115.2	95.2	182.6%
Additional Investment	163.0	78.6	84.4	207.4%
Capital Investment	36.0	176.1	-140.1	20.4%
Total	409.4	369.9	39.5	110.7%

4. Liquidity and Financing

1) Liquidity

As of the end of 2013, the company's liquidity—comprised of cash and cash equivalents and short-term financial assets—stood at KRW 71.1 billion, a decline of 51% from the prior year. This was because we maintained our volume of borrowings at a minimum level. The company continuously monitors liquidity to ensure that an appropriate level is maintained and capital requirements are met.

2) Financing

Total borrowings amounted to approximately KRW 2,995.5 billion at the end of 2013, a rise of about KRW 9.7 billion from the preceding year. Of these, long-term borrowings made up KRW 2,303.6 billion, a decline of nearly KRW 301.0 billion over the year. This was due to the repayment of maturing corporate bonds, reflecting the beginning of cash flow generation from operating activities following the completion of investments in HOU facilities and their full-fledged operations. Total liabilities edged up by 4.5% to KRW 5,941.4 billion, and our liabilities-to-equity ratio decreased by 5.0% points to 200.8% thanks to improved profitability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. 2014 Market Outlook and Management Plans

In 2013, the company expanded its production facilities and pursued business portfolio diversification with a focus on oil refinery despite difficult management conditions. We significantly increased the portion of petrochemicals in large part by tripling our production capacity from 500,000 tons to 1,400,000 tons following the completion of #2 BTX with Cosmo Oil of Japan. In addition, Hyundai and Shell Base Oil, a joint venture with Shell, built a lubricant base oil plant capable of processing 20,000 barrels a day, and it will be primed for full-fledged operations in July 2014. We also advanced into the oil storage business. Through land reclamation of 86,821 square meters, we completed the construction of a large-scale oil storage facility at Ulsan New Port. The terminal holds a storage capacity of 280,000 kiloliters as well as dock facilities capable of handling tankers of up to 50,000 deadweight tons. Our intent is to concurrently pursue various related businesses in 2014, by operating storage facilities under contract. As such, we will continue to enhance our business competitiveness by non-stop business development of new growth engines.

We greatly anticipate enhanced revenue from our long-term projects that have resulted in promising new businesses. Through this, we plan to achieve sales of KRW 30 trillion and an operating profit of KRW 1 trillion by 2016.

In 2014, crude oil prices are forecast to show downward stabilization due to the coexistence of two factors. First is the possibility of an increase in production by non-OPEC countries despite reduction efforts by the OPEC to sustain crude oil prices, and a rise in supply following the conclusion of nuclear negotiations with Iran. The second is the possibility of QE tapering by the US and aggravating demand behind financial uncertainties in emerging countries.

Refining margins should be maintained at similar levels to the prior year due to an increase in new refining facilities and the weakening growth of emerging countries despite a rise in global demand following the economic recovery of OECD countries. Accordingly, the company plans to push forward with the following three major tasks in 2014 as it takes the next step toward its goal of maximizing its corporate value.

1. Secure Stable Revenues from New Businesses

We will diversify our revenue structure and secure additional earnings to maximize our corporate value. This will be done by securing stable sales from our new steady undertakings such as the extension of a petrochemical subsidiary, oil storage, and lubricant oil, which we have steadily carried out to diversify towards a more growth-centered business portfolio. To this end, we will continue to push forward with research and investment in new businesses to build the foundations for our future growth, while striving to firmly and successfully plant our recent ventures.

2. Place Top Priority in Safe Operations

Continuous operation is of supreme importance in the oil refining industry. This is why stable refinery operation is our top priority. Specifically, we are scheduled for regular repair and maintenance for the #1 BTX Plant in 2014, and each plant employee has a journeyman's spirit and sense of responsibility, and is dedicated to creating a safe workplace. In addition, we will maximize the efficiency of all our processes to optimize our complete production facilities and take our production competitiveness to the next level. We will also concentrate our capabilities on preventing any and all safety-negligent and environmental accidents that will undermine our corporate values.

3. Encourage Creative Thinking

In any undertaking, the results depend on how determined the people are in that organization. This is why a creative and autonomous organizational culture through investment in people and securing quality talent is the most important element in corporate growth. To this end, we are dedicated to laying the groundwork for creative thinking to enhance our competitiveness by strengthening our employees' capabilities.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Hyundai Oilbank Co., Ltd.

We have audited the accompanying consolidated statements of financial position of Hyundai Oilbank Co., Ltd. and its subsidiaries (collectively the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 9.5% of the Company's consolidated total assets as of December 31, 2013, and 23.3% of the Company's consolidated total sales for the year then ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for certain consolidated subsidiaries, is based solely on the reports of the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Hyundai Oilbank Co., Ltd. and its subsidiaries as of December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

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

Seoul, Korea
March 12, 2014

This report is effective as of March 12, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI OILBANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

in thousands of Korean won

	Notes	2013	2012
Assets			
Current assets			
Cash and cash equivalents		50,595,955	107,473,025
Short-term financial instruments	8	20,490,473	38,817,689
Financial assets at fair value through profit or loss	20	1,056,117	248,654
Derivative financial instruments	20	2,189,558	-
Trade and other receivables	10,30	1,518,385,539	1,391,947,798
Inventories	11	2,253,431,645	2,088,992,735
Other current assets		54,390,883	87,415,468
		3,900,540,170	3,714,895,369
Non-current assets			
Investments in associates	12	164,654,988	159,993,625
Long-term financial instruments	8	2,523,500	1,523,500
Available-for-sale financial assets	9	3,075,175	3,075,175
Long-term trade and other receivables	10	155,041,284	146,888,545
Investments in properties	13	25,921,563	26,634,006
Property, plant and equipment	14	4,554,839,601	4,308,825,673
Intangible assets	15	82,556,420	82,667,344
Other non-current assets	18	10,948,093	-
		4,999,560,624	4,729,607,868
Total assets		8,900,100,794	8,444,503,237

in thousands of Korean won

	Notes	2013	2012
Liabilities			
Current liabilities			
Short-term financial liabilities	17	1,143,768,434	702,859,972
Financial liabilities at fair value through profit or loss	20	1,523,909	2,142,101
Derivative financial instruments	20	2,838,460	-
Trade and other payables	16,30	2,578,674,197	2,370,321,714
Current income tax liabilities	28	26,979,719	29,104,888
Provisions	19	4,745,800	6,808,000
Other current liabilities		57,500,787	82,531,770
		3,816,031,306	3,193,768,445
Non-current liabilities			
Long-term financial liabilities	17	1,964,097,794	2,311,734,550
Derivative financial instruments	20	4,027,701	5,940,814
Long-term trade and other payables	16	42,058,455	44,122,475
Defined benefit liability	18	157,756	16,471,883
Provisions	19	5,207,907	7,911,889
Deferred income		38,594,970	40,440,511
Deferred income tax liabilities	28	71,255,585	62,542,260
		2,125,400,168	2,489,164,382
Total liabilities		5,941,431,474	5,682,932,827
Equity attributable to owners of the Parent			
Capital stock	21	1,225,412,110	1,225,412,110
Additional paid-in and other capital		(22,619,670)	(22,595,908)
Accumulated other comprehensive income (loss)	22	(7,113,114)	(9,410,295)
Retained earnings	23	1,704,059,013	1,533,914,386
Non-controlling interest		58,930,981	34,250,117
Total equity		2,958,669,320	2,761,570,410
Total liabilities and equity		8,900,100,794	8,444,503,237

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

HYUNDAI OILBANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012

in thousands of Korean won

	Notes	2013	2012
Sales	7,31	22,403,665,530	21,700,424,898
Cost of sales	25,31	21,604,929,271	21,035,770,857
Gross profit		798,736,259	664,654,041
Administrative expenses	24,25	395,567,638	357,442,069
Operating profit		403,168,621	307,211,972
Finance income	26	88,325,854	105,972,682
Finance costs	26	174,046,551	186,633,296
Other non-operating income	27	275,802,845	310,634,062
Other non-operating expenses	27	381,328,600	329,420,477
Share of profit of associates	12	3,171,640	14,938,823
Profit before income tax		215,093,809	222,703,766
Income tax expense	28	56,705,670	51,316,661
Net income		158,388,139	171,387,105
Net income attributable to owners of the Parent company		157,669,673	171,595,199
Non-controlling interest		718,466	(208,094)
Basic earnings per share in (Korean won)	29	643	700

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

Hyundai Oilbank Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2013 and 2012

in thousands of Korean won

	2013	2012
Net income	158,388,139	171,387,105
Other comprehensive income		
Cash flow hedge loss on valuation of derivative financial instruments	958,271	(748,553)
Actuarial gains and losses	12,453,195	(11,263,981)
Share of other comprehensive income of associates	1,489,724	(529,601)
Currency translation differences	(150,814)	(611,472)
Total comprehensive income for the year	173,138,515	158,233,498

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

HYUNDAI OILBANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2013 AND 2012

in thousands of Korean won

			Accumulated other			
	Capital stock	Additional paid-in and other capital	Comprehensive income	Retained earnings	Non-controlling interest	Total
Balance at January 1, 2012	1,225,412,110	-	(7,520,669)	1,373,583,168	-	2,591,474,609
Comprehensive income						
Net income	-	-	-	171,595,199	(208,094)	171,387,105
Cash flow hedges	-	-	(748,553)	-	-	(748,553)
Actuarial losses	-	-	-	(11,263,981)	-	(11,263,981)
Share of other comprehensive income of associates	-	-	(529,601)	-	-	(529,601)
Currency translation differences	-	-	(611,472)	-	-	(611,472)
Transactions with shareholder						
Investments of subsidiaries	-	(22,595,908)	-	-	34,458,211	11,862,303
Balance at December 31, 2012	1,225,412,110	(22,595,908)	(9,410,295)	1,533,914,386	34,250,117	2,761,570,410
Balance at January 1, 2013	1,225,412,110	(22,595,908)	(9,410,295)	1,533,914,386	34,250,117	2,761,570,410
Comprehensive income						
Net income (loss)	-	-	-	157,669,673	718,466	158,388,139
Cash flow hedges	-	-	958,271	-	-	958,271
Actuarial losses	-	-	-	12,474,954	(21,759)	12,453,195
Share of other comprehensive income of associates	-	-	1,489,724	-	-	1,489,724
Currency translation differences	-	-	(150,814)	-	-	(150,814)
Transactions with shareholder						
Investments of subsidiaries	-	(23,762)	-	-	23,984,157	23,960,395
Balance at December 31, 2013	1,225,412,110	(22,619,670)	(7,113,114)	1,704,059,013	58,930,981	2,958,669,320

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

HYUNDAI OILBANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

in thousands of Korean won

	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations			
Net income		158,388,139	171,387,105
Adjustments	30	430,094,180	480,967,499
Changes in assets and liabilities	30	(137,932,114)	(219,701,801)
		450,550,205	432,652,803
Interest received		7,850,086	9,243,871
Interest paid		(120,885,325)	(149,254,727)
Income tax paid		(41,532,509)	(32,999,554)
Net cash generated from operating activities		295,982,457	259,642,393
Cash flows from investing activities			
Purchases of financial assets		(104,169,614)	(56,717,977)
Proceeds from disposal of financial assets		122,496,829	47,865,592
Purchases of financial assets at fair value through profit or loss		(15,571,421)	(42,488,367)
Purchases of long-term financial assets		(2,000,000)	(500,000)
Proceeds from disposal of long-term financial assets		1,000,000	-
Purchases of property, plant and equipment		(529,704,643)	(232,389,495)
Proceeds from sale of property, plant and equipment		63,752,009	26,728,011
Purchases of intangible assets		(1,227,885)	(1,235,807)
Proceeds from sale of intangible assets		-	1,365,590
Acquisition of subsidiary		-	(112,600,000)
Increase in loan and receivables		(86,755,035)	(136,607,762)
Decrease in loan and receivables		78,575,381	116,276,591
Net cash used in investing activities		(473,604,379)	(390,303,624)

in thousands of Korean won

	Notes	2013	2012
Cash flows from financing activities			
Proceeds from borrowings		8,781,606,530	59,045,867
Repayments of borrowings		(8,485,582,470)	(240,000,000)
Proceeds from long-term borrowings		103,832,640	9,916,544
Repayments of long-term borrowings		(611,982)	-
Proceeds from issuance of bonds		-	746,885,900
Repayments of current portion of bonds		(150,000,000)	(450,000,000)
Repayments of current portion of long-term borrowings		(152,359,500)	(847,000)
Non-controlling shareholder's paid-in capital		23,960,396	44,862,303
Net cash provided by financing activities		120,845,614	169,863,614
Change in foreign exchange rates		(100,762)	(245,428)
Net increase (decrease) in cash and cash equivalents		(56,877,070)	38,956,955
Cash and cash equivalents at beginning of year		107,473,025	68,512,945
Changes in cash equivalents due to foreign currency translation		-	3,125
Cash and cash equivalents at the end of year		50,595,955	107,473,025

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

HYUNDAI OILBANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. General Information

Hyundai Oilbank Co., Ltd. (the "Company") was established in 1964 to engage in the production and sale of petroleum products. The Company and its production facilities are located in Daesan, South Chungcheong Province. The consolidated financial statements of the Company as at and for the year ended December 31, 2013, consist that of the Company and its subsidiaries (together referred to as the "Group"). The Company has a production capacity of 390,000 barrels per stream day (BPSD) in petroleum processing.

As of December 31, 2013, Hyundai Heavy Industries Co., Ltd. owns 91.13% of total outstanding shares.

A. The consolidated subsidiaries as of December 31, 2012, are as follows:

Subsidiaries	Location	Percentage of ownership (%)		Business
		2013	2012	
HDO Singapore Pte. Ltd.	Singapore	100	100	Petroleum trading
MS Dandy Ltd.	Marshall Islands	100	100	Ships leasing
Hyundai Oil Terminal Co., Ltd.	Korea	70	70	Oil storage industry
Hyundai and Shell Base Oil Co., Ltd.	Korea	60	60	Lubricant oil production
Hyundai Oilbank (Shanghai) Co., Ltd.	China	100	100	Petroleum trading

B. Subsidiary's financial information as of December 31, 2013 and 2012, is as follows:

2013

in thousands of Korean won

Subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
HDO Singapore Pte. Ltd.	517,360,087	508,518,235	5,672,433,270	1,376,231
MS Dandy Ltd.	17,505,858	12,485,710	1,347,944	(100,675)
Hyundai Oil Terminal Co., Ltd.	107,131,152	32,790,033	3,044,248	(339,519)
Hyundai and Shell Base Oil Co., Ltd.	180,566,659	88,995,045	-	2,050,805
Hyundai Oilbank (Shanghai) Co., Ltd.	82,448,591	79,220,433	475,138,269	1,304,401

2012

in thousands of Korean won

Subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
HDO Singapore Pte. Ltd.	169,951,125	168,369,416	4,889,922,012	293,532
MS Dandy Ltd.	14,665,572	9,471,789	-	(677)
Hyundai Oil Terminal Co., Ltd.	76,112,669	1,365,470	22,960	(119,904)
Hyundai and Shell Base Oil Co., Ltd.	32,160,410	2,595,516	-	(430,306)
Hyundai Oilbank (Shanghai) Co., Ltd.	15,267,010	13,338,678	20,973,727	303,891

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

Korean IFRS are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

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

– *Amendment to Korean IFRS 1001, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Group applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss.

– *Amendment to Korean IFRS 1019, Employee Benefits*
The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the consolidated financial statements.

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

– *Korean IFRS 1111, Joint Arrangements*

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

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

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

– *Korean IFRS 1027, Separate Financial Statements*

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

– *Korean IFRS 1113, Fair Value Measurement*

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

(b) New standards and interpretations not yet adopted

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

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

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

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

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

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

Amendment to Korean IFRS 1039, Financial Instruments: Recognition and Measurement, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Group is assessing the impact of application of this amendment on its consolidated financial statements.

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Changes in ownership interests in subsidiaries without change of control

In transactions with non-controlling interests, which do not result in loss of control, the Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(c) Disposal of subsidiaries

If the Group loses control of a subsidiary, any investment continuously retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss.

(d) Associates

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

(e) Joint arrangements

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

2.3 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 7). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign Currency Translation

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

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within 'financial income or expenses.' All other foreign exchange gains and losses are presented in the statement of income within 'other non-operating income and expenses.'

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

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

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

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

Exchange differences arising from the translation of borrowings designated for hedging the investment and other currency instruments are recognized in other comprehensive income. When foreign operations are wholly or partially sold, exchange differences recognized in equity are transferred to profit or loss in the statement of income. When the Company ceases to control the subsidiary, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification and measurement

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

For hybrid (combined) instruments, the Group is unable to measure an embedded derivative separately from its host contract and therefore, the entire hybrid (combined) contract is classified as at fair value through profit or loss. The financial assets designated as at fair value through profit or loss by the Group are foreign convertible bonds and securitized derivatives.

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

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

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

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

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over three months; or the disappearance of an active market for that financial asset because of financial difficulties. A decline in the fair value of an available-for-sale equity instrument by more than 30% from its cost or a prolonged decline below its cost for more than six months is also objective evidence of impairment.

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

2.6 Derivative Financial Instruments and Hedging Activities

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

The Group designates certain derivatives as follows:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset, liability, and highly probable forecasted transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. Movements on the hedging reserve in other comprehensive income are shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within 'other non-operating income and expenses' according to the nature of transactions.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecasted sale that is hedged takes place).

However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income within 'other non-operating income and expenses.'

2.7 Inventories

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

2.8 Non-current Assets (or Disposal Group) Held for Sale

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

2.9 Property, Plant and Equipment

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	25 - 50 years
Structures	25 - 50 years
Machinery	5 - 15 years
Tools and fixtures	5 years
Vehicles	5 years
Others	2 - 6 years

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

2.10 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.11 Intangible Assets

(a) Goodwill
Goodwill is measured as explained in Note 2.2 (a) and goodwill arising from the acquisition of subsidiaries, associates and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 4 to 20 years.

(c) Research and development

Research expenditures are recognized as an expense as incurred. Development costs that are identifiable and probable that future economic benefits will flow to the entity are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible assets so that it will be available for use;
- management intends to complete the intangible assets and use or sell it;
- there is an ability to use or sell the intangible assets;
- it can be demonstrated how the intangible assets will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

Directly attributable costs that are capitalized as intangible assets include appropriate portion of salaries incurred and relevant overhead costs to develop intangible assets.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs which are previously recognized as an expense should not be recognized as an asset in a subsequent period.

Development costs recognized as assets are amortized over their estimated useful lives, which do not exceed five years.

(d) Membership rights

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

2.12 Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are include in the asset's carrying amount or recognized as a separate asset, only when 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. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using straight-line method over their useful lives from 25 to 50 years.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each financial year and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other non-operating income (expenses)' in the statement of income.

The fair value of investment property disclosed in Note 13 reflects market conditions at the end of the reporting period, with adjustment that reflects specific asset's characteristics, condition and location. The book value for financial reporting purpose is determined based on the evaluation of the investment property by an independent valuer, who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

2.13 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial Liabilities

(a) Classification and measurement

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

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

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of income as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

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

2.15 Financial Guarantee Contract

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

Financial guarantees are initially recognized in the consolidated financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- the amount calculated in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets;* or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS 1018, *Revenue.*

2.16 Borrowings

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

2.17 Provisions

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

2.18 Current and Deferred Income Tax

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

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

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

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

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

2.19 Employee Benefits

The Group operates a defined benefit plan. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

2.20 Revenue Recognition

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

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

(a) Sale of goods
The Group manufactures and sells petroleum products. Sale of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

(d) Customer loyalty programme
The Group operates a customer loyalty programme in which customers are granted rewards to receive discounts on future purchases when purchasing products. The granted reward is recognized as a separately identifiable component of the sale transaction ('initial sale transaction') that grants the reward. The fair value of consideration to give or given for the initial sale is allocated to the reward points and remaining of initial sale, and the consideration allocated to the reward points is measured based on the fair value of reward in exchange of reward points, which is the fair value of reward points considered the proportion of reward points that are not expected to be redeemed. Revenue from the award credits is recognized when it is redeemed.

2.21 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

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

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

2.22 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2013 financial statements of the Company was approved by the Board of Directors on March 6, 2014.

3. Critical Accounting Estimates and Judgments

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

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Useful lives of property, plant and equipment
The Group determines the estimated useful lives and related depreciation expenses of property, plant and equipment such as machinery. The estimation is based on the expected cycles of the products and it can vary depending on the behavior of the competitors to respond to changes in the technical and industrial cycles. When there is a reduction in useful lives the management will increase depreciation expense accordingly. Also, when assets are abandoned, disposed or obsolete, its value can be reduced or removed from the book.

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

(d) Provisions
As described in Note 19, the Group recognizes provisions for environmental restoration. The amounts are estimated based on historical data.

(e) Customer loyalty programme
The Group operates a customer loyalty programme and the granted reward to the customer from the program is a separately identifiable component of the initial sale transaction that grants the reward. The allocation of the reward portion is estimated based on the past experience.

(f) Defined benefit liability
The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 18).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

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

The Group's risk management policy is to hedge the risk of changes in currency from foreign currency assets and liabilities through derivatives such as forward exchange contracts, and others.

The Group's financial instruments denominated in major foreign currencies as of December 31, 2013 and 2012, are as follows:

2013 in thousands of Korean won

	USD	EUR	JPY	Other	Total
Cash and cash equivalents	5,425,471	-	-	-	5,425,471
Trade receivables	420,700,803	-	-	-	420,700,803
Other receivables	614,489	-	-	-	614,489
	426,740,763	-	-	-	426,740,763
Trade payables	(1,333,725,890)	(640,708)	-	-	(1,333,366,598)
Other payables	(81,886,919)	(10,320)	-	-	(81,897,239)
Financial liabilities	(691,850,716)	-	-	-	(691,850,716)
	(2,107,463,525)	(651,028)	-	-	(2,108,114,553)

2012 in thousands of Korean won

	USD	EUR	JPY	Other	Total
Cash and cash equivalents	6,708,060	-	-	-	6,708,060
Trade receivables	246,391,308	-	-	-	246,391,308
Other receivables	2,415,366	-	-	-	2,415,366
	255,514,734	-	-	-	255,514,734
Trade payables	(1,353,916,243)	(844,495)	-	-	(1,354,760,738)
Other payables	(2,460,631)	-	(24,779)	(2,060)	(2,487,470)
Financial liabilities	(400,523,755)	-	-	-	(400,523,755)
	(1,756,900,629)	(844,495)	(24,779)	(2,060)	(1,757,771,963)

The effect of foreign currency risk on profit is the result of net foreign currency fluctuations of Korean won against other foreign currency. Hedge effectiveness of derivative instruments has not been reflected. As of December 31, 2013 and 2012, if the foreign exchange rate of the Korean won fluctuated by 5% while other variables held constant, the effects on profit would be as follows:

in thousands of Korean won

	2013		2012	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Foreign currency assets	21,337,038	(21,337,038)	12,775,737	(12,775,737)
Foreign currency liabilities	(105,405,728)	105,405,728	(87,888,598)	87,888,598
Net effect	(84,068,690)	84,068,690	(75,112,861)	75,112,861

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss.

The table below summarizes the impact of increases/decreases of prices of unlisted stocks on the Group's comprehensive income for the year. The analysis is based on the assumption that the unlisted stock prices had uniformly increased/decreased by 30% with all other variables held constant:

in thousands of Korean won

	2013	2012
Equity securities (unlisted)	922,552	922,552

iii) Interest rate risk

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

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At December 31, 2013, if interest rates on Korean won-denominated borrowings were 10 basis points higher/lower with all other variables held constant, comprehensive income for the year would be ₩ 1,840 million (2012: ₩ 1,138 million) lower/higher, mainly as a result of higher/lower interest expense on long-term floating rate borrowings.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or through major credit cards.

The analyses of the Group's credit risk as of December 31, 2013 and 2012, are as follows:

i) Book value

in thousands of Korean won

	2013	2012
Cash and cash equivalents	50,342,187	107,237,385
Short-term financial instruments	20,490,473	38,817,689
Trade and other receivables	1,518,385,539	1,391,947,798
Long-term financial instruments	2,523,500	1,523,500
Long-term trade and other receivables	155,041,284	146,888,545
	1,746,782,983	1,686,414,917

The maximum credit exposure amount is equivalent to total financial assets, less cash and equity securities (Note 31).

ii) Loans and receivables for each region of the maximum exposure to credit risk

in thousands of Korean won

	2013	2012
Korea	1,182,803,432	1,481,563,630
North America	74,517,173	-
Asia	478,488,811	192,849,191
Europe	7,905,971	12,002,096
Others	3,067,596	-
	1,746,782,983	1,686,414,917

(c) Liquidity risk

Cash flow forecasting is performed by the treasury team of the Company. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements—for example, currency restrictions.

The analyses of the Group's liquidity risk as of December 31, 2013 and 2012, are as follows:

2013

in thousands of Korean won

	Book value	Cash flow on contract[1]	Maturity			
			Less than 6 months	Between 6 months and 1 year	Between 1 and 3 years	Over 3 years
Short-term financial liabilities	1,143,768,434	1,154,201,842	976,694,540	177,507,303	-	-
Financial liabilities at fair value through profit or loss	1,523,909	1,523,909	1,523,909	-	-	-
Trade payables and other liabilities	2,578,674,197	2,933,075,662	2,933,075,662	-	-	-
Long-term financial liabilities	1,964,097,794	2,249,988,467	42,793,579	43,766,442	987,151,460	1,176,276,986
Long-term trade payables and other liabilities	42,058,455	42,058,455	-	-	-	9,058,455
Derivative financial instruments to hedge	6,866,161	7,113,430	2,838,460	-	3,193,287	1,081,683
Financial guarantee contracts	-	31,659,000	31,659,000	-	-	-

2012

in thousands of Korean won

	Book value	Cash flow on contract[1]	Maturity			
			Less than 6 months	Between 6 months and 1 year	Between 1 and 3 years	Over 3 years
Short-term financial liabilities	702,859,972	764,590,493	658,698,518	105,891,975	-	-
Financial liabilities at fair value through profit or loss	2,142,101	2,142,101	2,142,101	-	-	-
Trade payables and other liabilities	2,370,321,714	2,370,321,714	2,370,321,714	-	-	-
Long-term financial liabilities	2,311,734,550	2,659,084,705	-	-	1,110,747,285	1,548,337,420
Long-term trade payables and other liabilities	44,122,475	11,122,475	-	-	11,122,475	-
Derivative financial instruments to hedge	5,940,814	6,372,709	-	-	4,169,173	2,203,536
Financial guarantee contracts	-	32,133,000	32,133,000	-	-	-

[1] Includes interest amount to be paid and does not include present value discount.

4.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total equity.

The gearing ratios as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won, except for ratios

	2013	2012
Total liabilities	5,941,431,474	5,682,932,827
Total equity	2,958,669,320	2,761,570,410
Net gearing ratio	201%	206%

4.3 Offsetting Financial Assets and Financial Liabilities

Details of the Group's recognized financial liabilities subject to enforceable master netting arrangements or similar agreements are as follows:

in thousands of Korean won

	2013					
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
				Financial instruments	Cash collateral	
Other payables	71,664,306	11,011,729	60,652,577	60,652,577	-	60,652,577

5. Fair Value

There is no significant variation in the Group's financial assets and financial liabilities at fair value affecting the business environment and economic environment in 2013.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1,2]				
Financial instruments at fair value through profit or loss	1,056,117	1,056,117	248,654	248,654
Derivative financial instruments	2,189,558	2,189,558	-	-
Financial liabilities[2]				
Financial instruments at fair value through profit or loss	1,523,909	1,523,909	2,142,101	2,142,101
Derivative financial instruments	6,866,161	6,866,162	5,940,814	5,940,814

[1] Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.
[2] Short-term trade receivables and payables whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

5.2 Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Equity securities (unlisted)	3,075,175	3,075,175

5.3 Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2013, are as follows:

in thousands of Korean won

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss	-	1,056,117	-	1,056,117
Financial liabilities at fair value through profit or loss	-	1,523,909	-	1,523,909
Derivatives assets		2,189,558	-	2,189,558
Derivatives liabilities	-	6,866,162	-	6,866,162
Disclosed fair value				
Investments in properties[1]	-	-	26,346,150	26,346,150

[1] The Group revalues its investments in properties by an independent valuer on a three-year cycle.

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2012, are as follows:

in thousands of Korean won

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss	-	248,654	-	248,654
Financial liabilities at fair value through profit or loss	-	2,142,101	-	2,142,101
Derivatives liabilities	-	5,940,814	-	5,940,814
Disclosed fair value				
Investments in properties	-	-	26,634,006	26,634,006

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

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

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

Specific valuation techniques used to value financial instruments include:

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

5.4 Valuation Technique and the Inputs

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2013 and 2012, are as follows:

2013 in thousands of Korean won

	Fair value	Level	Valuation techniques
Financial assets at fair value through profit or loss			
Currency forwards	634,934	2	Present value technique
Commodity forward contracts	421,183	2	Present value technique
Derivative financial assets			
Commodity forward contracts	2,189,558	2	Present value technique
Financial liabilities at fair value through profit or loss			
Currency forwards	1,312,550	2	Present value technique
Commodity forward contracts	211,359	2	Present value technique
Derivative financial liabilities			
Interest rate swaps	4,027,701	2	Present value technique
Commodity forward contracts	2,838,461	2	Present value technique
Investment property (disclosed fair value)			
Investments in properties	26,346,150	3	Independent valuation technique

2012 in thousands of Korean won

	Fair value	Level	Valuation techniques
Financial assets at fair value through profit or loss			
Currency forwards	168,190	2	Present value technique
Commodity forward contracts	1,021,185	2	Present value technique
Derivative financial assets			
Commodity forward contracts	4,211,639	2	Present value technique
Financial liabilities at fair value through profit or loss			
Currency forwards	1,382,342	2	Present value technique
Commodity forward contracts	756,158	2	Present value technique
Derivative financial liabilities			
Interest rate swaps	4,464,959	2	Present value technique
Commodity forward contracts	2,414,077	2	Present value technique
Investment property (disclosed fair value)			
Investments in properties	26,634,006	3	Independent valuation technique

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as of December 31, 2013 and 2012, are as follows:

2013 in thousands of Korean won

	Loans and receivables	Financial assets at fair value through profit or loss		Financial assets classified as available-for-sale	Other financial assets	Total
		Held for trading	Fair value through profit or loss			
Cash and cash equivalents	50,595,955	-	-	-	-	50,595,955
Short-term financial instruments	20,490,473	-	-	-	-	20,490,473
Financial assets at fair value through profit or loss	-	1,056,117	-	-	-	1,056,117
Derivative financial instruments	-	-	-	-	2,189,558	2,189,558
Trade receivables and other receivables (Current)	1,518,385,539	-	-	-	-	1,518,385,539
Long-term financial assets	2,523,500	-	-	-	-	2,523,500
Financial assets as available-for-sale	-	-	-	3,075,175	-	3,075,175
Trade receivables and other receivables (Non-Current)	155,041,284	-	-	-	-	155,041,284
	1,747,036,751	1,056,117	-	3,075,175	2,189,558	1,753,357,601

[1] Other financial assets include finance lease assets and financial instruments designated as hedged items.

2013 in thousands of Korean won

	Financial liabilities at fair value through profit or loss		Other financial liabilities at amortized cost	Other financial assets	Total
	Held for trading	Fair value through profit or loss			
Short-term financial liabilities	-	-	1,143,768,434	-	1,143,768,434
Financial liabilities at fair value through profit or loss	1,523,909	-	-	-	1,523,909
Derivative financial instruments (Current)	-	-	-	2,838,460	2,838,460
Trade payables and other payables (Current)	-	-	2,578,674,197	-	2,578,674,197
Long-term financial liabilities	-	-	1,964,097,794	-	1,964,097,794
Derivative financial instruments (Non-Current)	-	-	-	4,027,701	4,027,701
Trade payables and other payables (Non-Current)	-	-	42,058,455	-	42,058,455
	1,523,909	-	5,728,598,880	6,866,161	5,736,988,950

[1] Other financial liabilities include finance lease liabilities and financial instruments designated as hedged items.

2012 in thousands of Korean won

	Loans and receivables	Financial assets at fair value through profit or loss		Financial assets classified as available-for-sale	Other financial assets	Total
		Held for trading	Fair value through profit or loss			
Cash and cash equivalents	107,473,025	-	-	-	-	107,473,025
Short-term financial instruments	38,817,689	-	-	-	-	38,817,689
Financial assets at fair value through profit or loss	-	248,654	-	-	-	248,654
Trade receivables and other receivables (Current)	1,391,947,798	-	-	-	-	1,391,947,798
Long-term financial assets	1,523,500	-	-	-	-	1,523,500
Financial assets as available-for-sale	-	-	-	3,075,175	-	3,075,175
Trade receivables and other receivables (Non-Current)	146,888,545	-	-	-	-	146,888,545
	1,686,650,557	248,654	-	3,075,175	-	1,689,974,386

2012 in thousands of Korean won

	Financial liabilities at fair value through profit or loss		Other financial liabilities at amortized cost	Other financial assets	Total
	Held for trading	Fair value through profit or loss			
Short-term financial liabilities	-	-	702,859,972	-	702,859,972
Financial liabilities at fair value through profit or loss	2,142,101	-	-	-	2,142,101
Trade payables and other payables (Current)	-	-	2,370,321,714	-	2,370,321,714
Long-term financial liabilities	-	-	2,311,734,550	-	2,311,734,550
Derivative financial instruments (Non-Current)	-	-	-	5,940,814	5,940,814
Trade payables and other payables (Non-Current)	-	-	44,122,475	-	44,122,475
	2,142,101	-	5,429,038,711	5,940,814	5,437,121,626

6.2 Net gains or Losses by Category of Financial Instruments

Net gains or net losses on each category of financial instruments for the years ended December 31, 2013 and 2012, are as follows:

2013 in thousands of Korean won

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Interest income	-	7,548,454	-	-	7,548,454
Gain on valuation of financial assets at fair value through profit or loss	1,056,117	-	-	-	1,056,117
Gain on disposal of financial assets at fair value through profit or loss	57,156,759	-	-	-	57,156,759
Gain on foreign currency translation	-	447,841	-	13,434,901	13,882,742
Gain on foreign currency transactions	-	67,363,810	-	175,362,583	242,726,393
Interest expense	-	-	-	(122,260,004)	(122,260,004)
Loss on valuation of financial assets at fair value through profit or loss	-	-	(70,834,733)	-	(70,834,733)
Loss on disposal of financial assets at fair value through profit or loss	-	-	(1,523,909)	-	(1,523,909)
Loss on foreign currency translation	-	(2,114,312)	-	(5,426,747)	(7,541,059)
Loss on foreign currency transactions	-	(87,737,031)	-	(187,828,290)	(275,565,321)
Bad debt expense	-	-	(3,442,212)	-	(3,442,212)

2012

in thousands of Korean won

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Interest income	-	9,219,965	-	-	9,219,965
Gain on valuation of financial assets at fair value through profit or loss	247,646	-	-	-	247,646
Gain on disposal of financial assets at fair value through profit or loss	52,266,270	-	-	-	52,266,270
Gain on foreign currency translation	-	738,385	-	46,354,871	47,093,256
Gain on foreign currency transactions	-	36,578,682	-	257,848,295	294,426,977
Interest expense	-	-	-	(153,154,482)	(153,154,482)
Loss on valuation of financial assets at fair value through profit or loss	-	-	(2,141,093)	-	(2,141,093)
Loss on disposal of financial assets at fair value through profit or loss	-	-	(94,012,305)	-	(94,012,305)
Loss on foreign currency translation	-	(1,956,730)	-	(29,571,649)	(31,528,379)
Loss on foreign currency transactions	-	(81,531,131)	-	(126,505,825)	(208,036,956)
Bad debt expense	-	(805,085)	-	-	(805,085)
Miscellaneous bad debt expense	-	(16,712)	-	-	(16,712)

7. Segment Information

Management as a strategic decision-maker has determined the operating segments. The Group has only one reportable segment.

Breakdown of the Group's segment revenue for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Sale of goods	22,313,215,768	21,634,185,890
Sale of services	90,449,762	66,239,008
	22,403,665,530	21,700,424,898

No external customer contributes more than 10% of the Group revenue for the year ended December 31, 2013.

8. Restricted Financial Instruments

As of December 31, 2013, certain short-term and long-term financial instruments amounting to ₩ 300 million (2012: ₩ 4,974 million) and ₩ 23.5 million (2012: ₩ 23.5 million) are restricted, respectively.

9. Available-for-sale Financial Assets

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

in thousands of Korean won

	2013	2012
Equity securities (unlisted)[1]	3,075,175	3,075,175

[1] Because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, these instruments are measured at cost.

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

in thousands of Korean won

	2013	2012
Beginning balance	3,075,175	3,075,175
Ending balance	3,075,175	3,075,175
Less: non-current portion	(3,075,175)	(3,075,175)
Current portion	-	-

10. Trade and Other Receivables

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

in thousands of Korean won

	2013	2012
Trade receivables	1,312,895,152	1,183,580,656
Less: provision for impairment of trade receivables	(3,974,791)	(1,515,783)
Other receivables	208,485,227	208,420,270
Less: provision for impairment of other receivables	-	-
Accrued income	436,134	737,765
Less: provision for impairment of accrued income	-	-
Deposits	543,817	724,890
Less: provision for impairment of deposits	-	-
	1,518,385,539	1,391,947,798

The aging analysis of trade and other receivables as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Trade receivables not past due	1,475,663,474	1,347,377,236
Trade receivables past due but not impaired[1]		
Up to 6 months	34,633,610	43,076,928
Over 6 months	136,561	256,798
Trade receivables impaired and provided for[2]		
Up to 1 year	6,958,548	1,312,256
Over 1 year	4,968,137	1,440,363
	1,522,360,330	1,393,463,581

[1] Trade receivables are temporarily overdue.
[2] The amount of the provision set for the relevant receivables was ₩ 3,975 million as of December 31, 2013 (2012: ₩ 1,516 million). Total trade receivables impaired less the recoverable amount is set as provision for impairment.

Changes in the provision for impairment of trade and other receivables are as follows:

in thousands of Korean won

	2013	2012
Beginning balance	1,515,783	845,230
Provision for receivables impairment	3,442,212	938,718
Receivables written off during the year as uncollectible	(983,204)	(134,532)
Unused effect	-	(133,633)
Ending balance	3,974,791	1,515,783

Details of long-term trade and other receivables of the Group as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Long-term loans	102,116,790	103,747,571
Deposits	52,924,494	43,140,974
	155,041,284	146,888,545

11. Inventories

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

2013 in thousands of Korean won

	Acquisition cost	Less allowance for valuation loss	Book value
Products	4,362,261	-	4,362,261
Finished goods	497,879,358	(749,821)	497,129,537
Work in process	181,241,649	-	181,241,649
Raw materials	452,427,304	-	452,427,304
Supplies	23,801,523	-	23,801,523
Materials-in-transit	1,094,469,370	-	1,094,469,370
	2,254,181,466	(749,821)	2,253,431,645

2012 in thousands of Korean won

	Acquisition cost	Less allowance for valuation loss	Book value
Products	13,367	-	13,367
Finished goods	543,311,387	(887,749)	542,423,638
Work in process	233,302,927	-	233,302,927
Raw materials	517,994,910	-	517,994,910
Supplies	24,709,697	-	24,709,697
Materials-in-transit	770,548,196	-	770,548,196
	2,089,880,484	(887,749)	2,088,992,735

Cost of inventories recognized are as follows:

in thousands of Korean won

	2013	2012
Cost of inventories (Cost of sales)	20,966,593,737	20,565,322,724
Reversal of inventory write-down	137,929	452,570

12. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	Ownership (%)	2013		2012	
		Acquisition cost	Book value	Acquisition cost	Book value
Joint ventures					
Hyundai Cosmo Petrochemical Co., Ltd.	50	291,100,000	157,258,900	291,100,000	152,561,280
Associate					
HYUNDAI-ENR[1]	15	7,500,000	7,396,088	7,500,000	7,432,345
		298,600,000	164,654,988	298,600,000	159,993,625

[1] Although the Group holds less than 20% of the equity share of HYUNDAI-ENR, the Group exercises significant influence in its board of directors.

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

2013 in thousands of Korean won

Investee	Beginning	Acquisition	Valuation gain	Capital adjustment	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	152,561,281	-	3,200,007	1,497,612	157,258,900
HYUNDAI-ENR	7,432,344	-	(28,367)	(7,889)	7,396,088
	159,993,625	-	3,171,640	1,489,724	164,654,988

2012 in thousands of Korean won

Investee	Beginning	Acquisition	Valuation gain	Capital adjustment	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	25,580,466	112,600,000	14,902,090	(521,276)	152,561,280
HYUNDAI-ENR	7,403,937	-	36,733	(8,325)	7,432,345
	32,984,403	112,600,000	14,938,823	(529,601)	159,993,625

Elimination of unrealized gains and losses for 2013 and 2012, is as follows:

2013 in thousands of Korean won

Investee	Transaction	Beginning	Increased	Realized	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	Disposal of PP&E	(115,592,394)	591,807	931,611	(114,068,976)
	Disposal of intangible asset	(235,398)	-	33,628	(201,770)
	Disposal of inventories	(3,621,645)	(2,398,856)	3,621,645	(2,398,856)
		(119,449,437)	(1,807,049)	4,586,884	(116,669,602)

2012 in thousands of Korean won

Investee	Transaction	Beginning	Increased	Realized	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	Disposal of PP&E	(116,679,899)	-	1,087,505	(115,592,394)
	Disposal of intangible asset	(235,398)	-	-	(235,398)
	Disposal of inventories	(1,995,691)	(3,621,645)	1,995,691	(3,621,645)
		(118,910,988)	(3,621,645)	3,083,196	(119,449,437)

Financial information of the investees as of and for the years ended December 31, 2012, follows:

in thousands of Korean won

Investee	Assets	Liabilities	Sales	Profit (loss) for the year
Hyundai Cosmo Petrochemical Co., Ltd.	1,583,409,778	1,035,552,775	3,329,607,577	840,346
HYUNDAI-ENR	49,667,050	359,792	2,797,363	(189,115)
	1,633,076,828	1,035,912,566	3,332,404,940	651,231

13. Investment Property

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

in thousands of Korean won

	2013	2012
Acquisition cost	25,921,563	26,634,006
Ending net book value	25,921,563	26,634,006

Fair value of investment property as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Land	26,346,150	26,634,006

The Group revalues its investment property by an independent valuer on a three-year cycle.

Income and expenses on the investment property for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Rental income	330,000	330,000
Operating costs[1]	385,438	356,913

[1] Operating costs directly related to an investment property from which rental income was generated.

14. Property, Plant and Equipment

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

2013 in thousands of Korean won

	Land	Buildings	Structures	Machinery and equipment	Vessel	Vehicles	Tools	Construction-in-progress	Other property, plant and equipment	Total
Opening acquisition cost	950,905,731	285,631,241	1,003,292,480	2,698,286,770	-	13,270,161	142,310,397	148,074,085	82,998,404	5,324,769,269
Opening accumulated depreciation	-	(52,781,803)	(334,111,148)	(449,263,398)	-	(11,441,971)	(96,005,135)	-	(72,340,141)	(1,015,943,596)
Opening net book value	950,905,731	232,849,438	669,181,332	2,249,023,372	-	1,828,190	46,305,262	148,074,085	10,658,263	4,308,825,673
Acquisitions	1,491,297	491,032	54,052,861	1,391,544	-	626	9,745,231	468,458,985	-	535,631,576
Disposals	(49,852,029)	(6,822,516)	(6,804,276)	(665,890)	-	(19)	(1,202,789)	-	(5)	(65,347,524)
Transfer	19,016,134	12,117,171	128,563,001	75,395,262	18,738,438	203,029	4,073,558	(300,302,892)	41,992,323	(203,976)
Depreciation	-	(7,158,726)	(29,402,340)	(155,745,523)	(858,845)	(717,039)	(17,111,672)	-	(12,744,075)	(223,738,220)
Exchange differences	-	-	-	-	(648,867)	-	(241)	(321,180)	-	(327,928)
Ending acquisition cost	921,561,133	287,740,886	1,172,343,742	2,769,316,196	18,058,403	12,867,936	142,660,345	316,551,358	124,913,689	5,766,013,688
Ending accumulated depreciation	-	(56,264,487)	(356,753,164)	(599,917,431)	(827,677)	(11,553,149)	(100,850,996)	-	(85,007,183)	(1,211,174,087)
Ending net book value	921,561,133	231,476,399	815,590,578	2,169,398,765	17,230,726	1,314,787	41,809,349	316,551,358	39,906,506	4,554,839,601

2012 in thousands of Korean won

	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools	Construction-in-progress	Other property, plant and equipment	Total
Opening acquisition cost	963,016,854	275,408,426	954,144,845	2,610,830,602	13,511,744	132,868,332	102,702,258	82,737,809	5,135,220,870
Opening accumulated depreciation	-	(48,131,710)	(308,619,523)	(262,635,890)	(11,103,629)	(82,844,639)	-	(64,235,476)	(777,570,867)
Opening net book value	963,016,854	227,276,716	645,525,322	2,348,194,712	2,408,115	50,023,693	102,702,258	18,502,333	4,357,650,003
Acquisitions	2,024,479	393,687	790,565	1,566,754	1,427	11,191,998	216,420,585	-	232,389,495
Disposals	(20,283,189)	(4,150,034)	(1,071,568)	(2,604,004)	(14)	(1,421,318)	-	-	(29,530,127)
Transfer	6,147,587	16,254,618	51,464,337	89,003,458	151,328	3,829,639	(170,213,810)	312,071	(3,050,772)
Depreciation	-	(6,925,549)	(27,527,324)	(187,137,548)	(732,666)	(17,314,646)	-	(8,156,141)	(247,793,874)
Exchange differences	-	-	-	-	-	(4,104)	(834,948)	-	(839,052)
Ending acquisition cost	950,905,731	285,631,241	1,003,292,480	2,698,286,770	13,270,161	142,310,397	148,074,085	82,998,404	5,324,769,269
Ending accumulated depreciation	-	(52,781,803)	(334,111,148)	(449,263,398)	(11,441,971)	(96,005,135)	-	(72,340,141)	(1,015,943,596)
Ending net book value	950,905,731	232,849,438	669,181,332	2,249,023,372	1,828,190	46,305,262	148,074,085	10,658,263	4,308,825,673

Depreciation expense of ₩ 202,315 million (2012: ₩ 226,337 million) has been charged to 'cost of sales' and ₩ 21,423 million (2012: ₩ 21,457 million) to 'administrative expenses.'

As of December 31, 2013, a certain portion of the Group's property, plant and equipment is pledged as collateral for the Group's bonds, short and long-term borrowings, as follows:

in thousands of Korean won

Assets	Book value	Up to	Accounts	Related to the amount	Pledged to
Land	115,773,145	1,440,000,000	Borrowings (Note 17)	1,200,000,000	Korea Development Bank and Others Financial institutions
Building	98,102,282				
Structures	2,058,487,315				
Vessel	17,230,726	16,107,543		12,390,418	National Federation of Fisheries Co.
	2,289,593,468	1,456,107,543			

The Group has borrowed ₩ 100,000 million to construct facilities for manufacturing lubricant and fuel storage as of December 31, 2013. The Group's construction-in-progress related to the borrowings are planned to be pledged as collateral after the completion.

15. Intangible Assets

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

2013

in thousands of Korean won

	Goodwill	Development costs	Membership rights	Others	Total
Book value at January 1, 2013	56,629,475	3,251,096	12,448,028	10,338,746	82,667,344
Additions	-	238,551	982,625	6,709	1,227,885
Disposals	-	-	-	(1)	(1)
Amortization	-	(1,077,316)	-	(1,175,203)	(2,252,519)
Transfer	-	916,350	-	-	916,350
Exchange differences	-	-	(2,553)	(86)	(2,639)
Book value at December 31, 2013	56,629,475	3,328,681	13,428,100	9,170,165	82,556,420

2012

in thousands of Korean won

	Goodwill	Development costs	Membership rights	Others	Total
Book value at January 1, 2012	56,629,475	3,186,978	12,224,288	10,485,519	82,526,260
Additions	-	-	1,233,242	2,565	1,235,807
Disposals	-	-	(1,486,703)	-	(1,486,703)
Amortization	-	(982,571)	-	(1,663,280)	(2,645,851)
Transfer	-	1,046,690	490,000	1,514,034	3,050,724
Exchange differences	-	-	(12,798)	(95)	(12,893)
Book value at December 31, 2012	56,629,475	3,251,097	12,448,029	10,338,743	82,667,344

Amortization of ₩ 48 million (2012: ₩ 537 million) is included in 'cost of sales' in the statement of income and ₩ 2,205 million (2012: ₩ 2,109 million) in 'administrative expenses.'

15-1. Impairment of Intangible Assets

The Group's goodwill as of December 31, 2013, represents the goodwill arising from past acquisition. Goodwill is distributed based on the cash-generating units, by which the executives manage the goodwill.

in thousands of Korean won

	Goodwill allocation amount
Goodwill	56,629,475

The Group performs an annual impairment test for goodwill. The recoverable amount of the cash-flow generating units has been determined based on the value-in-use calculation. Furthermore, the value in use is calculated based on the approved five-year management plan using the forecasted pre-tax cash flows. The growth rate of the sales volume for five years and beyond are stated below. The growth rate did not exceed the long-term industrial average growth rate. Also, in calculating perpetual growth rate beyond five years, constant value is used. Assumptions used in calculation are as follows:

Assumptions	Rate
Operating profit margin compared to sales volume	2.09%
Growth rate of the sales volume[1]	(5.95%)
Growth rate beyond 5 years[2]	1.70%
Pre-tax discount rate[3]	8.20%

[1] Weighted average of sales growth rate calculated based on historical growth rate to forecast cash flows for five years.
[2] Consistent with the growth rate beyond five years used in the Industrial Report.
[3] Pre-tax discount rate applied in forecasted cash flows.

The Group determines the sales volume growth rate by the expectation level set based on the past performance and market development. The growth rate used is consistent with the forecasts included in the industry reports.

16. Trade and Other Payables

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

in thousands of Korean won

	2013	2012
Current		
Trade payables	1,893,228,850	1,839,694,367
Other payables	666,465,873	509,588,542
Accrued expenses	18,979,474	21,038,805
	2,578,674,197	2,370,321,714
Non-current		
Long-term other payables	33,000,000	33,000,000
Long-term withholdings	9,058,455	11,122,475
	42,058,455	44,122,475

17. Short and Long-term Financial Liabilities

Details of short-term financial liabilities as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Short-term borrowings	691,850,717	400,523,755
Current portion of long-term borrowings	152,214,394	152,359,500
Current portion of bonds	299,703,324	149,976,717
	1,143,768,434	702,859,972

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

in thousands of Korean won

	2013	2012
Long-term borrowings	1,015,921,524	1,065,171,180
Bonds	948,176,270	1,246,563,370
	1,964,097,794	2,311,734,550

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

in thousands of Korean won

Type of borrowings	Creditor	Interest (%)	2013	2012
Banker's usance	Woori Bank and others	0.48%~0.66%	691,850,716	400,523,755

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

in thousands of Korean won

Type of borrowings	Creditor	Interest (%)	2013	2012
Energy Invest Loan	KDB	1.75%	4,572,000	5,419,000
Syndicated Loan	KDB and others	4.80%	1,049,104,000	1,200,000,000
Environmental improvement loan	KDB	3.04%	2,069,500	2,686,000
Shipbuilding loan	National Federation of Fisheries Co.	5.40%	12,390,418	9,425,680
Facility loan	Shinhan Bank	3.46%	10,000,000	-
Facility loan	Shinhan Bank	3.46%	10,000,000	-
Facility loan	KEB	4.76%	35,555,559	-
Facility loan	Kookmin Bank	4.76%	17,094,016	-
Facility loan	Hana Bank	4.76%	17,094,016	-
Facility loan	Bank of communications	4.76%	10,256,409	-
			1,168,135,918	1,217,530,680
Less: Current maturities			(152,214,394)	(152,359,500)
Total			1,015,921,524	1,065,171,180

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

in thousands of Korean won

Series	Issuance date	Maturity date	Interest (%)	2013	2012
98th	2007.02.02	2014.02.02	5.44%	99,994,137	99,923,780
101st	2008.03.20	2013.03.20	-	-	149,976,717
103rd	2009.07.03	2014.07.03	6.80%	99,953,650	99,860,950
105th	2010.06.28	2015.06.28	5.75%	199,746,813	199,568,093
106th	2011.04.14	2014.04.14	4.36%	99,963,975	99,819,875
108th	2012.01.25	2015.01.25	3.98%	149,791,563	149,558,467
109th	2012.03.27	2015.03.27	4.08%	99,839,546	99,679,117
110th	2012.07.20	2017.07.20	3.52%	299,163,509	298,908,660
111-1st	2012.10.23	2016.10.23	3.24%	99,731,554	99,617,125
111-2nd	2012.10.23	2019.10.23	3.52%	99,694,847	99,627,304
				1,247,879,594	1,396,540,087
Less: Current maturities				(299,703,324)	(149,976,717)
Total				948,176,270	1,246,563,370

18. Defined Benefit Liability

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

in thousands of Korean won

	2013	2012
Present value of defined benefit liability	126,469,141	129,685,200
Fair value of plan assets	(136,719,545)	(112,643,032)
Contribution to National Pension Fund	(539,934)	(570,285)
Liability (Asset) in the statement of financial position[1]	(10,790,338)	16,471,883

[1] The Group states the liability (asset) in the statement of financial position as other non-current assets as of December 31, 2013.

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

in thousands of Korean won

	2013	2012
Beginning balance	129,685,200	101,383,248
Current service cost	20,257,738	17,526,054
Interest expense	4,750,192	4,466,164
Remeasurements:	(17,253,150)	15,464,754
Actuarial gains and losses arising from changes in demographic assumptions	(1,101,570)	-
Actuarial gains and losses arising from changes in financial assumptions	(8,741,746)	13,637,794
Actuarial gains and losses arising from experience adjustments	(7,409,834)	1,826,960
Transfer in	-	311,607
Benefits paid	(10,970,839)	(9,466,627)
Ending balance	126,469,141	129,685,200

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

in thousands of Korean won

	2013	2012
Beginning balance	112,643,032	89,714,715
Expected return on plan assets	4,319,715	3,142,508
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(802,800)	604,623
Contributions:		
Employer	30,100,000	27,610,259
Payments from plans:		
Benefit payments	(9,540,402)	(8,429,073)
Ending balance	136,719,545	112,643,032

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

in thousands of Korean won

	2013				2012			
	Quoted price	Unquoted price	Total	Composition	Quoted price	Unquoted price	Total	Composition
Cash and cash equivalents	136,719,545	-	136,719,545	100%	112,643,032	-	112,643,032	100%

Expected contributions to post-employment benefit plans for the financial year following the reporting period are ₩ 16,256 million.

The amounts recognized on the income statements for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Current service cost	20,257,738	17,526,054
Interest expenses	4,750,192	4,466,164
Expected return on plan assets	(4,319,715)	(3,142,507)
	20,688,215	18,849,711

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

in thousands of Korean won

	2013	2012
Discount rate at year-end	4.38%	3.93%
Future salary increases	2.98%~4.84%	3.07% ~5.18%

The sensitivity of the defined benefit obligations as of December 31, 2013, to changes in the weighted principal assumptions is:

in percentage, %

	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	1%	8.5% decrease	9.9% increase
Salary growth rate	1%	9.8% increase	8.6% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions using the same method, the projected unit credit method, is applied when calculating the defined benefit obligations recognized within the statement of financial position.

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

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

in thousands of Korean won

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years
Pension benefits	7,872,354	9,084,486	30,446,065	30,483,595

19. Provisions, Contingent Liabilities and Commitments

Provisions

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

2013

in thousands of Korean won

	January 1	Increase	Decrease	December 31
Provision for environmental restoration costs	14,719,889	758,877	(5,525,059)	9,953,707

2012

in thousands of Korean won

	January 1	Increase	Decrease	December 31
Provision for environmental restoration costs	24,394,644	-	(9,674,755)	14,719,889

Contingent liabilities

in billions of Korean won

	Description	Amount
Lawsuit as the defendant	Damage claim suit (The Fair Trade Commission)	10.5
	Damage claim suit (The Saeseoul oil corporation)	14.8
Lawsuit as the plaintiff	Revocation suit[1] (Alleged collusive oil price-fixing)	9.3
	Revocation suit[1] (Alleged collusive LPG price-fixing)	26.3
	Revocation suit[1] (The domicile of origin fixing)	75.4
	Revocation suit[1] (Restitution for reimbursement of petroleum import levy)	9.7
	Claim for payment recovery (Defense Acquisition Program Administration)	9.3

[1]Reflected as loss in the consolidated financial statements of the previous period.

Commitments

The Group has entered bank overdraft agreements with Korea Exchange Bank and others for up to ₩ 50,000 million (2012: ₩ 50,000 million), agreement for a discount note with Shinhan Bank for the amount of ₩ 50,000 million (2012: ₩ 50,000 million), and loan agreement with Korea Exchange Bank and others for up to ₩ 274,000 million, as of December 31, 2013.

The Group has entered an import letter of credit arrangement of US$ 5,034 million (2012: US$ 4,010 million) with the Korea Exchange Bank. Payment of US$ 880 million has been made as of December 31, 2013, to the beneficiary.

The Group has entered into a factoring agreement with Hana Bank for up to ₩ 400,000 millions, and ₩ 132,823 million has been paid as of December 31, 2013.

The Group has entered into a loan agreement with Hana Bank for up to ₩ 7,700 million related to executives and staff members as of December 31, 2013.

The Group entered into a long-term freight contract with chartering company in order to ensure the subsidiaries' stable operations.

The Group has entered into a purchase agreement with non-controlling shareholders for non-controlling interests of its subsidiary, Hyundai Oil Terminal Co., Ltd. Under the agreement, non-controlling shareholders have the option to request the purchase of relevant shares for the duration of one year from June 2017.

Guarantees provided

in thousands of US dollars

Holder	Amount	Details
HCP	USD 30,000	Payment guarantees of borrowings

20. Derivative Financial Instruments

As of December 31, 2013, the Group has entered into foreign exchange forward contracts to hedge foreign exchange fluctuation risk into commodity forward contracts to hedge price fluctuation risk related to the crude oil. The Group used valuations provided by financial institutions for fair values of all derivative financial instruments.

Details of derivative financial instruments as of December 31, 2013, are as follows:

in thousands of Korean won, USD

Purpose	Type of contract	Details of contract	Contract unit	Contract value
Cash flow hedge	Interest swap contract	CP floating rate risk hedge	KRW	70,000,000
Cash flow hedge	Commodity forward contracts	Refining margin risk hedge	USD	876,330
Trading purposes	Foreign exchange forward contracts	Foreign exchange risk hedge	USD	583,800,000
Trading purposes	Commodity forward contracts	Commodity price risk hedge	USD	326,760

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

2013

in thousands of Korean won

	Type of contract	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
Cash flow hedge	Interest swap contract	-	-	-	4,027,702
	Trading purposes	-	-	2,189,558	2,838,460
Trading purpose	Foreign exchange forward contracts	634,934	1,312,550	-	-
	Commodity forward contracts	421,183	211,359	-	-
		1,056,117	1,523,909	2,189,558	6,866,162

2012

in thousands of Korean won

	Type of contract	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
Cash flow hedge	Interest swap contract	-	-	5,940,814
Trading purpose	Foreign exchange forward contracts	27,508	1,266,691	-
	Commodity forward contracts	221,146	875,410	-
		248,654	2,142,101	5,940,814

For the years ended December 31, 2013 and 2012, realized and unrealized gain (loss) from derivative instruments transactions are as follows:

2013

in thousands of Korean won

	Gain/Loss	Disposal of financial instruments at fair value through profit or loss	Valuation of financial instruments at fair value through profit or loss
Trading purposes			
Foreign exchange forward contracts	Gain	51,897,658	634,934
	Loss	68,654,757	1,312,550
Commodity forward contracts	Gain	5,259,101	421,183
	Loss	2,179,321	211,359

2012

in thousands of Korean won

	Gain/Loss	Disposal of financial instruments at fair value through profit or loss	Valuation of financial instruments at fair value through profit or loss
Trading purposes			
Foreign exchange forward contracts	Gain	49,546,519	26,500
	Loss	88,965,336	1,265,683
Commodity forward contracts	Gain	2,719,751	221,146
	Loss	5,046,969	875,410

21. Equity

The Group's number of authorized shares is 500,000,000 shares. Total number of common stocks issued is 245,082,422 shares, and the par value per share is ₩ 5,000.

22. Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) as of December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Cash flow hedge gain/loss on valuation of derivative financial instruments	(3,544,866)	(4,503,137)
Currency translation differences	(739,175)	(588,362)
Share of other comprehensive income of associates	(2,829,073)	(4,318,796)
	(7,113,114)	(9,410,295)

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

2013

in thousands of Korean won

	Before tax	Tax effect	After tax
Beginning balance	(10,847,972)	(1,437,677)	(9,410,295)
Changes	2,603,120	305,939	2,297,181
Ending balance	(8,244,852)	(1,131,738)	(7,113,114)

2012

in thousands of Korean won

	Before tax	Tax effect	After tax
Beginning balance	(8,719,361)	(1,198,693)	(7,520,668)
Changes	(2,128,611)	(238,984)	(1,889,627)
Ending balance	(10,847,972)	(1,437,677)	(9,410,295)

23. Retained Earnings

Retained earnings as of December 31, 2013 and 2012, consist of:

in thousands of Korean won

	2013	2012
Legal reserves[1]	25,058,572	25,058,572
Unappropriated retained earnings	1,679,000,441	1,508,855,814
	1,704,059,013	1,533,914,386

[1] The Commercial Code of the Republic of Korea requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Group's majority shareholders.

24. Selling and Administrative Expenses

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

in thousands of Korean won

	2013	2012
Salaries	103,454,613	90,045,869
Freight expenses	103,617,955	77,359,993
Advertising expenses	14,817,857	12,958,477
Service costs	40,463,154	38,372,602
Promotional expenses	11,409,814	10,298,477
Commission expenses	24,684,961	23,500,210
Rental expenses	21,596,331	19,901,466
Depreciation and amortization	23,627,822	23,565,557
Bad debt expenses	3,442,212	805,085
Others	48,452,919	60,634,333
	395,567,638	353,120,091

25. Expenses by Nature

Expenses by nature for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Changes in inventories	2,157,807,324	1,572,885,391
Purchase of inventories	18,808,786,413	18,992,437,333
Depreciation	223,738,220	247,793,874
Amortization	2,252,519	2,645,851
Salaries	209,337,940	189,593,025
Others	598,574,493	387,857,452
	22,000,496,909	21,393,212,926

The sum of total expenses by nature equals to the sum of cost of sales and selling and administrative expenses in the statement of comprehensive income.

26. Finance Income and Expenses

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

in thousands of Korean won

	2013	2012
Finance income		
Interest income	7,548,454	9,219,965
Gain on foreign currency translation	4,892,943	9,131,170
Gain on foreign currency transactions	75,884,457	87,621,547
	88,325,854	105,972,682
Finance expenses		
Interest expense	122,260,004	153,154,482
Loss on foreign currency translation	257,491	-
Loss on foreign currency transactions	51,529,056	33,478,814
	174,046,551	186,633,296

27. Other Non-operating Income and Expenses

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

in thousands of Korean won

	2013	2012
Other non-operating income		
Gain on disposal of financial assets at fair value through profit or loss	57,156,759	52,266,270
Gain on valuation of financial assets at fair value through profit or loss	1,056,117	247,646
Foreign currency translation gain	8,989,799	37,962,086
Foreign currency transaction gain	166,841,936	206,805,430
Gain on disposal of property, plant, and equipment	9,109,591	2,344,736
Miscellaneous income	32,648,643	11,007,894
	275,802,845	310,634,062
Other non-operating expenses		
Loss on disposal of financial assets at fair value through profit or loss	70,834,733	94,012,305
Loss on valuation of financial assets at fair value through profit or loss	1,523,909	2,141,093
Foreign currency translation loss	7,283,568	31,528,379
Foreign currency transaction loss	224,036,265	174,558,142
Loss on disposal of property, plant, and equipment	10,705,106	5,146,853
Loss on disposal of intangible assets	-	121,113
Other bad debt expense	-	16,712
Donations	8,830,935	19,961,038
Guarantee commission	86,463	-
Miscellaneous expenses	58,027,621	1,934,842
	381,328,600	329,420,477
Total	(105,525,755)	(18,786,415)

28. Income Tax

Income tax expense for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Current income tax	39,856,841	29,941,597
Refund of prior year's income tax	12,438,514	-
Deferred income tax due to temporary differences	2,933,781	281,501
Deferred income tax due to tax losses	(240,992)	(194,361)
Deferred income tax due to tax credit	6,020,537	17,452,788
Deferred income tax charged to equity	(4,303,011)	3,835,136
Income tax expense	56,705,670	51,316,661

The tax on the Group's taxable income differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

in thousands of Korean won

	2013	2012
Net income	158,388,139	171,387,105
Income tax expense	56,705,670	51,316,661
Income before income taxes	215,093,809	222,703,766
Income taxes based on statutory rate	51,134,319	49,806,495
Effect of non-taxable income	(93,350)	(143,764)
Effect of non-deductible expenses	6,816,643	465,253
Effect of tax exemptions	(7,270,278)	1,189,108
Effect of change in tax rate	6,118,336	(431)
	56,705,670	51,316,661

Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and tax loss carryforwards as of December 31, 2013 and 2012, are as follows:

2013

in thousands of Korean won

Type	Temporary differences			Deferred assets (liabilities)
	Beginning balance	Changes	Ending balance	
Depreciation	15,726,473	2,605,986	18,332,458	4,436,455
Construction-in-progress	(212,113)	735,734	523,621	126,716
Contingent liabilities	32,733,896	(32,233,896)	500,000	121,000
Donations	2,469,000	(2,469,000)	-	-
Bad debt expense	9,207,121	133,728	9,340,849	2,260,486
Impairment of financial assets	436,145	-	436,145	105,547
Accrued income	(714,784)	279,279	(435,505)	(105,316)
Provisions	57,012,224	(7,863,723)	49,148,501	11,893,937
Loss on valuation of inventories	5,180,488	(214,961)	4,965,527	1,201,657
Gain (Loss) on disposal of property, plant, and equipment	1,779,820	(128,230)	1,651,591	399,685
Defined benefit liability	25,256,921	14,021,305	39,278,226	9,485,954
Plan assets	(103,761,240)	(9,365,299)	(113,126,539)	(27,376,622)
Gain (Loss) on valuation of derivative instruments	6,595,078	(2,128,298)	4,466,780	1,080,961
Promotion expense	1,578,271	(564,866)	1,013,405	245,244
Revaluation of assets	(465,936,732)	26,716,141	(439,220,591)	(106,291,383)
Advanced depreciation provision	(97,798,225)	-	(97,798,225)	(23,667,170)
Actuarial gains and losses	83,066,722	(16,595,209)	66,471,513	16,105,075
Accrued expenses	5,777,676	(935,946)	4,841,730	1,171,699
Others[1]	-	21,444,849	21,444,849	3,852,490
Tax losses	-	-	-	435,353
Tax credit carryforwards	-	-	-	33,262,647
	(421,603,259)	(6,562,406)	(428,165,665)	(71,255,585)

[1] Deferred tax is not recognized for temporary differences associated with investments in subsidiaries because dividends and disposal of shares in the investee company are unlikely to happen and therefore it is probable that such temporary differences will not reverse in the foreseeable future. Unrecognized deferred tax liabilities for temporary differences is 5,559 million as of December 31, 2013.

2012

in thousands of Korean won

Type	Temporary differences: Beginning balance	Temporary differences: Changes	Temporary differences: Ending balance	Deferred assets (liabilities)
Depreciation	18,990,505	(3,264,033)	15,726,472	3,805,806
Construction-in-progress	(1,072,622)	860,509	(212,113)	(51,331)
Contingent liabilities	32,733,896	-	32,733,896	7,921,603
Donations	1,036,000	1,433,000	2,469,000	597,498
Bad debts expense	12,816,645	(3,609,523)	9,207,122	2,228,123
Impairment of financial assets	436,145	-	436,145	105,547
Accrued income	(761,671)	46,887	(714,784)	(172,278)
Provisions	85,375,504	(28,363,280)	57,012,224	13,796,958
Loss on valuation of inventories	5,978,047	(797,560)	5,180,487	1,253,678
Gain (Loss) on disposal at property, plant, and equipment	1,924,471	(144,651)	1,779,820	430,716
Defined Benefit Liability	20,663,068	4,593,853	25,256,921	6,112,175
Plan assets	(88,869,659)	(14,891,581)	(103,761,240)	(25,110,220)
Gain (Loss) on valuation of derivative instruments	4,843,137	1,751,942	6,595,079	1,596,009
Promotion expense	2,021,277	(443,006)	1,578,271	381,942
Revaluation of assets	(495,074,677)	29,137,945	(465,936,732)	(112,756,689)
Advanced depreciation provision	(97,798,225)	-	(97,798,225)	(23,667,170)
Actuarial gains and losses	68,206,590	14,860,132	83,066,722	20,102,147
Accrued expenses	8,146,557	(2,338,949)	5,807,608	1,405,681
Tax losses	-	-	-	194,361
Tax credit carryforwards	-	-	-	39,283,184
	(420,405,012)	(1,168,315)	(421,573,327)	(62,542,260)

Details of deferred income tax charged to equity are as follows:

in thousands of Korean won

	2013	2012
Gain on valuation of derivative instruments	1,131,738	1,437,677
Actuarial gains (losses)	16,105,075	20,102,147
	17,236,813	21,539,824

29. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

in thousands of Korean won, except per share amount

	2013	2012
Profit for the year	157,669,673	171,595,199
Profit attributable to ordinary shares	157,669,673	171,595,199
Weighted average number of ordinary shares in issue	245,082,422 shares	245,082,422 shares
Basic earnings per share (Korean won)	643	700

Diluted earnings per share is equal to basic earnings per share.

30. Cash Generated from Operations

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

in thousands of Korean won

	2013	2012
Adjustments for:		
Severance and retirement benefits	20,688,217	18,848,357
Depreciation	223,738,221	247,793,874
Amortization	2,252,519	2,645,851
Bad debt expense	3,442,212	805,085
Miscellaneous bad debt expense	-	16,712
Interest expense	122,260,004	153,154,482
Foreign currency translation losses	7,541,059	31,528,379
Loss on disposal of financial assets at fair value through profit or loss	70,834,733	94,012,305
Loss on valuation of financial assets at fair value through profit or loss	1,523,909	2,141,093
Reversal of loss on valuation of inventories	(137,929)	(452,570)
Loss on disposal of property, plant, and equipment	10,705,106	5,146,853
Loss on disposal of intangible assets	-	121,113
Miscellaneous expenses	2,465,762	-
Income tax expense	56,705,670	51,316,661
Foreign currency translation gain	(13,882,742)	(47,093,256)
Gain on disposal of financial assets at fair value through profit or loss	(57,156,759)	(52,266,270)
Gain on valuation of financial assets at fair value through profit or loss	(1,056,117)	(247,646)
Gain on equity method	(3,171,640)	(14,938,823)
Gain on disposal of property, plant, and equipment	(9,109,591)	(2,344,736)
Interest income	(7,548,454)	(9,219,965)
	430,094,180	480,967,499

in thousands of Korean won

	2013	2012
Changes in Operating Assets and Liabilities		
Trade receivables	(150,095,968)	25,463,743
Other receivables	122,190	(48,753,170)
Inventories	(164,301,772)	215,769,750
Other current assets	33,007,127	(8,918,822)
Trade payables	71,154,780	(276,177,780)
Other payables	137,361,663	(94,796,526)
Other current liabilities	(25,030,659)	22,452,994
Long-term trade and other payables	(2,037,665)	(636,471)
Defined benefit liability	(31,500,087)	(28,265,792)
Long-term provisions	(4,766,182)	(9,674,755)
Deferred income	(1,845,541)	(16,169,948)
	(137,932,114)	(219,701,801)

Significant non-cash investing and financing activities for the years ended December 31, 2013 and 2012, are as follows:

in thousands of Korean won

	2013	2012
Transferred from construction-in-progress to other property, plant and equipment and intangible assets accounts	300,302,892	169,956,020
Investment in the form of construction-in-progress	-	8,235,000
Accounts payable related to property, plant and equipment	5,926,933	-
Reclassification from long-term bonds payable to short-term bonds payable	299,703,324	150,000,000
Reclassification of current maturities for borrowings	151,390,200	152,359,500

31. Related Party Transactions

As of December 31, 2013 and 2012, the Parent Group is Hyundai Heavy Industries Co., Ltd. (percentage of ownership: 91.13%) which is also the ultimate parent company.

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

	2013	2012	Relationship
Joint venture	Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	
Associates	HYUNDAI-ENR	HYUNDAI-ENR	A subsidiary of Hyundai Heavy Industries Co., Ltd.
Other related parties	The subsidiaries of Hyundai Heavy Industries Co., Ltd. Etc.	The subsidiaries of Hyundai Heavy Industries Co., Ltd. Etc.	

Sales and purchases with related parties for the years ended December 31, 2013 and 2012, are as follows:

2013

in thousands of Korean won

Count party	Sales of goods	Purchase of raw materials	Proceeds from sale of property, plant and equipment	Acquisition of property, plant and equipment	Other sales	Other purchase
Parent company						
Hyundai Heavy Industries Co., Ltd.	81,107,024	-	-	51,757,302	323	3,689,006
Joint venture						
Hyundai Cosmo Petrochemical Co., Ltd.	1,950,318,008	1,486,491,019	-	53,908,760	533,201	-
Other related parties						
Hyundai Corporation	391,675,856	-	-	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	7,219,554	-	-	3,632,637	-	-
Hyundai Samho Heavy Industries Co., Ltd.	17,525,273	-	-	-	-	58,431
Hyundai Merchant Marine Co., Ltd.	20,369,802	78,499,475	-	-	-	-
HYMS	104,408,725	-	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte. Ltd.	318,357,154	-	-	-	-	198,288
Hyundai Asan Co., Ltd.	3,853,395	-	-	-	-	-
Others	2,421,307	-	-	-	-	4,354,548
	2,897,256,098	1,564,990,494	-	109,298,699	533,524	8,300,273

2012

in thousands of Korean won

Count party	Sales of goods	Purchase of raw materials	Proceeds from sale of property, plant and equipment	Acquisition of property, plant and equipment	Other sales	Other purchase
Parent company						
Hyundai Heavy Industries Co., Ltd.	2,049,780	-	2,044,060	71,231,315	-	2,396,564
Joint venture						
Hyundai Cosmo Petrochemical Co., Ltd.	2,028,121,812	1,287,247,566	-	-	83,629	134,903
Other related parties						
Hyundai Corporation	319,919,122	-	-	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	16,563	-	-	10,883,808	-	-
Hyundai Samho Heavy Industries Co., Ltd.	28,950,791	-	-	-	-	12,554
Hyundai Merchant Marine Co., Ltd.	466,423	74,081,373	-	-	-	-
HYMS	168,535,587	-	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte. Ltd.	303,467,402	-	-	-	-	-
Others	1,613,823	-	-	-	-	1,003,122
	2,853,141,303	1,361,328,939	2,044,060	82,115,123	83,629	3,547,143

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2013 and 2012, are as follows:

2013

in thousands of Korean won

	Receivables			Payables	
	Trade receivables	Loans	Other receivables	Trade payables	Other payables
Parent company					
Hyundai Heavy Industries Co., Ltd.	20,451,738	-	-	-	2,352,386
Joint venture					
Hyundai Cosmo Petrochemical Co., Ltd.	158,290,007	-	28,997	167,640,389	-
Other related parties					
Hyundai Corporation	10,777,892	-	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	2,059,820	-	-	-	9,765
Hyundai Samho Heavy Industries Co., Ltd.	1,215,735	-	198,900	-	755
Hyundai Merchant Marine Co., Ltd.	11,854,560	-	-	6,159,229	-
HYMS	4,922,351	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte. Ltd.	12,977,838	-	-	-	-
Hyundai Asan Co., Ltd.	1,560,562	1,000,000	-	-	5,599,937
Others	121,163	-	-	279,167	2,500,893
	224,231,666	1,000,000	227,897	174,078,785	10,463,736

2012

in thousands of Korean won

	Receivables			Payables	
	Trade receivables	Loans	Other receivables	Trade payables	Other payables
Parent company					
Hyundai Heavy Industries Co., Ltd.	339,809	-	2,248,466	-	100,010
Joint venture					
Hyundai Cosmo Petrochemical Co., Ltd.	173,908,696	-	10,408	125,360,907	-
Other related parties					
Hyundai Corporation	10,290,905	-	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	1,350	-	-	-	-
Hyundai Samho Heavy Industries Co., Ltd.	2,200,565	-	149,500	-	1,669
Hyundai Merchant Marine Co., Ltd.	-	-	-	4,389,551	-
HYMS	14,856,662	-	-	-	267,672
HYUNDAI CORP. SINGAPORE Pte. Ltd.	15,701,401	-	-	-	-
Hyundai Asan Co., Ltd.	-	1,000,000	-	-	-
Others	172,207	-	-	-	-
	217,471,595	1,000,000	2,408,374	129,750,458	369,351

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

The Group has entrusted HI Investment & Securities Co., Ltd., an other related party of the Group, with short-term funds to invest in Money Market Trust (MMT) with an average daily balance of ₩ 14,893 million (2012: ₩ 21,047 million). For the year ended 2013 and 2012, the Group does not have remaining balances in the MMT. The Group has deposited plan assets of ₩ 5,161 million in HI Investment & Securities Co., Ltd. account as of December 31, 2013.

2012

in thousands of Korean won

	Loan transactions		Borrowing transactions		Equity contributions in cash
	Loans	Repayments	Borrowings	Repayments	
Joint venture					
Hyundai Cosmo Petrochemical Co., Ltd.	-	-	-	-	112,600,000

HI Investment & Securities Co., Ltd., an other related party of the Group, acquired bonds at the amount of ₩ 260 billion for the year ended December 31, 2013 issued by the Group for the year ended December 31, 2012.

Details of payment guarantees provided by the Group for the funding sources of the related parties as of December 31, 2013, are as follows, no collaterals is provided by the Group, and no collaterals and payment guarantees are provided by the related parties:

in thousands of USD

	Guaranteed by	Guaranteed amount	Guarantee period	Remark
Joint venture				
Hyundai Cosmo Petrochemical Co., Ltd.	Mizuho Bank	USD 30,000	10/26/2012 ~ 9/30/2019	Borrowings

The compensation paid or payable to key management for employee services consists of:

in thousands of Korean won

	2013	2012
Short-term salaries	1,186,521	772,592
Post-employment benefits	260,021	261,555
	1,446,542	1,034,147

Key management includes directors (executive and non-executive) and members of the Executive Committee.

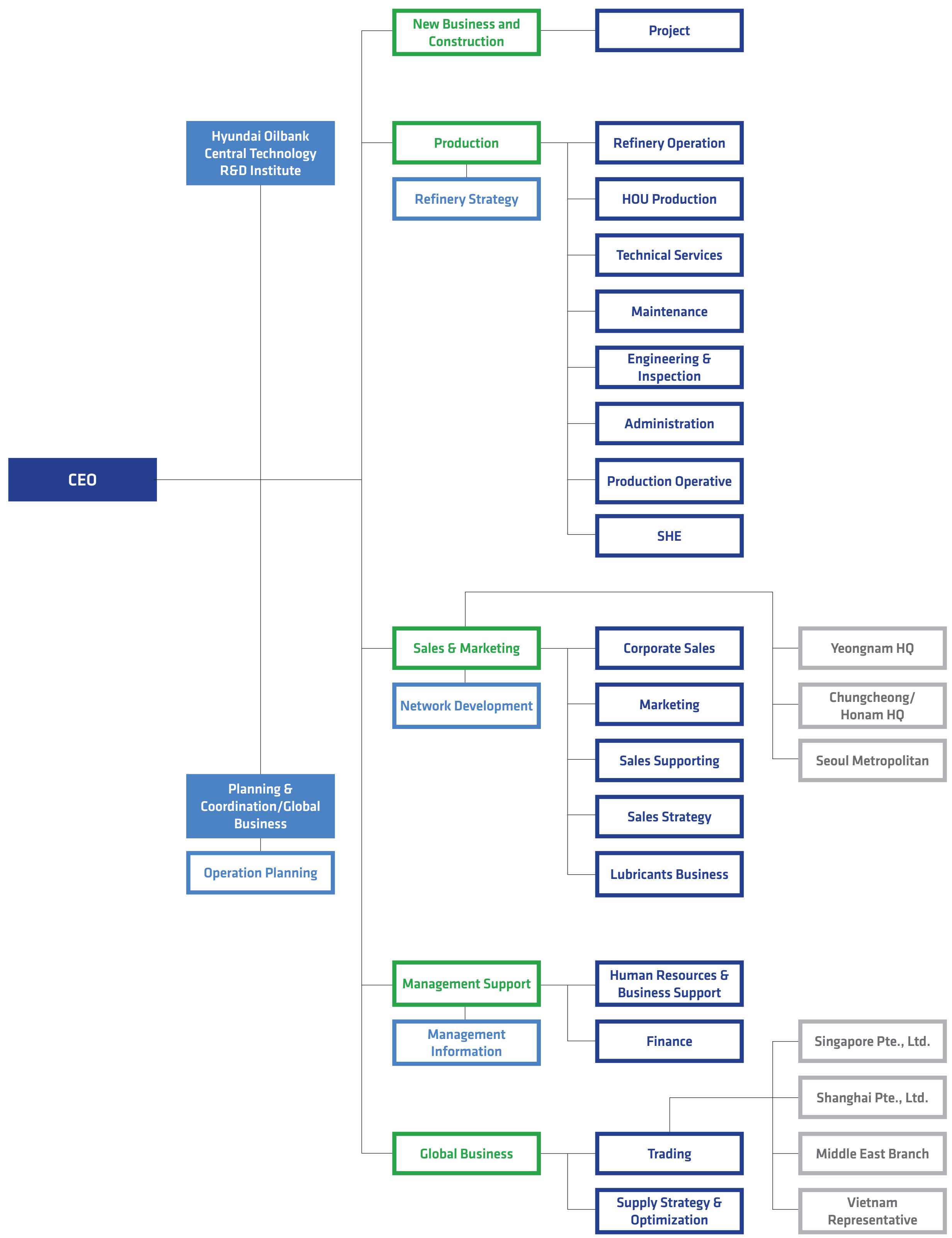
32. Events after the Reporting Period

The Group decided to newly establish Hyundai Chemical Co., Ltd. by the resolution of the Board of Directors on January 21, 2014.

According to the Group's plans, the Group will establish Hyundai Chemical Co., Ltd. in ₩ 480 billion in capital and acquire 60% of the outstanding shares of the Group and Lotte Chemical Co., Ltd. will acquire the remaining interests.

Hyundai Chemical Co., Ltd. will be engaged in condensate oil refining and mixed xylene manufacturing.

ORGANIZATION



CORPORATE HISTORY

2013

2013. 12. Completed oil terminal at Ulsan New Port
2013. 11. Ranked first in KS-CQI in refinery category
2013. 06. Launched lubricant business and XTeer automobile engine oil brand
2013. 07. Signed MOU for mixed-xylene manufacturing with Lotte Chemical
2013. 02. 1% Nanum Foundation signed agreement on overseas school support projects with Good Neighbors
2013. 02. Named one of the top 10 companies in Best Employers in Korea by Aon Hewitt
2013. 01. Began construction of lubricant base oil plant with Shell

2012

2012. 12. Received USD 8 billion Export Tower on Trade Day from Korea International Trade Association (KITA)
2012. 12. President & CEO Kwon Oh-gap received Silver Tower Industrial Medal on Trade Day
2012. 11. Achieved mechanical completion of #2 BTX
2012. 11. Ranked first in KS-CQI in the entire industry category and KS-SQI in refinery category
2012. 10. Received Presidential Award at 1st Korea Knowledge Awards
2012. 09. Completed FBC
2012. 07. President & CEO Kwon Oh-gap received Dasan Management Award from Korea Economic Daily
2012. 04. Completed Hanameum Hall for business partners
2012. 04. Launched Hyundai and Shell Base Oil, a joint venture with Shell
2012. 02. Launched Hyundai Oilbank 1% Nanum Foundation
2012. 02. Launched collaboration for lubricant base oil business with Shell

2011

2011. 11. Established Hyundai Oilbank R&D Institute
2011. 10. Began construction of oil terminal at Ulsan New Port
2011. 09. Signed agreement on 1% sharing, a first among large companies in South Korea
2011. 09. Completed #2 HOU plant
2011. 03. Launched Customer Advisory Panel

2010

2010. 08. Kwon Oh-gap appointed president and CEO
2010. 08. Became an affiliate of the Hyundai Heavy Industries Group
2010. 07. Ranked No. 1 on the Korea Service Quality Index (KSQI) survey conducted by Korea Management Association Consulting
2010. 06. Won the Korea Great Workplace award from Hankyung Magazine

2000s

2009. 12. Received USD 5 billion Export Tower award on Trade Day from Korea International Trade Association (KITA)
2009. 07. Ranked first in the Korean Standard-Service Quality Index (KS-SQI) survey by Korea Management Consulting (KMAC) in the refinery call center category
2009. 06. Finalized construction plans of BTX plant with annual production capacity of 910,000 tons of P-Xylene and other petrochemical products with Cosmo Oil of Japan
2009. 03. Received Grand Prix at the "7th Ethical Management Awards" from the New Industry Management Academy
2008. 12. Received Prime Minister Award at the 15th Corporate Innovation Awards from Korea Chamber of Commerce and Industry
2008. 11. Signed agreement on #2 HOU project plant construction for Daesan refinery
2008. 04. Signed agreement on strategic alliance for oil refinery business with Cosmo Oil of Japan
2007. 06. Received A2+ rating for commercial paper
2007. 03. Began operation of Jeju Oil Storage of 52,000 barrels
2007. 01. Received A rating in compliance program
2006. 03. Received grand prize in Best Ethical Management Company Awards from the Ministry of Commerce, Industry, and Energy (MOCIE) in the manufacturing category
2005. 11. Completed Clean Fuel Project
2004. 11. Named Good Company For New Management-Employees Culture by the Ministry of Labor
2002. 04. Changed company name to Hyundai Oilbank Co., Ltd.

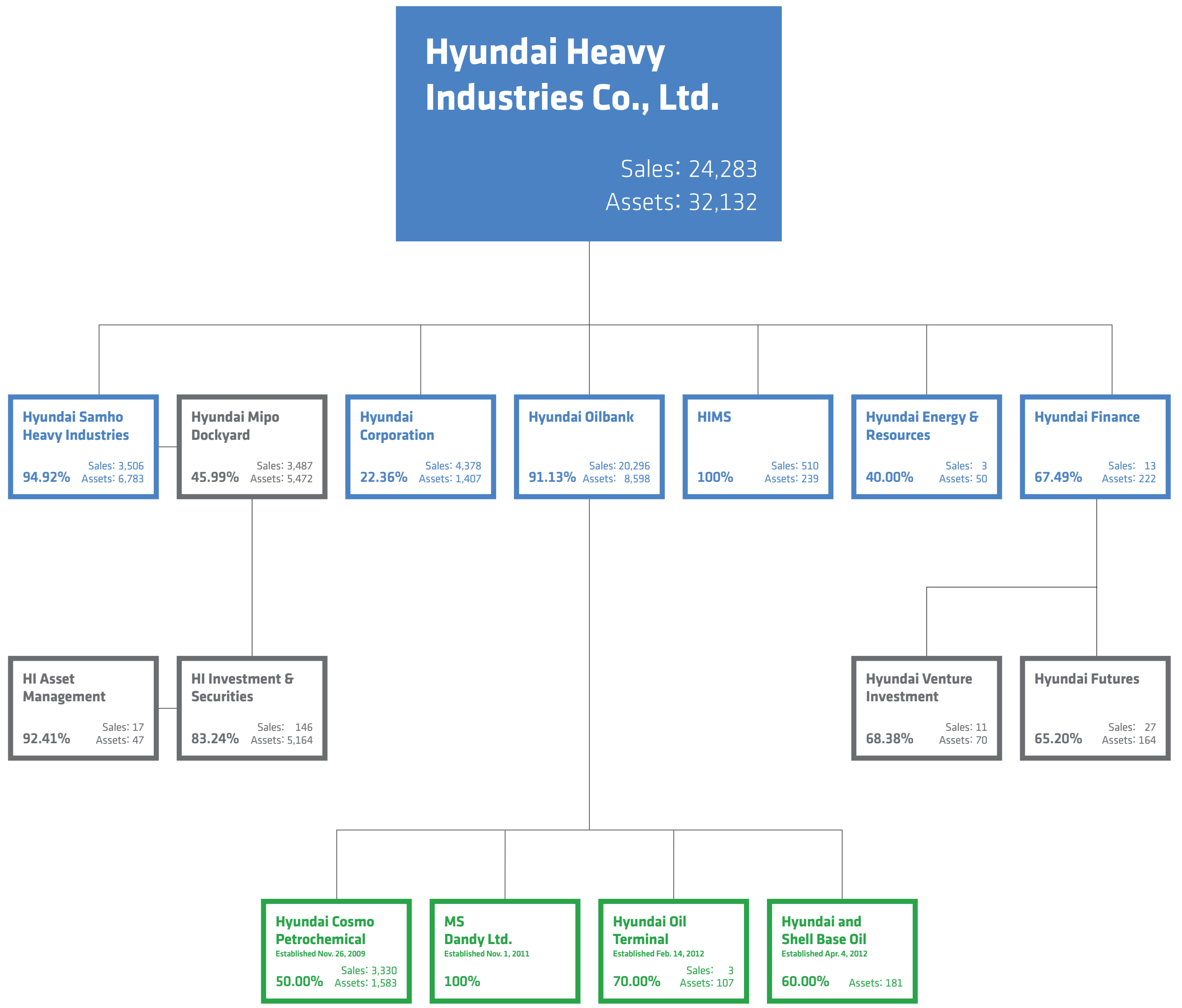
1960s~1990s

1999. 12. Acquired Hanwha Energy and merged with Hanwha Energy Plaza
1998. 05. Completed #1 BTX plant (400,000 tpa)
1996. 05. Completed oil refining facility at the Daesan plant (200,000 bpd)
1994. 06. Launched the Oilbank brand
1993. 07. Changed company name to Hyundai Oil Refinery Co.,Ltd.
1989. 11. Obtained approval for additional crude refining capacity (100,000 bpd)
1989. 07. Completed Daesan plant (Awarded Presidential Citation)
1988. 11. Changed company name to Kukdong Oil Refining Co.,Ltd.
1988. 08. Launched commercial operation of atmospheric distillation plant (60,000 bpd)
1978. 08. Completed crude refining facility (10,000 bpd)
1977. 05. Changed company name to Kukdong Oil Co., Ltd.
1969. 01. Changed company name to Kukdong Shell Oil Co., Ltd.
1964. 11. Established as Kukdong Oil Industrial Company (Licensed as a petroleum refinery)

HYUNDAI HEAVY INDUSTRIES GROUP

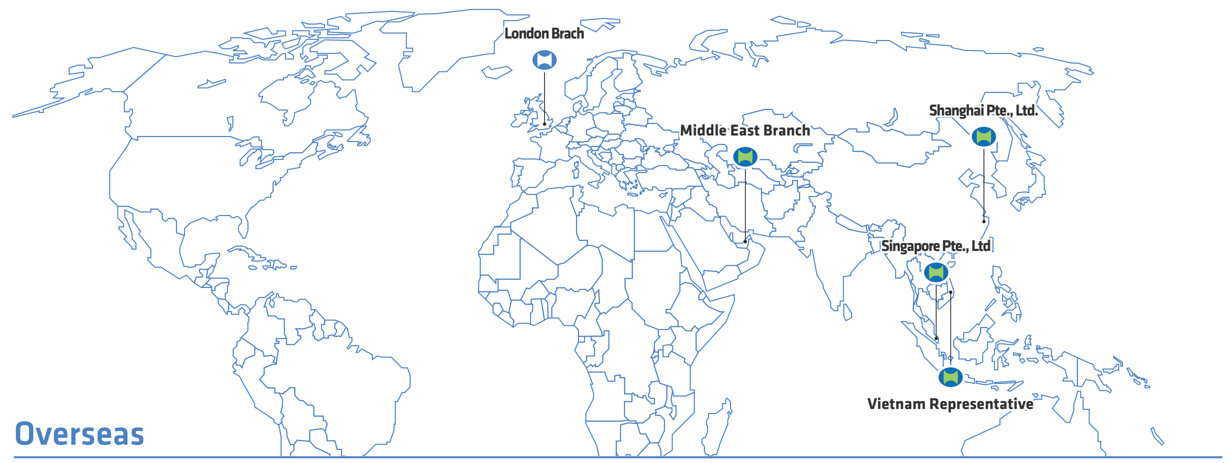
As a member of the world-renowned Hyundai Heavy Industries Group, we are now expanding beyond our core oil refining business and diversifying our business portfolio as we develop new engines that will drive our future growth. In the years ahead, we are committed to becoming a world-class total energy company, meeting the energy needs of Korea and the world.

In KRW billions



* Sales and assets are as of December 31, 2013.
* Sales and assets of Hyundai Oilbank are based on non-consolidated K-IFRS.
* Sales and assets of Hyundai Futures, HI Investment & Securities, and HI Asset Management are as of March 31, 2013.

GLOBAL NETWORK



Overseas

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(will be established)

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Yeongseo Branch	2 Sicheong-ro, Wonju, Gangwon-do, Korea	Tel: +82-33-744-4649
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Gwangju Branch	72 Sicheong-ro (Chipyeong-dong), Seo-gu, Gwangju, Korea	Tel: +82-62-602-5145
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Jeonbuk Branch	751 Baekje-daero (Inhu-dong 2-ga), Deokjin-gu, Jeonju, Jeollabuk-do, Korea	Tel: +82-63-242-5151
Cheonan Mobile	18 Beodeul-ro (Munhwa-dong), Dongnam-gu, Cheoan, Chungcheongnam-do, Korea	Tel: +82-70-7496-1421
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