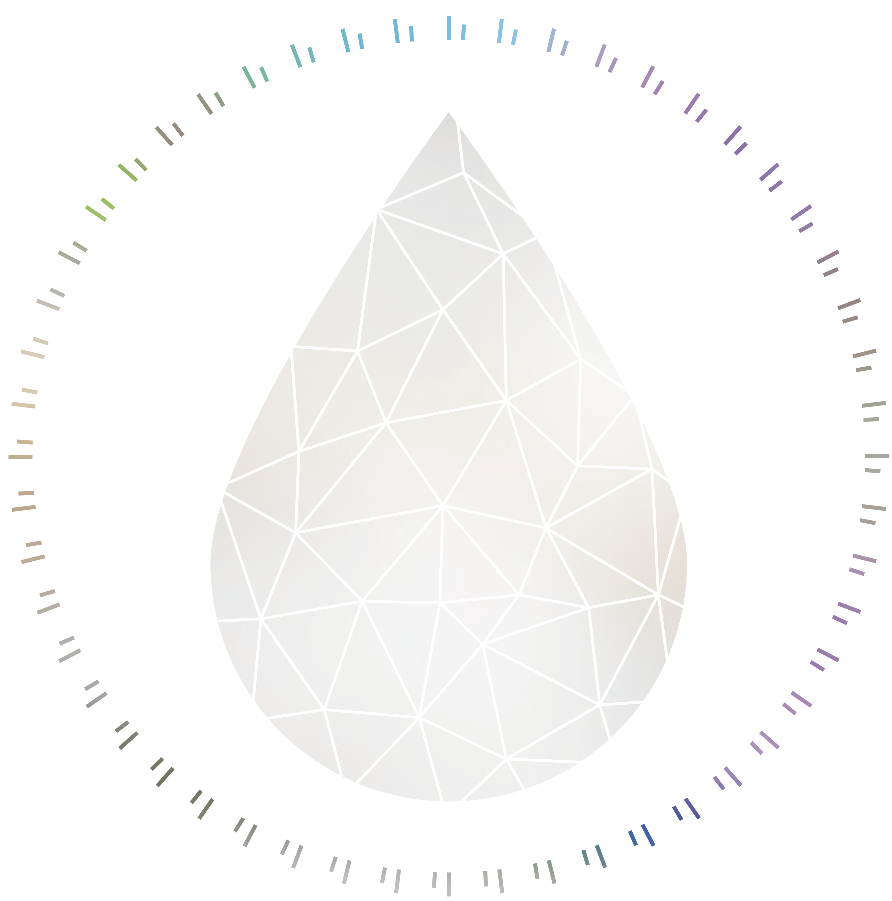
HIGHER RELIABILITY



Hyundai Oilbank

2014 Financial Highlights

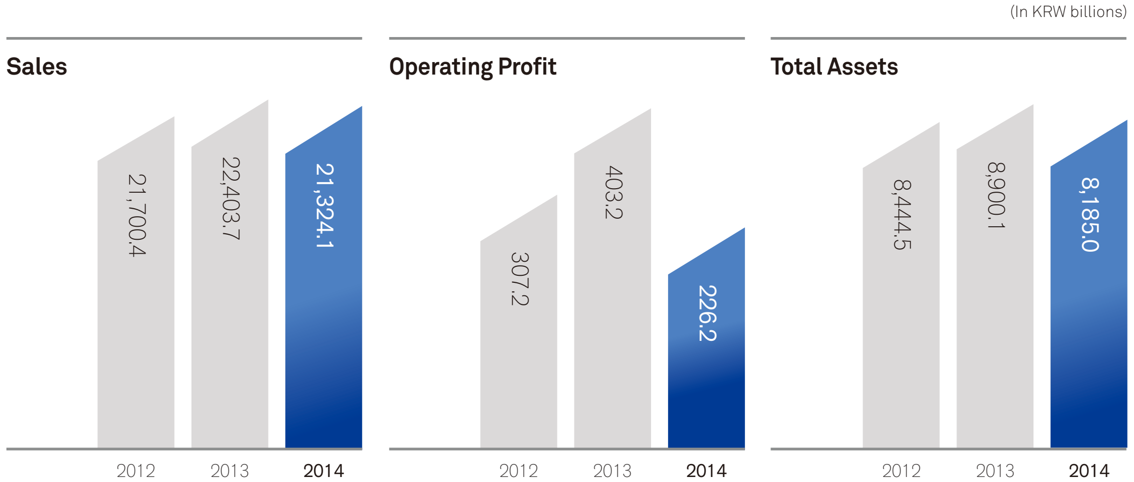
Hyundai Oilbank was the only company in the oil refinery industry in South Korea to generate an operating profit in 2014. This was achieved by efficiently responding to difficult market conditions, such as the global economic slump and plummeting oil prices, primarily through the diversification of suppliers and cost reductions. Moving forward, we will grow into a total energy provider by continuously creating revenues and strengthening our financial structure further via steady investment, diversified earnings structure, and preemptive responses to the market conditions.

	2012	2013	2014
For the Year			
Sales	21,700.4	22,403.7	**21,324.1**
Operating Profit	307.2	403.2	**226.2**
Profit Before Income Tax	222.7	215.1	**18.5**
Net Income	171.4	158.4	**4.2**
At Year-End			
Total Assets	8,444.5	8,900.1	**8,185.0**
Total Liabilities	5,682.9	5,941.4	**5,210.5**
Total Equity	2,761.6	2,958.7	**2,974.5**
Stability Indicators			
Current Ratio	116.3%	102.2%	**95.0%**
Liabilities-to-Equity Ratio	205.8%	200.8%	**175.2%**
Dependence on Borrowings	35.7%	34.9%	**42.4%**
Interest Coverage Ratio	2.0	3.3	**2.0**

* Based on K-IFRS

(In KRW billions)

(In KRW billions)



Higher Reliability

Marking its 50th anniversary in 2014, Hyundai Oilbank dedicated efforts to maximizing its corporate value through continued investments and business diversification. We sharpened our competitiveness to deliver the best products and expand our markets. This includes producing the industry's highest-level upgrading ratio and increasing petrochemical production capacity. We also focused on putting our new oil terminal and base oil businesses into place, and successfully introducing the XTeer automobile engine oil to the market, all of which created a solid basis for revenue generation. As a result, we surmounted the aggravating management environment following sharp falls in oil prices, and became the only oil refinery in South Korea to record a surplus in 2014. For 2015, we will continue to strive to become a top total energy company in the world by producing better products and creating diverse values through improved cost competitiveness and efficient management while promptly responding to rapid market changes.

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We will secure our position as a trusted company, creating greater values with a higher competitiveness.

In 2014, Hyundai Oilbank maintained a surplus for the tenth consecutive quarter, backed by its cost-reduction efforts and stable domestic market share at the 22% level. In 2015, we will overcome the challenging business climate by enhancing our cost competitiveness and promptly responding to environmental changes, while building the groundwork to evolve into a global total energy company by seeking out new growth engines.

Dear valued shareholders, customers and other stakeholders:

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

In 2014, Hyundai Oilbank maintained a surplus for the tenth consecutive quarter, even during a difficult operating environment that saw a downfall in oil prices. This was attributed to our efforts in cost reductions, including supplier diversification; exhaustive inventory management and energy efficiency; as well as maintaining our stable domestic market share of 22%. We also ensured the highest levels of safety at our work sites, especially in situations when several projects were carried out simultaneously. As a result, we achieved 3,000,000 zero-accident man-hours. Our success has earned us a number of awards including the Corporate Innovation Award, the Korea Safety Award, and the Labor-Management Culture Award.

As for our initiatives in business diversification, we produced tangible results in the new businesses established. Hyundai and Shell Base Oil's production plant, which is capable of processing 650,000 tons annually, and Hyundai Oil Terminal, the industry's first commercial oil storage facility, began commercial operations. Our #9 cokes boiler, a cutting-edge heat supply facility, and our Daegu Logistics Center, a logistics base in the southeast region, are also in smooth operation.

In 2015, the economic slowdown and depreciating oil prices are anticipated to continue. In order to overcome the challenging business climate, Hyundai Oilbank has set management goals for the new year to "Enhance cost competitiveness", and "Respond to environmental changes promptly". As our situation has become more uncertain than ever, we will devote to minimizing our oil price risk and importing economically feasible crude oil by carefully analyzing the international petroleum market.

To yield long-term success, we will steadfastly pursue the construction of Hyundai Chemical's plant and new enterprises, including the carbon black business, which will underpin future growth engines.

Hyundai Chemical's condensate refining and mixed-xylene (MX) manufacturing business is targeting commercial operations at the end of 2016. The plant will mainly produce 1,200,000 tons of MX and light oil by refining 130,000 barrels of condensate crude oil. When completed, our crude oil processing capacity will be upgraded from 390,000 to 520,000 barrels daily, and we expect to increase exports by KRW 3 trillion annually through this endeavor.

Our carbon black business is smoothly underway, aiming for commercial operations in 2017. In the meantime, we will focus on building the groundwork to develop into a global total energy company by seeking out other growth engines, including group-wide cooperation projects.

As caring and concerned members of society, we will continue to actively fulfill our corporate social responsibilities. Hyundai Oilbank operates the 1% Nanum Foundation through the employees' voluntary donations of their monthly salaries, a first among large domestic companies. The Foundation is carrying out a wide range of projects to help our neighbors in need. Going forward, investing in community enhancement will always remain one of our priorities.

Thank you once again for your interest and unwavering support that you have given us for the last fifty years. Going forward, we ask for your continued support and encouragement. At Hyundai Oilbank, all of our members will continue to contribute to community development and the national economy, while raising the values of our shareholders, customers, and other stakeholders.

Thank you.

President & CEO
Moon Jong-bak

Vision 2020

A Global Energy Company with International Competitiveness

- An energy company with the best productivity
- Grow through overseas expansion
- A respected company that fulfills its social responsibilities
- Achieve KRW 50 trillion in sales and KRW 2 trillion in operating profit

Marking its 50th anniversary, Hyundai Oilbank declared its "Vision 2020". The new vision reflects our solid ambition to thrive into a global total energy company. We've set our sights on breaking away from our business portfolio, which has been focused on crude oil refining and has made up the majority of our revenues for the past 50 years.

We are pursuing new businesses that include carbon black, as well as lubricant base oil, oil storage, and MX businesses. Our goal is to evolve into a global energy company with international competitiveness by 2020.

Achieve sales of KRW 50 trillion and operating profit of KRW 2 trillion by 2020

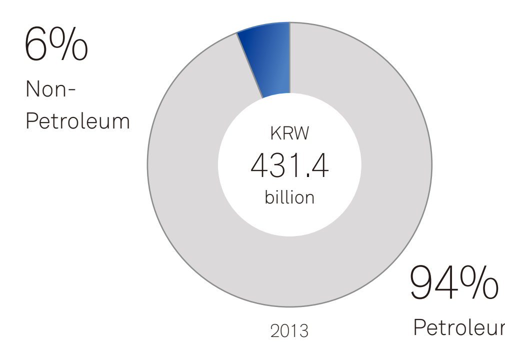
Sales of KRW 50 Trillion

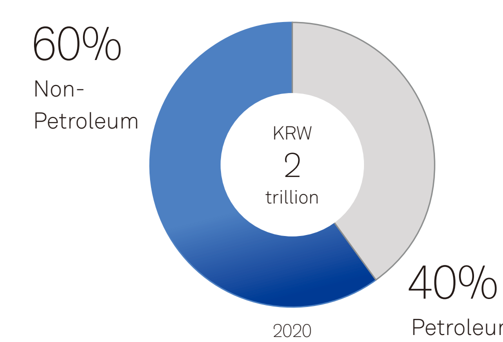
We will maintain the industry's highest profitability in the petroleum business by increasing our efficiency mainly through the diversification of suppliers, cost reductions, and the improvement of our processes, while continuing to promote new businesses that will become our future growth engines. Based on this, we will achieve sales of KRW 50 trillion, and secure the foundation to be a total energy company by 2020.

(In KRW trillion)

Operating Profit of KRW 2 Trillion

We aim to proactively pursue a new petrochemical business using byproducts from the oil refining process. Our goals are to achieve KRW 2 trillion in operating profit through business diversification by 2020, and diversify our revenue structure with non-petroleum businesses making up more than 60% of our operating profit in the mid- to long-term.





2014 Highlights

1

Growing More ...: Key Businesses

Sustaining Growth by Creating Value in the Petroleum Business

Exploring More ...: New Businesses

Innovating Value by Putting New Businesses into Place

Developing More ...: Great Workplace

Becoming an Innovative and Respectful Workplace

Sharing More ...: Responsibilities

Spreading the Culture of Shared Values

Growing More ...: Key Businesses

Sustaining Growth by Creating Value in the Petroleum Business

In 2014, Hyundai Oilbank was the only company in the domestic industry to generate an operating profit during a period where refining margins were aggravated due to the global economic slump, and where radical changes in international oil prices and exchange rates were made. We improved our refining margins through the industry's highest-level upgrading ratio, crude oil supplier diversification, and inventory management, while raising our competitive edge in the petrochemical business by completing the #2 BTX Plant and continuously promoting vertical integration. Marking our 50th anniversary in 2014, we will remain committed to strengthening our growth foundations to become a global total energy company by 2020.

Recorded Surplus for the 10th Consecutive Year

In 2014, Hyundai Oilbank produced stable results in the key areas of petroleum refining and petrochemical businesses. While raising our cost competitiveness through the diversification of suppliers, we maintained our domestic market share for light oil at the 22% level on an annual basis. We also extended our surplus streak for the 10th consecutive year with operating profit of KRW 226.2 billion as the only company in the industry to record a surplus. In 2015, we will continue to generate new revenues in the oil terminal, base oil, and lubricant businesses, not to mention the petroleum refining and petrochemical businesses, by promptly responding to our challenging market environment. We are dedicated to raising our corporate value to achieve our sales and operating profits targets for KRW 50 trillion and KRW 2 trillion, respectively, by 2020.

Recorded the Industry's Highest Upgrading Ratio

Hyundai Oilbank achieved upgrading facilities with the capacity of producing 143,000 barrels a day in addition to maintaining the industry's highest upgrading ratio of 36.7%. This means producing 36.7% of light oil products out of the crude oil injected, an improvement from 34.4% in 2013. Based on these, we improved our refining margins, while successfully generating a stable operating profit.

Upgrading Ratio: 36.7%

FBC Boilers

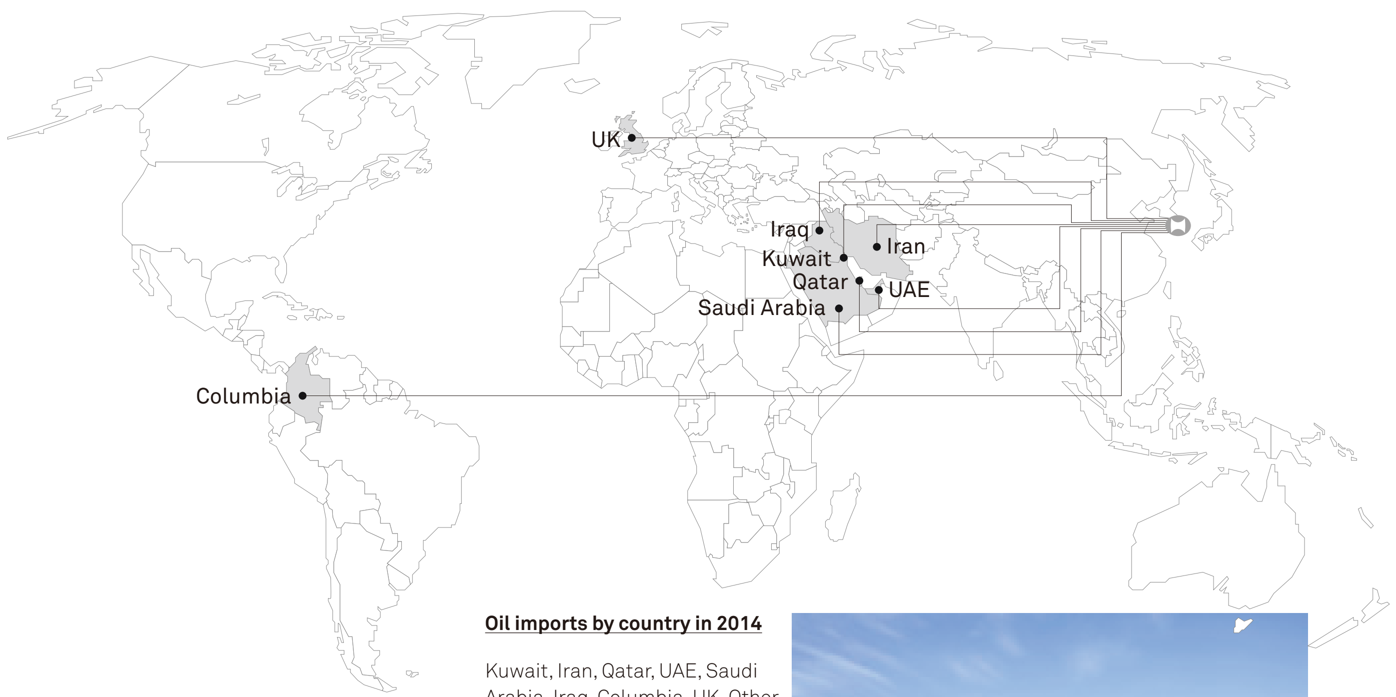
In 2014, Hyundai Oilbank produced 560 tons of steam per hour through its three FBC boilers, following the construction of #9 FBC Boiler. As a facility that supplies heat by generating high-pressure steam from cokes, a byproduct from the crude oil refining process, FBC boilers can produce steam more cheaply than general boilers.

Completed #2 BTX Plant and Promoted Vertical Integration

In 2009, Hyundai Oilbank founded Hyundai Cosmo Petrochemical, a joint venture with Cosmo Oil of Japan, and successfully completed the #2 BTX (Benzene, Toluene, p-Xylene) Plant in 2013, leading to a rise in its annual BTX production capacity to 1,420,000 tons, including 800,000 tons of P-Xylene, and 120,000 tons of Benzene. With Cosmo Oil's MX production, the facility can proactively cope with changes in international raw materials prices, and assure a sustainable operation. With our joint marketing efforts with Cosmo Oil, we are also generating synergies in relation to BTX product sales. Using the commercial operations of our MX plant in 2016, we will complete the vertical integration of our BTX business and further augment our competitiveness in petrochemical business.

BTX Production Capacity: 1,420,000 tons

Declared Vision 2020, Marking the Company's 50th Anniversary
Hyundai Oilbank celebrated its 50th anniversary in 2014. Since our inception in 1964 as South Korea's first privately owned oil refinery, we have led the development of the domestic energy industry. Marking this occasion, we declared our "Vision 2020" to emerge as a global energy company with international competitiveness. Targeting sales of KRW 50 trillion and an operating profit of KRW 2 trillion by 2020, we are dedicated to strengthening the foundation for our sustainable growth.



Oil imports by country in 2014

Kuwait, Iran, Qatar, UAE, Saudi Arabia, Iraq, Columbia, UK, Other

Saving Cost by Diversifying Crude Oil Suppliers to Include South America

"Hyundai Oilbank signed a contract to import 1,000,000 barrels of crude oil with Ecopetrol, an oil and gas company owned by the government of Colombia, as part of its crude oil import diversification strategy to reduce costs. Crude oil from South America is more economical than that from Iran or Saudi Arabia by about USD 3-7 by barrel, but imports by South Korea amounted to a mere 314,000 barrels in 2012 and 329,000 barrels in 2013. These imports are gradually rising, and Hyundai Oilbank is laying emphasis on enhancing its cost competitiveness."

Exploring More …: New Businesses

Innovating Value by Putting New Businesses into Place

Hyundai Oilbank is asserting all of its capabilities into securing stable revenues in new businesses after setting its 2015 management goals to “Enhance cost competitiveness” and “Promptly respond to environmental changes”. Having focused on laying the foundation for business diversification, we will continue to ensure stable revenues from our new businesses that include the oil terminal, base oil and lubricants, while innovating our corporate value through efficient operations. We will also successfully carry forward with the commercial operations of our new plants. This will include the condensate refining and MX manufacturing business in 2016, as well as the carbon black business in 2017.

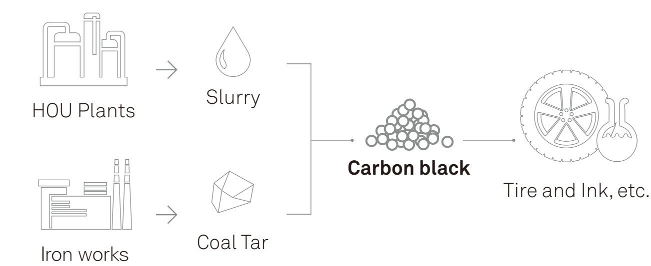
Completed a Lubricant Base Oil Plant of HYUNDAI and SHELL Base Oil

In September 2014, Hyundai Oilbank completed a lubricant base oil plant of HYUNDAI and SHELL Base Oil, a joint venture with Shell Petroleum Company Limited. Located on a 46,000 square meter site inside the Daesan refinery, it is capable of producing 650,000 tons of high-quality base oil a year. By exporting the majority of its products around the world, the plant is significantly contributing to Hyundai Oilbank’s revenue diversification plan. HYUNDAI and SHELL Base Oil produces Group II 150 Neutral and 500 Neutral base oil products that meet all American Petroleum Institute standards, as well as Group II 70 Neutral base oil products with enhanced utilization by processing 20,000 barrels of highly refined raw materials on a daily basis.

Advanced into the Carbon Black Business

Hyundai Oilbank will be the first among domestic oil refineries to enter the carbon black business. Carbon black refers to carbon powder that is primarily produced by the incomplete combustion of slurry oil generated from the crude oil refining process and coal tar generated from the steel mill. It is mainly used as a compounding ingredient to enhance the strength of tires and rubbers and a material for print ink. To be located inside our Daesan refinery, our carbon black plant will begin commercial operations in 2017, with a capacity of producing 160,000 tons of carbon black annually. Hyundai Oilbank expects to post KRW 300 billion annually from its products sales through the sales networks of its joint venture.

Carbon Black Business System



Enhanced Competitiveness of the XTeer Lubricant Brand

Hyundai Oilbank has been dedicated to enhancing its product competitiveness. Efforts have involved introducing new fuel additives, while continuously forming a sales network, mainly by recruiting and operating exclusive dealers for its XTeer lubricant brand, which marked its first anniversary in 2014 since its launch. Short for “Extreme Steering,” XTeer guarantees an outstanding driving performance. Focused on quality of performance rather than price competitiveness, it is considered to be a product with competitive costs in terms of fuel efficiency, noise, and power.

XTeer α

Hyundai Oilbank’s commitment to maximizing its revenue generation is reflected by the recent launch of the “XTeer α” fuel additive in 2014, following the introduction of the XTeer lubricant brand in 2013.

Targeted Commercial Operations of Hyundai Chemical in 2016

Hyundai Oilbank entered the condensate refining and MX manufacturing business by launching Hyundai Chemical, a joint venture with Lotte Chemical in 2014. With construction on a 260,000 square meter site for our Daesan Refinery Plant, which is targeted for commercial operations in 2016, the facility is scheduled to produce 1,200,000 tons of MX and 50,000 barrels of Kerosene and diesel products daily. Through this, we expect to produce an import substitution effect of KRW 2 trillion and increase exports by KRW 3 trillion annually. When the plant to refine 130,000 barrels of condensate crude oil daily is completed, we expect our crude oil processing capacity to increase from 390,000 to 520,000 barrels a day, allowing us to become a total energy company.

Completed Hyundai Oil Terminal

Hyundai Oilbank advanced into the commercial oil and petrochemical storage business, a first in the domestic oil refining industry, by completing the Hyundai Oil Terminal in Ulsan in April 2014. Based in the industrial city of Ulsan, Hyundai Oil Terminal is contributing to the diversification of Hyundai Oilbank's revenue structure by actively attracting the products of shippers in Japan and Singapore as well as at home. It has grown into an oil terminal company with a nationwide network by managing the oil reservoirs of Hyundai Oilbank in each contracted region from 2014. Going forward, the Terminal will grow into the largest storage and logistics company for petroleum and petrochemical products in the southeast region of Korea, by attracting business from both home and abroad. In utilizing its domestic and overseas logistics networks, it also intends to engage in a wide range of relevant businesses.

Oil and Petrochemical Storage Capacity: 280,000 kl

An Oil Storage Facility with a Capacity of 280,000 Kiloliters

In April 2014, Hyundai Oilbank completed the construction of Hyundai Oil Terminal in 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.

Developing More ...: Great Workplace

Becoming an Innovative and Respectful Workplace

Hyundai Oilbank is continuously enhancing its competitiveness through management innovation. Based on its CEO's leadership and the employees' high regard and active participation in innovation-based activities, it was recognized as one of the most innovative companies in South Korea. Our win-win culture and strive to overcome difficult economic situations and crises through a balance of labor and management, as well as efforts to develop a culture that is focused on safety, also won outside recognition. Hyundai Oilbank is developing to become a safe and innovative workplace, and a company where labor and management balance harmoniously.

Received Presidential Award at the 2014 Corporate Innovation Award

Hyundai Oilbank received the highest honor of the Presidential Award at the 21st Corporate Innovation Award in December 2014. The Award is presented every year with an aim to improve the competitiveness of all industries by featuring innovative corporate management since 1994. It is jointly organized by the Korea Chamber of Commerce and Industry and the Korea JoongAng Daily, and supported by the Ministry of Trade, Industry and Energy. Hyundai Oilbank was rated highly by the jury members for its efforts in business diversification based on its high upgrading ratios, and a wide range of employee development programs, including a new suggestion system, global leadership training, and support for graduate school education.

Received Presidential Award at the Labor-Management Culture Awards

Hyundai Oilbank received the highest honor of the Presidential Award at the 2014 Labor-Management Culture Awards organized by the Ministry of Employment and Labor. This recognized our distinguished services in the development of a mutually beneficial labor-management culture amid an economic slowdown and challenging management environment. It was particularly relevant as it recognized the trust by our employees and management in the company's growth. Hyundai Oilbank has had no labor-management disputes for the past 50 years since its founding in 1964 and in 26 years since the establishment of its labor union in 1988.

An Exemplary Win-Win Labor-Management Culture

Hyundai Oilbank agreed to freezing wages for all its employees in order to overcome the financial crisis for two consecutive years since 2013. We will continue to develop our excellent and exemplary labor-management culture through a continued mutual cooperation between the management and its members.

Received Presidential Award at the Korea Safety Awards

Hyundai Oilbank received the highest honor of the Presidential Award at the 2014 Korea Safety Awards hosted by the National Emergency Management Agency and organized by the Safety & Certification Association of Korea. The award positioned Hyundai Oilbank as a leading company in domestic corporate safety culture. Renaming its Production Division as the Safety & Production Division and declaring the "Top Nine Safety Pledges", we have been committed to sustaining a management that puts safety first.

Recorded 3,000,000 Zero-Accident Man-Hours at Daesan Refinery Plant

Our Daesan Refinery Plant accomplished 3,000,000 man-hours of work with no accidents at the end of January 2015, thanks to its dedication to improving its working environment and ensuring safety. This followed 200,000 man-hours of work with no accidents in August 2014. A man-hour is a zero-accident index that is calculated by multiplying the number of workers, working hours, with the number of working days. This impressive feat was achieved by carrying out a zero-accident campaign. Hyundai Oilbank is committed to developing a safe workplace through its pledge to safety based on the establishment of efficient production facilities.

A "Serious, Accident-Free Workplace" for 17 Years

Hyundai Oilbank is focused on improving its safety and health performances through ongoing training and education. Such efforts led to the "Serious Accident-free Workplace" achievement, in which serious accidents had not occurred for the past 17 years since 1997.

Sharing More ...: Responsibilities

Spreading the Culture of Shared Values

Hyundai Oilbank is contributing to spread the culture of sharing in our society with a wide array of social contribution activities through 1% sharing. Led by Hyundai Oilbank 1% Nanum Foundation, our employees, gas station owners, business partners, and families voluntarily participate in these initiatives. Most of our activities are done in the Seosan region in the Chungcheongnam-do Province where our head office is located. To achieve a sustainable society, we engage with our neighbors in need in addition to economic and cultural revitalization and environmental protection.

Hyundai Oilbank 1% Nanum Foundation

Hyundai Oilbank 1% Nanum Foundation is committed to creating a better world through a 1% salary charity initiative and voluntary programs that are primarily participated by the employees of Hyundai Oilbank and its subsidiaries. Since September 2011, our employees have donated 1% of their monthly salaries to help our neighbors in need. The program is also joined by our directly-run and independent service stations, and extends to the employees' families. Through these initiatives, we are not only enhancing society, but also helping to spread the culture of sharing.

Promoting the "1% Sharing" Culture

At Hyundai Oilbank and its affiliated companies, the majority of our 1,860-plus employees have voluntarily chosen to participate in the 1% Nanum Foundation by donating 1% of their monthly salaries. This unanimous culture of sharing has been spreading to our retired employees, gas station owners, business partners, and even the employees' families. Starting in 2014, our more than 180 directly run service stations also began to join Hyundai Oilbank's 1% sharing program by donating 1% of their monthly incomes. We've installed a "1% Sharing Gas Station" sign at participating stations and have been publicly promoting this sharing culture to include independent gas stations as well.

1% Sharing Culture Participated by Over 180 Service Stations

Since 2014, our more than 180 directly run service stations and six independent businesses across the country have joined the 1% Nanum Foundation, donating 1% of their monthly incomes to help enhance society.

1% Sharing House Residential Improvement

Hyundai Oilbank has implemented the 1% Sharing House project, which aims to improve the living conditions of low-income households. As of 2014-end, a total of 51 households benefited from this project.

Delivering Heat to Social Assistance Facilities

In October 2014, Hyundai Oilbank 1% Nanum Foundation accepted applications for heating fuels through its website, and selected a total of 138 social assistance facilities, including Rodem House, a facility for the physically challenged located in Yangpyeong, Gyeonggi-do Province. Our employees personally delivered gift certificates for heating fuels worth KRW 700,000 - KRW 1,000,000 to the selected facilities by the end of 2014. Going forward, the Foundation will continue to provide heating to our neighbors in need so that they can stay warm in the cold winters.

Hope Ladder Campaign for Children

Hyundai Oilbank 1% Nanum Foundation has provided academic scholarships to a total of 200 children every month since 2013 as part of its Hope Ladder Campaign for Children.

Matching Grant, Providing Donations per Employee Volunteer Hour

Since 2005, we've been making a financial contribution (KRW 10,000 per volunteer hour) to the charities our employees volunteer at. In addition, we have operated the Happiness Sharing Volunteer program, providing the items they need worth a maximum of KRW 2 million each year since 2014.

Hwagok Reservoir Park in Seosan

In May 2014, Hyundai Oilbank completed the Hwagok Reservoir Park in Seosan. It provides local residents with a place to relax and an opportunity to generate income for their community as an ecological park with bridges and waterside hiking trails.

Supporting Local Communities

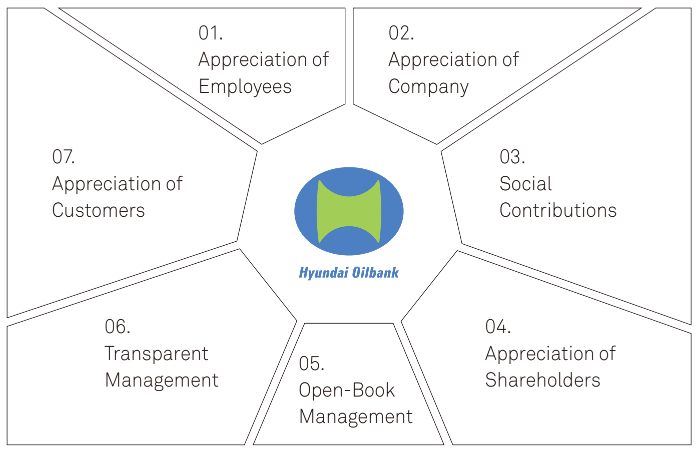
"We have been building winning partnerships with residents of the Seosan region, where our headquarters is located, through a wide variety of community programs. Since 2003, we have helped increase the income of local farming and fishing communities and revitalize the economy through increased rice purchases, rockfish restocking programs and coastal cleanup activities. Hyundai Oilbank Scholarship Foundation is also delivering scholarships of KRW 50 million each year to local middle school, high school, and university students. In 2011, we completed Daejuk Park, providing the citizens of Seosan with access to sports facilities."

Management Review

2

Management Philosophy

At Hyundai Oilbank, we established a fundamental management philosophy that meets our stakeholders' expectations with an aim to contribute to the economic and social development of the communities we serve by upholding our initial goals. This management philosophy consists of 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
Safe Environment	> Practice frontline safety management > Practice eco-friendly management

Enhancing Stakeholder Value

We aim 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, while asserting the importance of mutual respect, broadening communications, and fostering their creativity. Recognizing that customer satisfaction is fundamental to our success, we continue to enhance value in our customers. To maximize shareholder value, we pursue sustainability through efficient management. We also recognize our important role in Korea's energy industry, making every effort to contribute to national economic and social development as we seek a win-win growth with local communities.

Building Trust through Action

As we strive to impart the highest level of satisfaction to our stakeholders, we also aim to be society's most trusted and respected company 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 honest management. In addition, we proactively disclose necessary business information and practice open-book management that is also participated by our employees. 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. Our approach will enable us to become a reliable company that fulfills its fundamental goals and responsibilities.

Our Employees

Hyundai Oilbank's employees aim to live up to the ideal of a "Creative Doer"—someone who lives the philosophy of the company established by HHI's founder, Mr. Chung Ju-yung, in relation to their work. This Creative Doer has the passion to gain innovative wisdom, positive thinking, and unwavering drive.

Creative Doers

Passion to Achieve the Best	Creative Doers work with passion and achieve their own progress as well as the growth of the company. They create value for themselves and the company, displaying an unwavering pioneering spirit, passion to exceed the needs of the clients, professionalism and personal responsibility, and unwavering drive.
Innovative Minds to Change the World	With imaginative ideas and creative execution, Creative Doers create positive changes in relation to their work with the goal of creating a better tomorrow for everyone. 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 with Integrity to Practice Honesty	Creative Doers are reliable, treat others with respect, communicate honestly, and act with integrity. They welcome diversity without prejudice, act with fairness in mind, and gain trust from colleagues and the public.

Management Strategy

At Hyundai Oilbank, we have been dedicated to revamping our refinery business to overcome declining profit margins in the global oil refining market, while consolidating a foothold for our next takeoff through continuous innovation and pursuit for new undertakings. In 2015, we will strengthen our risk management capacity to address our deteriorating management environment including the continuing eased in oil prices and economic slowdowns, and continue to raise the company's viability to grow by bolstering our profitability.

2015 Strategic Imperatives

Strengthen Crisis Management	Ensure Operational Safety	> Achieve zero emergency stops and accidents > Build the world's highest-level safety facilities
	Strengthen Risk Management	> Practice optimum-level inventory management following the oil price movement > Reinforce internal control standards and processes
	Enhance Cost Competitiveness	> Increase imports of opportunity crude oils such as extra heavy oil > Reduce utility expenses by optimizing energy usage
Raise Profitability	Improve Sales Profitability	> Increase high-margin sales by diversifying export routes > Expand the Integrated Energy Supply business
	Pursue Cooperative Projects	> Promote carbon black business using coal tar from Hyundai Steel > Increase lubricant supply to the pan-Hyundai Group

Ethics Management

Hyundai Oilbank is committed to practicing transparent management and pursuing continuous innovations based on the core principles of the "Hyundai Spirit": Creative Insights, Positive Will, and Strong Drive. As a trusted and respected company with distinct values, we will continue our solid growth by promptly responding to the rapidly changing environment of the market.

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 greater transparency in management and ongoing innovation. Based on this, we are endeavoring to become "the preferred company to make transactions" with customers and business partners, "the ideal place to work" for the officers and employees, and a "company that fulfils its social duties" for a better society. In order to ensure its status as a leading global company that satisfies international standards, Hyundai Heavy Industries Group strengthened its compliance management in 2014 by creating the "Group Compliance Office". In accordance with the Group's compliance management, we will strengthen our prevention activities to promote legal abidance in all our members in response to the ever-tightening laws and the environment.

Management Framework

We operate an organized and practical ethics management system by implementing education, publicity and various programs that include 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 their requirements, including purchase, personnel, financial and accounting, data processing, and sales.

Major Support Systems

Gift Return System (Clean Notice)	In 2013, we implemented a stronger system in ethics management. Our employees are prohibited from accepting meals, money, valuables, and any other gifts with monetary value for congratulatory or condolence purposes from our business partners or interested parties. If they have unavoidably received money and gifts from transacting parties, items must be returned immediately. But in case of items that cannot be returned, they should be donated to designated social assistance facilities.
Reporting Conflict of Interest	With respect to transactions with the company, where the company's officer or employee has or is likely to have a vested interest with the other transacting party, the company has the right for the relevant person to give the company prior notice in order to allow for fair and transparent transactions, and measures must be taken to avoid a conflict of interest.
Whistleblower Protection and Rewards	The whistleblowers and the content of reports in principle are prohibited from disclosure. With respect to rightful whistleblowers or the content of reports, we ensure that disadvantages or discriminations should not occur. In order to acknowledge those who come forward identifying violations or irregular activities, we administer a reward program.
Ethics Website and Online Reporting	We operate our own website (http://ethics.oilbank.co.kr) for the purpose of sharing information of our ethics management and progress. The website also serves to introduce various rules of ethics including the Ethics Charter and provides the "Rules of Ethics by Example" as well as the "Q&A for Ethics Management." Unethical activities may be reported under "Cyber Reporting."
Education	Every year, we provide new employees and newly promoted employees with a group education in ethics management. All employees watch a monthly ethics video, and participate in Hyundai Heavy Industries Group's customized cyber curriculum exclusively tailored for ethics management.
Compliance Management	We operate the "Anti-Corruption Compliance Program" to effectively reinforce our compliance management. This program, which includes precautions as well as preventative 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 have put into action a compliance program that covers all aspects of our operations since 2003, with a firm belief that respecting fair market competition is key to improving our corporate competitiveness.

Application of Compliance

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 and executes standards in employee conduct so as to prevent legal 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 competitiveness by raising our corporate value in the long term.

Efforts for Compliance

At Hyundai Oilbank, our entire staff pledges to abide by compliance measures together with our CEO. 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	> Promises commitment and policy through electronic correspondence and corporate 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; compliance management; compliance inspection; 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 alert device)
	> CP inspections, prior business reviews
Disciplinary System	> Disciplinary measures determined by personnel regulations
	> Final action decided up to and includes dismissal, reviewed and finalized 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 promptly and accurately respond to environmental changes in the overseas and domestic oil refining markets where various risk factors exist including oil price and exchange rate fluctuations, by forecasting and analyzing risks to prevent and mitigate losses.

Risk Management Organization

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

Oil Price Risk

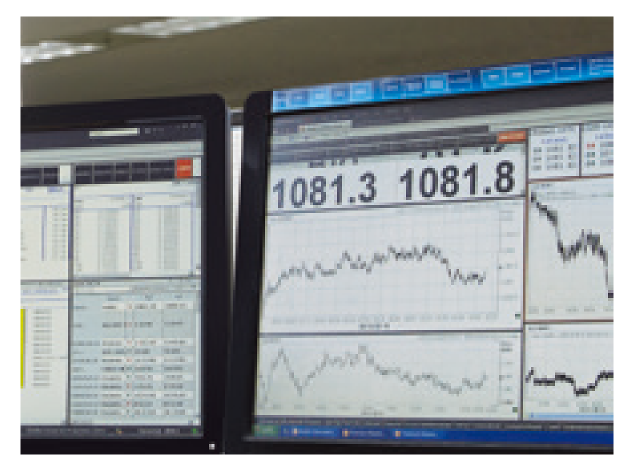
By implementing an early warning system to cope with the oil price risk, we are able to effectively respond when fluctuations occur. A consultative team consisting of the executive and team leader formulates and executes a phased response plan. The oil we import from the Middle East is normally purchased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

Crude Oil Import Diversification

We are aggressively pursuing the diversification of crude oil imports to avoid geopolitical risks, without exclusively sourcing crude oil from Iran and other countries in the Middle East. As our crude purchasing regions were expanded to include South America and the North Sea, crude oil benchmarks also varied to incorporate West Texas Intermediate (WTI) and Brent crude prices. We strive to maximize the economical efficiency of our crude oil imports, which change according to market conditions. Going forward, we will impede risk while simultaneously maximizing earnings by increasing new crude oil imports through in connection with our plants.

Exchange Rate Risk

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



Corporate Governance

At Hyundai Oilbank, we have built a transparent corporate governance, a hallmark to the success of global companies, and have placed the highest decision-making body of the board at the center of it. Our goal is to embody advanced corporate governance that will meet the expectations of all our stakeholders.

Role of the Board

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 the executive team's performance, and provides guidance. 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.

Composition of the Board

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

Board of Directors

Inside Directors	Moon Jong-bak 2014-Present: President & CEO, Hyundai Oilbank
	Kwon Oh-gap 2014-Present: President & CEO, Hyundai Heavy Industries 2009-Present: President & CEO, Hyundai Heavy Industries Sports 2013-Present: Commissioner, K League
Outside Directors	Kim Kap-you 1996-Present: Attorney, Bae, Kim & Lee 2002-Present: Arbitrator, Korean Commercial Arbitration Board 2009-Present: Member, American Arbitration Association
	Kim Jung-hoe 2010-2014: Adviser, Hyundai Card 2008-2010: President & CEO, KB Financial Group and Vice Chairman, KB Asset Management 2003-2007: Vice-Governor, Financial Supervisory Service
	Jung Chang-mu 2005-President: Professor, Department of Civil & Environmental Engineering, Seoul National University 1996-2005: Professor, Department of Urban Planning and Design, University of Seoul 1993-1996: Senior Researcher, Urban Management Research Division, Seoul Development Institute

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 Jung-hoe Kim Kap-you Jung Chang-mu	> 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 Jung-hoe Kim Kap-you Jung Chang-mu	> Approves major internal transactions among HHI Group affiliates
Outside Director Nominating Committee	Moon Jong-bak Kim Jung-hoe Kim Kap-you	> Nominates outside director candidates to be appointed at the annual general shareholders' meeting

Major Board Activities

The board met ten times during 2014, deciding a total of 27 agenda items.

Key Board Resolutions in 2014

Shareholders' Meeting, Board & Governance	> Approval of the convocation of general shareholders' meeting and adoption of the agenda items for FY 2014 > Approval of the convocation of provisional general shareholders' meeting and adoption of the agenda items > Approval of closing of the register of shareholder and establishment of fixed date > Appointment of the CEO > Appointment of the Internal Transaction Monitoring Committee members
Investment	> Approval of the establishment of Hyundai Chemical > Approval of the capital increase in Hyundai Chemical (2 times) > Approval of the contract for FBC boiler installation with Hyundai Heavy Industries > Approval of the contract for photovoltaic power generation systems with Hyundai Heavy Industries > Approval of the contract for supply of circuit breakers with Hyundai Heavy Industries > Approval of the disposal of plant sites in Daesan Industrial Complex > Approval of the transfer of contract for KCC Daesan Complex
Accounting and Finance	> Approval of the FY 2014 financial statements > Approval of the FY 2014 business report > Approval of the transaction limit terms with related HHI Group financial companies (quarterly) > Approval of the internal transaction limit with HHI Group companies (quarterly) > Approval of the 113th and 114th corporate bond issuances
Other Areas	> Approval of the sponsorship agreement with Hyundai Heavy Industries Sports > Approval of the 2015 business plan

Executive Committee

At Hyundai Oilbank, our executive team is dedicated to achieving stable and greater growth by continuously promoting new businesses as well as enhancing our cost competitiveness and promptly responding to the external changes.

Kim Byung-sup, Vice President

Head of Sales & Marketing Division

In 2015, we will focus on building optimal sales bases and maximizing our profitability. The current domestic market is faced with increasing volatility in sales, following the intensifying competition including low-priced gas stations. Uncertainties in oil prices are also increasing. Accordingly, we will overcome the crisis of uncertainties through sales strategies that can maximize or stabilize earnings in any situation. For example, we will actively develop stable profitability-centered sales bases, including gas stations and agents, while preemptively responding to risks by thoroughly examining optimal sales timing by scenario and price operation strategy. In addition, for our customers, we will add benefits reflecting the recent consumer trends to the Oilbank Bonus Card. We will also consolidate our sales foundations of our Sales & Marketing Division by expanding and reorganizing our programs to strengthen ties with the CEOs of our clients. As for the XTeer lubricant oil brand, we will make sure to expand sales with a focus on exports and the captive market and maintain a sales volume that matches Hyundai's brand, given accelerating competition following our company's market entry.

Kang Dal-ho, Vice President

Head of Safety & Production Division

In 2015, the Safety & Production Division's primary goals are sustainable revenue generation and safe operations. We have chosen to establish an advanced safety culture with zero-accident stable operations, identify items that have the capacity to generate revenue to maximize profits, and actively develop new businesses as our key values. Our staff members—from operators at front-line worksites to executives—will focus all our capacity and efforts on achieving these items. The routine maintenance inspections and repair work for our #2 Plant and HOU Plants, to commence from the end of April, will include increasing the capacity of the Residue Fluidized Catalytic Cracking (FCC) Unit, improving energy consumption, and replacing and repairing various facilities such as the 1 and 2 BTX Plants. We will make sure that it will be successfully completed without any trouble within a given period of time. At the same time, we will do our best to carry out the MX project and the construction of the #10 coke Fluidized Bed Combustion (FBC) boiler, so that 2015 will be a turning point for the company's new take-off and growth.

Kang Myeong-seop, Senior Executive

Head of New Business and Construction Division

In 2015, designs for the Condensate Refining and Mixed-Xylene Manufacturing Business will be completed, and construction for it will commence in full-scale. We created an integrated design office to be used from January of this year with Hyundai E&C, which has been designated as an Engineering, Procurement, Construction (EPC) contractor responsible for completing the design work. In addition, with the goal of building an MX manufacturing facility with the highest competitiveness, we are establishing strategies by phase that will allow us to achieve zero-accidents and disasters, acquire high-quality equipment, execute the project efficiently with low expenses, and complete it within an optimal construction period. Meanwhile, with an aim to secure cost competitiveness, we are concentrating all our capabilities on saving our energy expenses by about 10% through consultations on energy optimization. In addition, in order to carry forward our new businesses efficiently, including the carbon black joint venture that is scheduled to launch in 2015, we will map out and execute optimized project execution strategies starting from the initial stages.

Jang Ji-hak, Senior Executive

Head of Global Business Division

In 2015, the Global Business Division will be dedicated to the growth of our gross sales profit by expanding exports to high-margin overseas markets. We will also gain a competitive edge for imports and exports in the rapidly changing global market by continuously building overseas outposts in the U.S. and other countries, in addition to our London branch that was established in 2014. Furthermore, we will add to our export margins through increased sales in the Australia and New Zealand markets, new sales of jet fuels, and large-scale cargo exports. We will also strengthen our cost competitiveness by diversifying crude oil suppliers and increasing extra high crude oil imports; and build a stable raw material procurement system for new condensate splitters. In the meantime, we will promptly respond to oil price changes by reinforcing our oil price risk management and secure stable profits through safe production and an optimization of our sales logistics and operations.

Business Review

3

Petroleum Business

Hyundai Oilbank maintained a 22.0% share at South Korea's light oil market in 2014 with daily production capacity of 390,000 barrels combined with a nationwide network of 2,334 gas stations. With strengthened heavy oil upgrading capabilities, we are now making a leap forward solidifying our position as the nation's top petroleum refining and marketing company and a total energy provider.

Diversifying Crude Oil Suppliers

In 2014, Hyundai Oilbank maintained stable crude oil imports from the Middle Eastern countries such as Kuwait and Qatar that have large oil reserves and low geopolitical risks. We also imported crude oil from the North Sea and Latin America in order to diversify crude oil suppliers while reducing heavy dependency on the Middle East.

Maintaining a Steady Share in Domestic Middle Distillate Oil Market

In 2014, Hyundai Oilbank achieved a stable domestic middle distillate market share at the 22% level by focusing on improving the company-operated service stations, developing new products by making good use of byproducts, and attracting new agents with financial resources and networks despite challenging environment such as the global economy slowdown, plunging oil prices, and the central government's implementation of new petroleum distribution policies.

Middle Distillate Market Share in 2014

2012	22.2%
2013	22.2%
2014	22.0%

Crude Oil Imports by Country in 2014

Crude Oil Imports (Thousand Barrels), Percentage (%)

Kuwait	46,989	38.5%
Iran	14,389	11.8%
Qatar	13,828	11.3%
UAE	10,329	8.5%
Saudi Arabia	9,285	7.6%
Iraq	9,221	7.5%
Columbia	5,038	4.1%
UK	4,031	3.3%
Other	9,079	7.4%

Hyundai Oilbank also carried out marketing endeavors targeting consumers. These included expanding bonus and discount cards, attracting mobile-based customers, and strengthening affiliate marketing strategies. As a result, we continued to be recognized as an excellent service company, and ranked first in the KS-CQI survey by the Korean Standards Association for three years in a row. Meanwhile, Hyundai Oilbank committed to maximizing profit through business diversification by launching XTeer α, a fuel additive, following the XTeer lubricant brand last year.

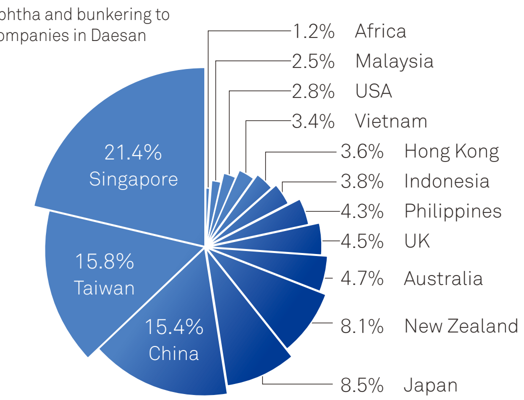
Strengthening Overseas Business Networks

Hyundai Oilbank sold approximately 54 million barrels of petroleum products mainly to Singapore, Taiwan, China, and Japan in 2014 and continued to expand the markets by increasing direct transactions with Australia, New Zealand, Vietnam, Indonesia, 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 three branches (Vietnam, United Kingdom, and the Middle East), while seeking offshore transactions with the Middle East, Africa, Europe, and the Americas. Going forward, we will proactively advance into new markets through a wide range of trading strategies using our overseas sales networks.

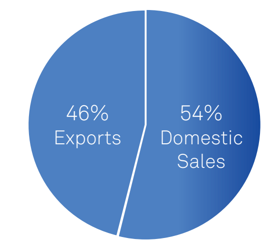
Exports by Region in 2014

(Unit: %)

Excludes naphtha and bunkering to petroleum companies in Daesan



Domestic Sales and Exports in 2014



Sales Volume by Product in 2014

Sales Volume (Thousand Barrels)

Diesel	50,517
Naphtha	31,370
Gasoline	29,831
Fuel oil	18,054
Jet fuel	11,080
Kerosene	4,196
LPG	4,164
Other	4,488

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

Joint Ventures

Hyundai Oilbank has promoted a wide range of businesses including the Benzene, Toluene, P-Xylene (BTX), mixed xylene (MX) manufacturing, and lubricant base oil through joint ventures with domestic and overseas companies such as Cosmo Oil, Lotte Chemical, and Shell. Based on this, we are diversifying our revenue structure that has been focusing on petroleum refineries. In 2014, we completed the framework for all of our planned undertakings, signing an agreement for the carbon black business.

Petrochemical Business

Hyundai Oilbank is working to diversify its business portfolio, ensure a stable revenue structure, and strengthen competitiveness through expansion in the petrochemical sector. Our petrochemical business produces and supplies such products as propylene, alkylate, and paraxylene to domestic and overseas markets. In particular, the cutting-edge facilities at our BTX Plants produce basic petrochemical raw materials that are foundational to life, including synthetic fibers, plastics and gasoline additives, all of which enhance Hyundai Oilbank's market competitiveness. The #2 BTX Plant, through a joint venture with Cosmo Oil of Japan, mainly produces paraxylene and benzene and began its commercial operations in April 2013. Hyundai Oilbank produces a total of 1.4 million tons of BTX products through these BTX plants.

Lubricant Base Oil Business

For the lubricant base oil business, we established HYUNDAI and SHELL Base Oil, a joint venture with the Shell Petroleum Company Limited, and constructed a lubricant base oil plant inside our Daesan refinery, which began commercial production in 2014. Lubricant base oil is produced by processing residue oil from the heavy oil upgrading (HOU) process to become a basic material for lubricants. Lubricant oil products for automobiles, ships and other industrial purposes are made by mixing lubricant base oil with a variety of different of additives. With high entry barriers resulting from limited feedstock, the lubricant base oil market is forecast to maintain upswings and expects greater sales growth in China, India and the South America. HYUNDAI and SHELL Base Oil produces Group II 150 Neutral and 500 Neutral base oil products that meet all American Petroleum Institute standards, as well as Group II 70 Neutral base oil products with heightened utility, by processing 20,000 barrels of highly refined raw materials on a daily basis. HYUNDAI and SHELL Base Oil is exporting a significant portion of its products to China, the largest consuming market, and other countries in Asia through Shell's global distribution network. As demand for lubricant base oil is on the rise in China, India and other Asian countries, as well as in the Americas, and Oceania, sales are expected to reach approximately KRW 1 trillion annually, beginning in 2015.

#1 BTX Plant

Base Oil Plant

Hyundai Oil Terminal

Oil Terminal Business

We established Hyundai Oil Terminal to pursue the oil storage business in February 2012. By investing a total working capital of KRW 100 billion, we completed 86,821 square meters of land reclamation and the construction of a large-scale oil storage facility for petroleum and petrochemical products at Ulsan New Port, which began in 2011. The terminal has a capacity of 280,000 kiloliters and dock facilities capable of handling tankers of up to 50,000 deadweight tons. Hyundai Oil Terminal intends to grow into an oil terminal with a nationwide network by managing oil reservoirs 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 southeastern Korea, and attract 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 May 2014. Hyundai Chemical commenced the construction of a plant inside our Daesan refinery in December 2014, and will produce 1,200,000 tons of MX by processing 130,000 barrels of condensate daily when it begins full-fledged production from the second half of 2016. Currently, Hyundai Oilbank and Lotte Chemical are relying on imports for processing mixed-xylene, a key material for the BTX process. Through this business, they can improve the supply stability of raw materials, and complete vertical integration in the BTX business through the existing plants. When Hyundai Chemical is completed, the aggregate products and byproducts, including MX, will be sold to Hyundai Oilbank, Lotte Chemical, and Hyundai Cosmo Petrochemical. Through this, we expect to produce an import substitution effect of KRW 2 trillion and increase exports by about KRW 3 trillion by selling jet fuels and diesel that are generated from the MX production process on an annual basis.

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 daily living—from cooking and heating fuels to transportation and industrial products—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 internal spark ignition combustion engines. Environmental regulations in South Korea mandate that gasoline contain under 0.7% benzene by weight and under 10 mg/kg of sulfur. Our high-quality gasoline grades, which produce fewer pollutants, 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 supply South 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 of our diesel products have had bio-diesel mixtures since 2006, making our lineup even more eco-friendly.

Kerosene: Our kerosene products are Eco-Label certified, are almost odorless, and are virtually smoke- and soot-free when burned, making them ideal for indoor use as 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, in classes 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 (LPG): Propane is used for residential and commercial cooking and heating. Butane is used as a vehicle fuel; fuel for portable cooking and heating; and for 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 features 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 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, p-Xylene (BTX): Benzene is a highly flammable colorless to pale yellow liquid with a distinctive odor and 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 a multitude of 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.

Lube Base Oil: The lube base oil is produced through the catalytic process, using unconverted oil produced from the hydrotreating process as a raw material. As a feedstock making up over 80% of lubricant products, it is used to make lubricant products for automobiles, ships, and other industrial purposes.

Lubricants: Lubricants include the XTeer lubricant brand and the XTeer α fuel additive.

Facilities

At Hyundai Oilbank, we increase value through the stable production and supply of high-quality products with state-of-the-art refining facilities. We also take the lead in protecting the environment by continuously upgrading our processes and making our Daesan refinery one of the safest and most eco-friendly in the industry that minimizes pollutant emissions.

Refinery Growth and Progress

We are currently building South Korea's most modern petroleum refinery through ongoing expansion and upgraded projects. Located at a northwest coastal site covering approximately 3.3 million square meters, Daesan Refinery Plant is capable of refining 390,000 barrels of oil a day (as of the end of 2014), 143,000 barrels of which are upgraded to high-value-added light oil products. Our #2 BTX plant and lubricant base oil plant began commercial operations in 2013 and 2014, respectively, to further diversify our petrochemical product portfolio, allowing us to be one of the world's most advanced refineries.

Facilities

Our Daesan Refinery Plant mainly consists of #1 Plant, #2 Plant, #1 BTX Plant, #2 BTX Plant, and lubricant base oil production facilities.

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

HCR (Hydro Cracking Unit)

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)	78	-			78
Light End Recovery Unit (LER)	9	9			18
Naphtha/Mogas* Hydrotreating Unit					
> Naphtha Hydro Treating (NHT)	12	22			34
> Platforming Treating (PLT)	4	22			26
> Mogas Hydro Treating (MHT)	-	34			34
> Alkylation Treating (ALK)	-	18			18
> Mogas Merox Treating (MMX)	-	10			10
Kerosene/Gas Oil Hydro Treating Units					
> Kerosene Hydro Treating (KHT)	-	58			58
> Gas Oil Hydro Treating (GHT)	22	97			119
> Kerosene Merox (KMX)	31	-			31
Heavy Oil Cracking Units					
> Hydro Cracking (HCR)	40	-			40
> Delayed Coking Unit (DCU)	35	-			35
> Atmospheric Residue Desulfurization (ARDS)	-	79			79
> Residue Fluidized Catalytic Cracking (RFCC)	-	68			68
LBO Production Unit					
> Lube base oil	20	-			20
BTX Process (tons per annum)					
> Benzene	-	-	120,000	120,000	240,000
> Paraxylene	-	-	380,000	800,000	1,180,000

* Mogas: Short for motor gasoline, the material is used to formulate gasoline.

Atmospheric Residue De-Sulfurization (ARDS)

Residue Fluidized Catalytic Cracking (RFCC)

(1) Crude Distillation Unit: The CDU process separates crude oil into different petroleum fractions by their boiling points, where the fractions are drawn off from top to bottom—LPG, naphtha, kerosene, diesel, and fuel oil—based on their boiling points.

(2) Vacuum Distillation Unit: The VDU process performs distillation at below atmospheric pressure, 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.

(3) Hydro Cracking Unit: The HCR process breaks down the lower-quality heavy oil from the VDU process and removes impurities to produce high quality light oil.

(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 coke is either used for fuel or sold as a product.

(5) Naphtha Hydro Treating (NHT): The naphtha hydro treating (NHT) process removes sulfur, nitrogen and oxygen impurities in naphtha and LPG, using a catalyst at elevated temperatures and pressures to inject hydrogen.

(6) Kerosene Hydro Treating (KHT): The kerosene hydro treating (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.

(7) Gasoil Hydro Treating (GHT): The gasoil hydro treating (GHT) process removes sulfur and nitrogen compounds from the light oil products produced by the CDU and DCU using hydrogen and a catalyst. The treated products are used as blendstocks for a wide range of products.

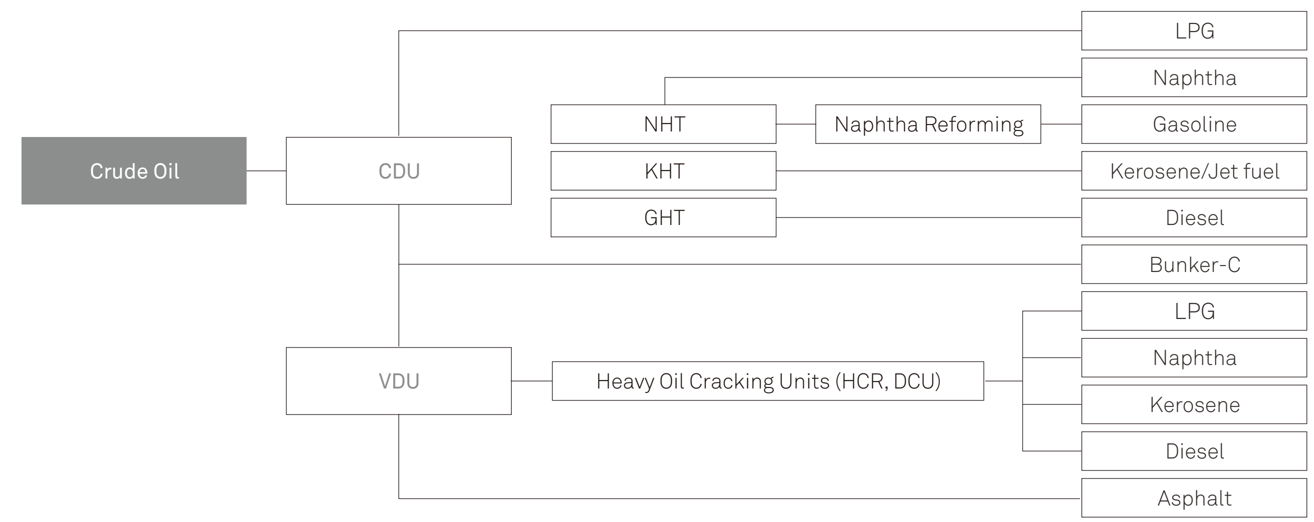
(8) Platforming (PLT): The PLT process converts the low-octane naphtha produced by the CDU into high-octane naphtha reformate. The reformate is used as a gasoline blendstock or feedstock for benzene, toluene, or xylene production.

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

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

(11) Lube Base Oil Unit (LBO): The LBO process isomerizes and hydrogenates unconverted oil or hydrowax from HCR that has not been converted into kerosene and diesel in the Hydro Cracking Unit to produce high-quality lube base oil.

Process Flow



Expanding Margins by Extending HOU Plants

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. In September 2011, we officially completed our #2 Heavy Oil Upgrading plant. This established a new platform for our growth in the refining business, increasing our daily upgrading capacity by 68,000 barrels, rising from 75,000 to 143,000. We achieved the industry-leading 36.7% upgrading ratio, which has enabled us to generate a stable operating profit by processing the 40% to 50% portion of bunker-C oil that remains after crude oil refining.

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 most difficult standard, as required by law in the U.S. state of California. This opens the door for us to actively pursue exports to the U.S. and other major markets that are adopting stricter standards on petrochemical products.

#1 HOU Plant

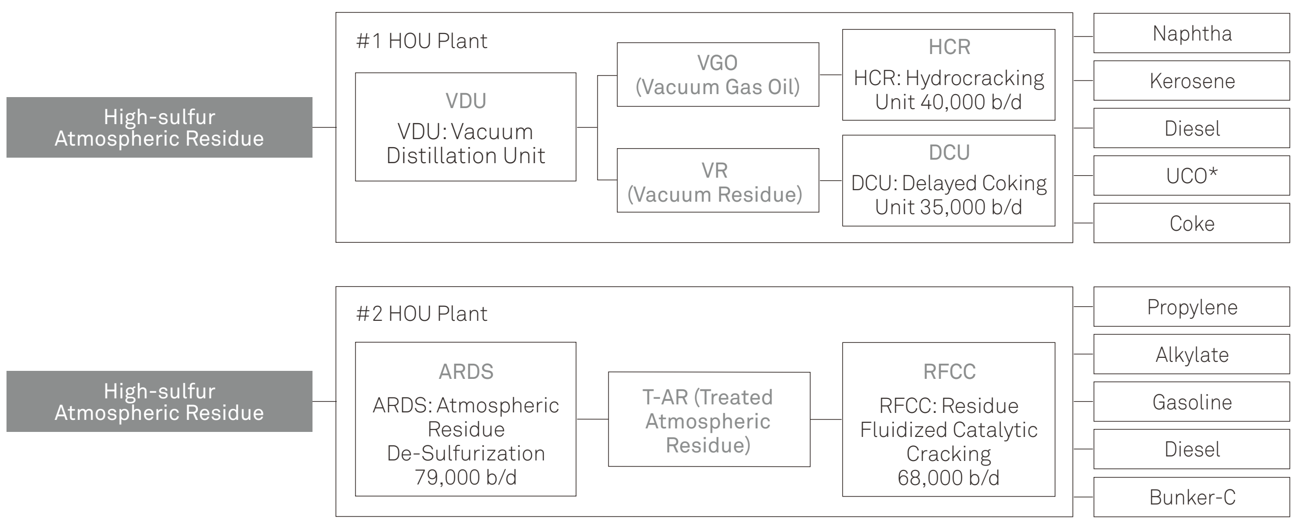
We operate two upgrading plants—the #1 HOU Plant that decomposes fuel oil produced in the #1 crude distillation unit (CDU), and the #2 HOU Plant that decomposes fuel oil produced in the #2 CDU. Operating since 1989, our #1 HOU Plant, which mainly produces diesel and kerosene, consists of the Hydrocracking Unit and the Delayed Coking Unit. Its daily refining capacity is 40,000 barrels by the Hydrocracking Unit and 35,000 barrels by the Delayed Coking Unit.

#2 HOU Plant

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 68,000 barrels by the RFCC.

HOU Process Flow

*Unconvertible Oil (UCO): Raw material for lubricant base oil



#2 HOU (Heavy Oil Upgrading) Plant

#2 BTX Plant

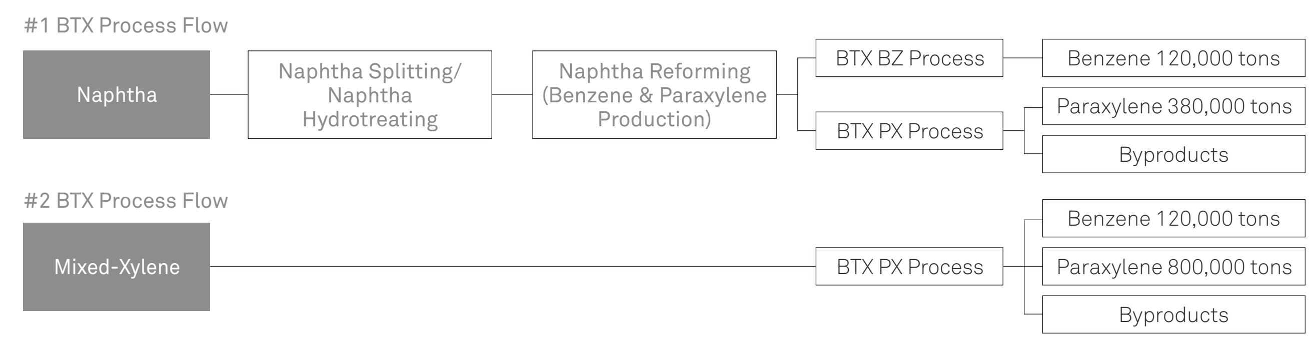
Enhancing Competitiveness in Petrochemicals through #2 BTX Plant

Through the #2 BTX plant, Hyundai Cosmo Oil increased its annual BTX output to 142,000 tons, including 800,000 tons of paraxylene and 120,000 tons of benzene. Actively responding to the 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.

#2 BTX

Founded in 2009, Hyundai Cosmo Petrochemical is a joint venture with Cosmo Oil of Japan. It started the 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 feedstock. In particular, the facility is able to proactively respond to changes in international raw material prices with Cosmo Oil providing its MX requirements. We are also generating fruitful synergies from the BTX product sales through active joint marketing with Cosmo Oil.

Key Processes



Quality Management

At Hyundai Oilbank, we are enhancing the quality of our post-sales services in all stages through exhaustive quality inspections and administration of our quality complaint management system, while prioritizing the importance of our customers. Through R&D, we focus on basic quality control in order to improve the qualitative competitiveness of our products, as we strive to exceed 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 at each of our service stations, by observing regulations stipulated by relevant laws and ordinances. In order to ensure high quality management during the final distribution stage, we carry out regular quality inspections throughout the year and systematically oversee the quality of our products in the market to 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 2014. The reliability of our quality tests was also confirmed by the Korea Institute of Petroleum Management (K-Petro), in which we passed testing for all fuel types and categories within the acceptable margin of error. We were also re-certified for the ISO 9001 quality management system, winning international recognition for our quality and management levels.

Quality Complaint Handling Procedure

1 Complaint received

2 Sampling

3 Quality testing

4 Notification of results to customer and responsible department within 72 hours

Quality Complaint Management System

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

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 is determined based on the complaint, and once the tests are completed, the customer is notified immediately of the results.

We also operate regular training programs for our sales force and service station operators, and publish an annual handbook as part of our efforts to promptly address our customers' quality concerns. Additionally, information on the hazardous substances in the company's products is also provided in complete compliance with regulations to help protect the health and safety of all customers.

Hyundai Oilbank Central Technology 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 central point for innovative research and development at Hyundai Oilbank, as it consolidates the R&D functions and personnel from a number of company worksites in South Korea. It is tasked with developing new technologies and training high-caliber technical professionals who specialize in a wide range of fields such as oil refining, lubricant oil, next-generation fuels, and petrochemicals. It has actively pursued collaborations 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. We, in particular, decided to introduce catalysts from Cosmo Oil for our #1 GHT process in October 2013 in order to secure original catalyst technologies. 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 promotes R&D in correlation to the enhancement of technology and business diversification strategy. That said, it will continuously back government-supported R&D tasks, and strengthen industry-linked academic research to solve global energy problems and discover new growth engines.

Second, the institute will do its best to secure technologies for our business diversification. It will focus on securing production technologies that are needed for our advancement into the promising business areas of 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 and achieve new future growth engines in the intensifying global race in technology. It will broaden the range of its technological cooperation both in and outside Korea, while increasing efforts to secure a technological status that aligns with the company's vision.

Marketing & Service

At Hyundai Oilbank, we increase our brand awareness and customer loyalty through strengthened brand value, service quality, and affiliate marketing. Backed by steady sales increase and enhanced sales competitiveness, we will continue to grow by expanding customer-centered differentiated marketing activities initiatives and building solid partnerships with associated service stations.

Strengthening Brand Value

Since becoming a member of the Hyundai Heavy Industries family in 2010, we have carried out a wide variety of activities to raise corporate preference and embed a friendly company image in our consumers. These include our sports marketing activities such as the title sponsorship of K-League, South Korea's top professional football league, and sponsoring the Ulsan Hyundai Football Club for five years in a row. We have also held a creative marketing idea contest for university students, and campaigned support for child hunger abroad to enhance our brand value.

Marking our 50th anniversary in 2014, we have enhanced our corporate image with sustained growth. In 2013, following the launch of our lubricant business, we rolled out the XTeer lubricant brand while emphasizing Hyundai technologies. We engaged the public through multiple media outlets to enhance brand awareness while offering customers a chance to experience XTeer through events.

Visual communication is crucial in our efforts to increase brand awareness. We apply a streamlined, standardized design, for example, to our gas stations, attendant uniforms, advertising materials, and offices. We are particularly focused on developing unique designs for our service stations, our customer contact points, by using our own characters and art walls.

Improving Service Quality

We are South Korea's first refiner to assign service specialists known as "Market Designers" to each region to systematically improve the gas station services. We also operate a "Full of Smile Service Campaign", which allows customers to nominate gas station attendants with outstanding customer service, a "Welcome Team" to help invigorate station sales by demonstrating standardized service delivery and improving the attendants' skills. We pay attention to our customers' participation and needs through a customer advisory panel, an opportunity that allows us to gain valuable feedback from a consumer's perspective on our marketing activities and level of services, as well as advice on how we can improve.

At the same time, we are spreading exemplary service models 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. We are also increasing our differentiated and standardized services by publishing a guide to gas station services.

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 sixth consecutive year in 2014. It also ranked first in the service station category at the 2014 Korean Standard-Contact Service Quality Index (KS-CQI) surveys by the Korean Standards Association for the third straight year, winning recognition for excellence in our services.

Expanding Affiliate Marketing

We have actively expanded the accumulation and usage of points from our consumer 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 consumers have become increasingly price-sensitive, we are enthusiastically engaging in activities that enable consumers to save money. These include launching new affiliated credit cards and partnerships that allow them pay for their purchases with their accumulated points from the Oh! Point of the BC Card, for example. We have also partnered with events such as major musicals and concerts, festivals, and hypermarkets to build our image as a gas station that provides fun, money-saving benefits.

Consolidating Customer Loyalty

Our marketing begins with scientific analysis of customer data from over 1.3 million customers who carry our bonus card. We contribute to customer management and sales growth through a wide range of Customer Relationship Management (CRM) campaigns. These include a Customer CRM that attracts and retains customers through lifestyle trends, a Tailored Gas Station CRM that takes into account the station's business conditions, and Affiliated CRM to include the customers of our partner companies. We also hold differentiated promotional events such as the "Thanks Festival", "Thanksgiving Day Festival", and "Lunar New Year's Envelope of Love", targeting our bonus card customers. Through these, we increase the value of our bonus card and maximize customer loyalty.

Building Partnerships with Affiliate Service Stations

In 2012, we introduced a Partner Relationship Management (PRM) program to build partnerships with our affiliate service stations by providing premium services to their owners. We also host charitable partner relationship programs exclusively for the service station owners and their families. These include family invitation programs such as the "Queens Party", "Healing Camp", "Children's Industrial Expedition", "Youth Dream Camp", "High School Praise Camp", and "Dinner in the City", as well as discounts for health checkups at major hospitals and travel deals.

Environmental Management

At Hyundai Oilbank, we minimize environmental impact from our business activities through an advanced integrated environmental system, while continuously investing in green-focused facilities. We are also strengthening our environmental management activities by carrying out preventive initiatives such as employee training, environmental inspections and informative building programs in cases of emergency.

Integrated Environmental Management System

We have enacted and practiced environmental policies as basic guidelines through environmental management activities. In addition, we successfully acquired the ISO 14001 Environmental Management System Certificate. With a commitment to an efficient and systematic management that is in accordance with international standards, we operate relevant data such as atmosphere, water quality, chemicals, and education through our environmental integrated information system.

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 the prevention of environmental pollution by continuously improving sustainability, prevention and control processes.
Ongoing Training	> Implement ongoing training that instills purpose, motivation and greater awareness of the environmental impact in the employees.

Completed Hwagok Reservoir Park in Seosan as an ecological park in 2014

Efforts to Improvement the Environment

We are committed to continuous innovations in our overall management for a cleaner environment.

(1) Environmental Investments: We have introduced high-performance pollution control facilities to minimize the generation of pollutants at our business locations. In 2014, we invested approximately KRW 42 billion for the safety, health and preservation of the environment. These included a Leak Detection and Repair (LDAR) system to reduce Volatile Organic Compound (VOC) emissions from windborne dust generating facilities such as pumps and valves; Vapor Recovery Units (VRUs) for our terminal facilities; and airtight drainages at our processes.

(2) Responding to Climate Change: We are continuously carrying out greenhouse gas reduction activities to minimize GHG emissions through energy management, process improvement, waste heat recovery, and operations improvement. By actively participating in the South Korean government's green growth policies such as the 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, Safety & 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 > Hold quarterly (Sales Division, Safety & 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 damages to the environment by managing chemical accidents as quickly as possible. In addition, we realigned our incident response manual to improve our in-house prevention and control capabilities, and as a result, execute eight prevention and control drills annually.

Composition	Major Roles
Ministry of Environment (Geumgang River Basin Environmental Office), Hyundai Oilbank, LG Chemical, Samsung Total Petrochemicals, Lotte Chemical, KCC	> Provide information on chemical accident locations and chemicals > Support control equipment from each company and assist in control outside hazard sites in the event of an accident > Share information inside the regional industrial complex and form an emergency communications network

Social Contribution

At Hyundai Oilbank, "Full of Love, Hopeful Energy" is the slogan that represents our Corporate Social Responsibility (CSR) for helping the children and the youth, in addition to lending a hand to those in need and protecting the earth as a company. We practice empathy through energy and help spread the culture of sharing through a wide range of volunteer activities joined by our employees and their families, and independent gas stations.

Hyundai Oilbank 1% Nanum Foundation

Since September 2011, our employees have donated 1% of their monthly salaries to help those in need. We were the first large company in South Korea whose employees pledged to donate every month, contributing to the culture of sharing joined by other influential businesses, independent service stations, and even the employees' families. Hyundai Oilbank 1% Nanum Foundation is dedicated to creating a better world by practicing a 1% salary sharing and matching service.

Supporting Local Communities

We are building win-win partnerships with residents of the Seosan region where our headquarters is 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. An annual rockfish re-stocking program, which we are sponsoring, has become a popular local festival and helps to protect the marine habitats while revitalizing local fishing communities. We also take the lead in protecting marine environments through coastal cleanups in the Samgilpo area. Founded in 2003, Hyundai Oilbank Scholarship Foundation is also delivering scholarships of KRW 50 million each year to middle school, high school, and university students who come from families in need in Seosan.

In September 2011, we completed Daejuk Park on a 17,400 square meter site, providing residents in the community with sports facilities including a natural grass soccer field, basketball and volleyball courts. In May 2014, we developed an ecological park and hiking trails at the Hwagok Reservoir Park in Seosan, offering local residents a place for relaxation as part of our efforts for regional growth.

Hunger-free Program for Seniors

Volunteer Activities

We support volunteer services by making a financial contribution (KRW 10,000 per volunteer hour) to the charities our employees support. Also in operation is the Sharing Happiness volunteer program, in which we provide articles needed worth up to KRW 2 million. Our employees are providing over 5,000 hours of community service each year by visiting places that need helping hands, by division or club.

Charitable Programs

We join our parent company, Hyundai Heavy Industries, in annually contributing to a number of charity programs including the Community Chest of Korea. We have also partnered with three other South Korean refiners to create a fund relief of KRW 100 billion for the disadvantaged who are impacted by high oil prices. We also volunteer in a number of industry-wide programs to establish a responsible energy culture. We provide heating expenses for an affiliated military unit and small-scale social assistance facilities, and offer scholarships for the children of cargo transporters and coast guard service members in need. In addition, we support 57 young people in Asia and Africa through a sharing campaign with our customers.

Hiring the Disadvantaged

We operate employment programs for the physically handicapped and senior citizens to assist their self-sufficiency. Since 2003, we have hired handicapped 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 2014, we employed approximately 1,000 senior citizens at stations across the nation.

Full of Love, Hopeful Energy

This CSR mark shows our initiation to address and meet the needs of society through acts of compassion for humanity.

Creating a Brighter World with 1% Sharing

Sharing Love
- Hope Ladder Campaign for Children
- Hunger-free Program for Seniors
- SOS Fund

Sharing Hope
- Safety Net Support Project
- Hope Energy Scholarship
- Global Education

Sharing Happiness
- Loving Hands for a Better World
- Welfare Facility Heating Assistance
- Other donation projects

Signing MOU for the 1% Sharing House

1% Sharing House residential improvement for the less fortunate

Financial Review

4

Management's Discussion & Analysis

Disclaimer on Forward-Looking Statements

This report contains forward-looking statements related to future activities, events, and developments that reflect the company's expectations regarding its financial results and business conditions at the time of this publication. These forward-looking statements are based on multiple predictions regarding the future business environment and may prove to be incorrect. Actual results may differ materially 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 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. 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. 2014 Economic Overview

In 2014, the world economy's slow recovery continued, and the sentiment of economic players failed to improve since corporate profitability remained low. Consumption also failed to recover, along with sluggish overseas sales. Even the exports that had led the growth of our economy were dull amid weak domestic consumption. This was caused by slowdowns in the global economy, coupled by the increasingly higher dependence on domestic demand in the U.S., China and other major nations.

International oil prices made a downturn in September 2014, and then plunged following the expanded expectations for excess supply in the market. This drop occurred when oil-producing countries in the Middle East decided to maintain their current production volume with the expanded production of shale oil in the U.S. with a high production unit cost. While the decrease in global oil prices that began from the second half of 2014 should act as a positive factor for the overall global economic growth, its influence will differentiate by nation according to their crude oil import and export structure.

The IMF analyzed that the growth rate of the world economy will rise by 0.3-0.7% in 2015, in the wake of recent sharp falls in oil prices. As this will mainly lead to an improvement in real household income, and demand for petroleum is also expected to grow, it should be considered an opportunity for oil refineries to seek expansion in refining margins through upgrades to their operating ratio.

Observing the world economic trends overall of late, change in monetary policy packages by the FRB in the U.S. and the possibility of economic slump in some emerging countries due to oil price declines are emerging as destabilizing factors. In general, however, a steady recovery should continue, led by the U.S. and other advanced countries.

2. Market Overview

1) International Crude 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, and 75% of the proven global oil reserves are held by regional oil producers, who also account for 40% of annual global oil production.

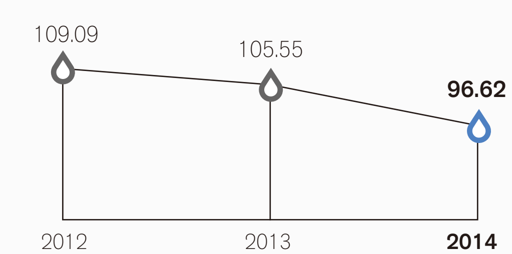
Most regional producers are members of the Organization of Petroleum Exporting Countries (OPEC), an organization that has enormous influence in international oil markets. However, non-OPEC producers are rapidly increasing their international market share, giving them significant influence in the market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

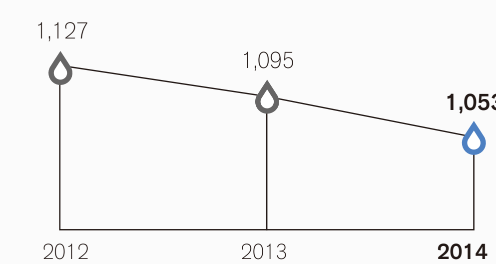
In the first quarter of 2014, international oil prices showed marginal downturns due to Quantitative Easing (QE) Tapering by the U.S. and an increase in production by oil-producing countries, but profitability improved from the previous quarter's figures as refining margins showed a recovery with the seasonal rise in demand. In the second quarter, the market conditions were affected by downward pressure on prices following a rise in supply volume along with the beginning of a slow season. In the second half of the year, refining margins decreased, affected by economic slowdowns in key nations; concerns over the reduced growth of demand for petroleum; and oil price downturns following a rise in petroleum production by the U.S. and oil-producing countries.

Following the drop in international oil prices that began in the second half of 2014, the growth of oil-importing countries is expected to improve with an increase in real household income. However, it's been a concern that the fiscal and current balances of oil-exporting countries will be aggravated.

Dubai Crude Average Selling Price
(Unit: USD/barrel)



Average Foreign Exchange Rate
(Unit: KRW/USD)



The Korean won-dollar rate displayed a downturn until the middle of last year, but quickly rose starting in September 2014, due to the increasingly weakening Japanese yen, amid growing expectations of interest rate hikes in the U.S. Expanding unrest in the international financial markets due to plunging oil prices is also pointed out as a factor.

In 2015, the foreign exchange market should remain similar. While the pressure on a strong dollar will become greater with the beginning of interest rate hikes in the U.S., other countries affected by the sluggish economy and monetary easing policies will continue the bearish trend. The won-dollar rate is also estimated to remain at a higher level than the preceding year's level. Changes in currency values do not have one-direction influence only, but in our case with high dependence on trade, the influence of the low currency value on the economy should be positive overall.

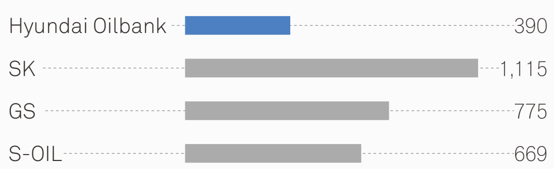
Management's Discussion & Analysis

2) South Korean Oil Refining Industry Overview
The South Korean oil refining industry held the world's sixth-largest crude refining capacity of 2,949,000 barrels a day as of the end of 2014 through large-scale refinery expansion projects since the early 1990s. These facilities enable economies of scale and now give the industry a competitive advantage in international markets.

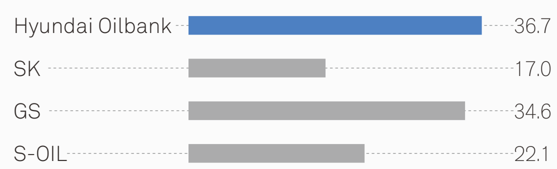
In 2014, downturns in international oil prices contributed to increasing overall industrial production at different times through a decrease in production costs, improved profitability, and the growth of domestic consumption and exports by the domestic industries. The domestic refining industry, however, had a difficult year due to reduced margins.

Hyundai Oilbank surpassed its competitors in terms of profit rates in the petroleum-refining sector, based on its domestic market share that surpasses its refining capacity. Hyundai Oilbank became the only company in the industry to post an operating income, as upgrading margins generated by the price gap between middle distillate oil products and heavy oil products showed satisfactory movement.

Refining Capacity
(Unit: Thousand barrels/day)



Upgrading Ratio
(Unit: %)



In 2015, the rapid decline in oil prices during the second half of 2014 will likely peak and recover partially, showing stable movements. Hyundai Oilbank will recover its refining margins, based on its domestic industry's highest-level upgrading ratio and optimized process efficiency. We will also continue to secure competitive advantages over our competitors through the stabilization of our new businesses and strengthened marketing for domestic consumption and exports.

II. Business Risk Management

The company operates a risk management committee, led by its president and CEO, to manage business risks, examine its strategies in basic exchange rate risk management and remove or minimize exposed risks through hedging associated with cash transactions. In addition, the company analyzes international oil prices and market conditions and establishes risk-related strategies.

1. Risk by Factor

1) Exchange Rate Risk
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.

2) Oil Price Risk
The company is exposed to risks from variations 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 changes in profit and loss when leasing oil storage facilities and buying oil reserves from the Korea Gas Corporation.

3) Interest Rate Risk
The company is exposed to rising interest rate risks from the changes in interest rate expenses on the floating rate-facility loans and investments.

2. Risk Management Strategy

The company is seeking stable management with prior and post-risk management by forecasting and analyzing risks while promptly responding to overseas and domestic oil refining market conditions. Accordingly, the company is managing diverse types of risks effectively and systematically through a risk management master plan.

1) Exchange Rate Risk
We consult with external organizations to ensure a systematic risk management and hedge our risk by establishing in-house regulations that clearly state detailed guidelines, including hedge transactions and exchange risk management organizations.

Our exchange rate risk includes the foreign currency cash flow, which involves foreign currency liabilities that are generated during the crude oil purchasing process, foreign-currency accounts receivables that arise from the exports of products, and other foreign-currency payments. We hedge our exchange rate risk primarily by using spot exchange, forward exchange, and F/X swap.

In addition, to minimize this risk, we are reducing high interest rate borrowings and improving long- and short-term borrowing structures by monitoring interest rate movements at home and abroad, and mapping out efficient countermeasures.

Purpose	Contract Type	Details of Contract	Contract Unit	Contract Value
Cash flow hedge	Interest swap	CP floating rate risk hedge	KRW	60,000 million
Trading purposes	Foreign exchange forward	Foreign exchange risk hedge	USD	472 MM

2) Oil Price Risk
To prevent losses from price fluctuations, we have instituted mandatory hedging for operating margins as well as fixed-price bids, oil reserves, and storage facility rental transactions. To reduce exposure to fluctuations in monthly import volume, we determine the portion of the monthly volume that is exposed to risk and make adjustments based on current market dynamics. We make it a rule to control our risk exposure by adjusting the benchmark prices for real transactions and hedging swap transactions. In addition, we have a timely response system in place for occasions when risk arises by implementing risk exposure management and an early warning system.

Management's Discussion & Analysis

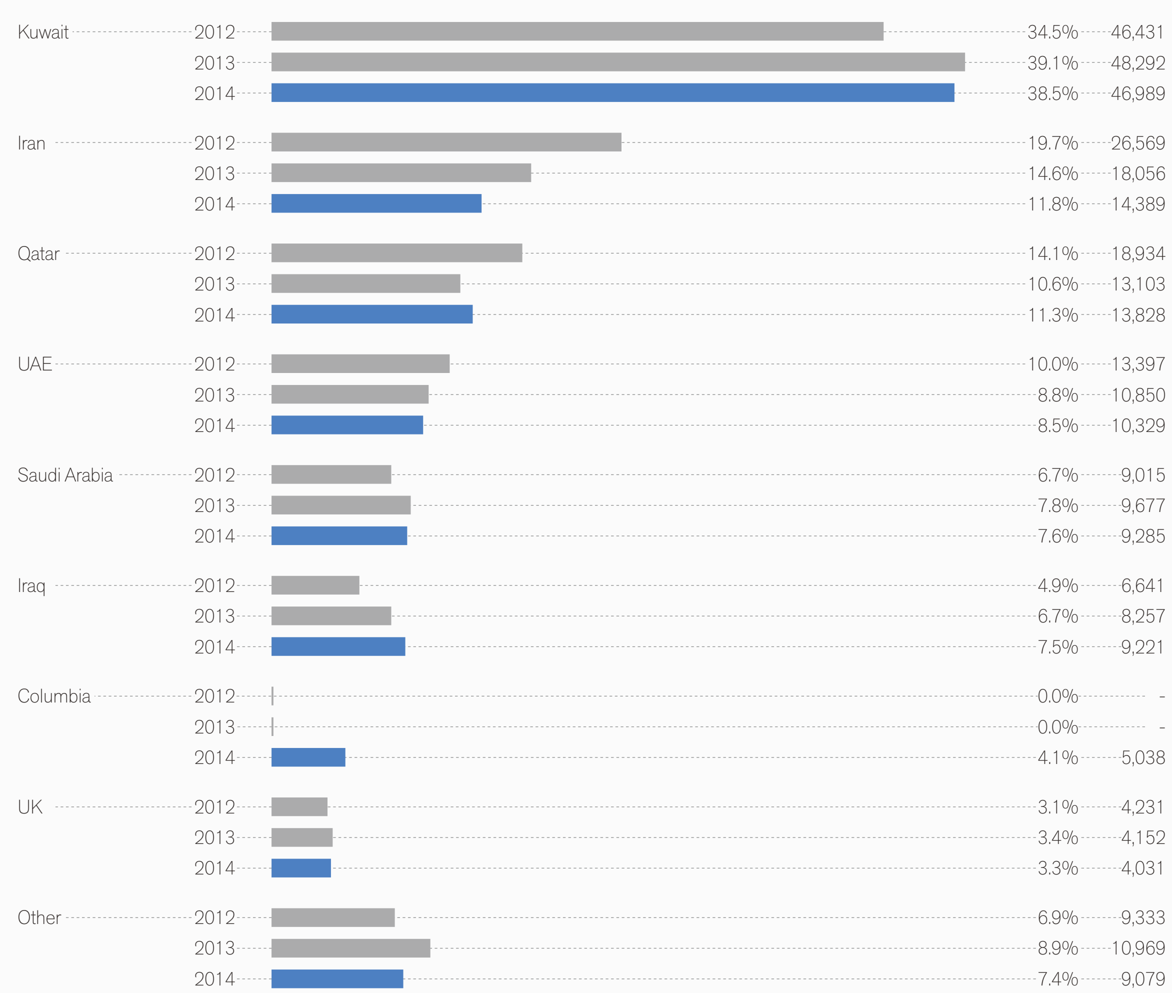
Purpose	Contract Type	Details of Contract	Contract Unit	Contract Value
Cash Flow Hedge	Foreign Exchange Forward	Equipment Exchange Risk Hedge	USD	$ 28 MM
Cash Flow Hedge	Foreign Exchange Forward	Equipment Exchange Risk Hedge	JPY	¥172 MM
Cash Flow Hedge	Foreign Exchange Forward	Equipment Exchange Risk Hedge	KRW	2,034 MM
Trading Purposes	Commodity Forward	Commodity Price Risk Hedge	USD	$ 7,500

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 crucial due to the ongoing 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.

We also sharply expanded the types of crude oil to be reviewed for imports and intercepted crude oil-related risks while maximizing our revenues. For example, we increase the imports of crude oil with high economical efficiency, such as those that meet the FTA agreements and extra high crude oil, by reviewing them thoroughly in advance so that our processes will not be burdened.

Oil imports by country
(Units: %, Thousand barrels)



III. 2014 Business Results

1. Operational Overview

(Unit: In KRW billions)

Summary of Income Statements	2014	2013	YoY Change	
1. Sales	21,324.1	22,403.7	-1,079.6	-4.8%
2. Cost of Goods Sold	20,765.7	21,604.9	-839.2	-3.9%
3. Gross Profit	558.4	798.7	-240.3	-30.1%
4. Selling and Administrative Expenses	332.2	395.6	-63.4	-16.0%
5. Operating Profit	226.2	403.2	-177.0	-43.9%
6. Financial Income (Costs)	-137.7	-85.7	-52.0	-60.7%
7. Other Non-Operating Income (Expenses)	-15.9	-105.5	89.6	84.9%
8. Share of Profit of Associates	-54.1	3.2	-57.3	-1,790.6%
9. Net Income	4.2	158.4		-97.3%
Operating Margin	1.06%	1.80%		-0.74%p
Net Margin	0.02%	0.71%		-0.69%p

In 2014, the company was faced with challenging management conditions that comprised of reduced demand due to the weakening growth of petroleum consumption behind a worldwide economic depression; a slight fall in its capacity utilization ratio, following a rise in the production capacity of global companies including those in China; and plunging international oil prices since September. In such a climate, we focused on improving our profitability from crude oil imports to production and sales, targeting the industry's highest point of efficiency, and on expansion through the establishment of new businesses.

With regard to our on-site management, we closely managed our refining margins by adjusting our plant operating capacity in a flexible manner. We also continued to make efforts for a real-time management of inventories-related profit and loss by managing the product inventories throughout the year. As a result, we achieved outstanding management performance, and we were the only company in the oil refining industry to record a surplus in operating profit in the refining sector. This is attributed to our efforts in improving profitability, primarily through stable operations of our upgrading facilities with satisfactory profitability and continuous cost reductions.

2. Sales Analysis

1) Sales

Petroleum consumption will likely recover gradually from 2015 onward, although its growth is weakening in the aftermath of the global recession. The domestic oil refining industry is in a situation where it has to accelerate exports due to the intensifying phenomenon of a rise in supply and a drop in demand, in addition to a variety of market interventions and tightening regulations. In response to the changes in the external business environment, Hyundai Oilbank focused on a market management that flexibly balanced between domestic consumption and exports. We also strengthened sales through retail and direct sales channels to increase our domestic market share. In the overseas markets, we exported our products in diverse forms through petroleum product traders, general trading companies, and direct sales on both long-term and spot contracts.

2) Sales by Channel

The company establishes and applies appropriate sales strategies by channel. Our goals are to increase sales and maximize revenues by preemptively responding to the market changes.

Retail Sales: The company sells light oil products to end-users including 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 that we are expanding in strategic regions as well as increasing channel sales through strengthened advertising and mass promotions.

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 with 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 Central Technology R&D Institute to steadily improve quality. We also seek to boost sales and profitability by entering new markets.

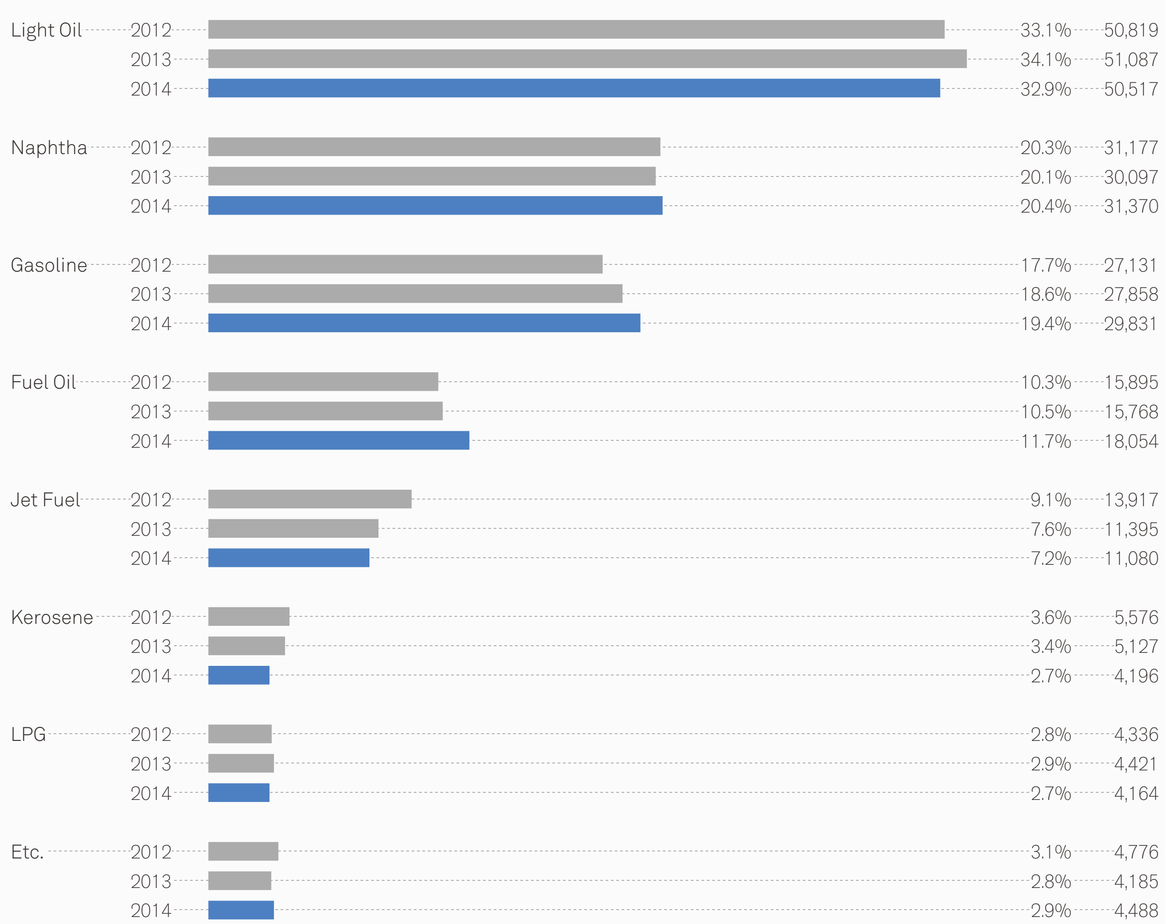
Management's Discussion & Analysis

Exports: The company exports the portion of production that exceeds domestic demand through petroleum product traders, general trading companies, and direct sales for both long-term and spot contracts. The portion of exports has steadily increased due to a rise in the operating capacity ratio and the availability of a more diverse export product range since the completion of the 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 three branches in the Middle East, Vietnam and London. We plan to advance into new highly profitable markets by utilizing our overseas sales network.

3) Sales by Product

With the operation of HOU plants, our upgrading ratio rose from 34.4% in 2013 to a domestic industry-leading 36.7%. This allowed us to produce higher-value-added products, which improved our overall business competitiveness, strengthened our profit base, and lifted our light oil market share. In terms of product sales volume, diesel led the way, 32.9% 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 22.0%, similar to the previous year's level.

Sales by Product
(Units: %, Thousand barrels)



3. Profitability Analysis

1) Operating Profit

Hyundai Oilbank has improved its operating margin through profitable and practical management, despite being a smaller company compared to its competitors. This was based on its industry-leading upgrading ratio and high domestic market share, which contradicts its refining capacity. In 2013, the company improved its operating margin when those of the competing companies declined. In 2014, we were the only company in the industry to record a satisfactory operating margin, demonstrating our stable operating profit management while our competitors recorded losses due to worsening market conditions.

This was backed by our stable domestic market share at the 22% level, which resulted from our efforts for cost reductions including the diversification of crude oil suppliers, exhaustive inventory management, and energy efficiency in a challenging management environment with dropping oil prices. However, in 2015, we anticipate that there will be no further plunges in global crude oil prices.

Accordingly, the improving refining margins following the stabilization of oil prices will likely lead to an improvement in overall results in the oil refining industry. The company expects to continue maintaining its superior profitability over competitors in 2015 by boosting its efficiency in crude oil, production, and sales stages. Particularly by expanding our crude oil imports with higher economical efficiency, such as extra high crude oil, we will continue to retain our highest profitability in the oil refining industry.

4. Future Investment Analysis

The company opened the Hyundai Oilbank Central Technology R&D Institute in November 2011, with an aim to reinforce its capabilities in the petroleum and petrochemical businesses through continuous technological innovation, and to create future values by establishing new businesses.

The institute consists of the R&D Team 1 and R&D Team 2. The R&D Team 1 is dedicated to research projects in various areas, including the commercialization of petroleum and petrochemical products, optimization of catalysts for our processes, development of catalysts, opportunity crude oil, and green energy.

Tasked with the petrochemical business that lays the foundations for the company's future visions, the R&D Team 2 is committed to developing new research projects. They involve methanol synthesis using natural gas, coal-to-gas, diversification of limestone uses, recycling of desulfurization plaster, higher-value heavy aromatics, development of super absorbent polymers, resource recovery, and sulfur-containing polymers.

5. Financial Status

1) Summary of Financial Position

At the end of 2014, the company held consolidated assets of KRW 8,185.0 billion, decreasing marginally from the previous year's figure. Current assets backed off by 21.5% over the year, but this resulted from our efficient management of such key items as inventories and receivables. Our financial stability was enhanced with dash and cash equivalents and short-term financial assets totaling KRW 448.5 billion. Non-current assets advanced by 2.4% to KRW 5,121.4 billion due to an increase in property, plant and equipment, which reflect our steady investments in new undertakings to secure mid- to long-term growth engines.

Current liabilities reduced by 15.5% to KRW 3,223.3 billion, led by a drop in crude oil prices and our efforts to manage crude oil imports diversification and expand the imports of crude oil with high economical efficiency. Non-current liabilities decreased by 6.5% to KRW 1,987.2 billion. Total liabilities declined by 12.3% to KRW 5,210.5 billion. Total shareholders' equity edged up by 0.5% to KRW 2,974.5 billion, maintaining stable capital reserves. Liabilities-to-equity ratio also shrank by 25.6% points to 175.2%, further improving our financial structure.

Management's Discussion & Analysis

(Unit: In KRW billions)

Key Financial Indicators	2014	2013	YoY Change	
Current Assets	3,063.6	3,900.5	-836.9	-21.5%
Non-Current Assets	5,121.4	4,999.6	121.8	2.4%
Total Assets	8,185.0	8,900.1	-715.1	-8.0%
Current Liabilities	3,223.3	3,816.0	-592.7	-15.5%
Non-Current Liabilities	1,987.2	2,125.4	-138.2	-6.5%
Total Liabilities	5,210.5	5,941.4	-730.9	-12.3%
Capital Stock	1,225.4	1,225.4	-	-
Capital Surplus	-75.1	-22.6	-52.5	-
Accumulated Other Comprehensive Income	-6.5	-7.1	0.6	-8.5%
Retained Earnings	1,682.3	1,704.0	-21.7	-1.3%
Non-Controlling Interest	148.4	58.9	89.5	152.0%
Total Shareholders' Equity	2,974.5	2,958.7	15.8	0.5%
Liabilities-to-Equity Ratio	175.2%	200.8%		-25.6%p

2) CAPEX
The company continues to make investments to fortify its capabilities in the petroleum and petrochemical industry through sustained technological innovation and R&D, and to create new values by seeking out new businesses. In 2014, we completed the construction of the lubricant base oil plant and #9 FBC boiler, while continuously promoting various new undertakings including the MX manufacturing business.

In addition, we also maintain additional investments and capital investment to improve the efficiency of our existing investments and stabilize them early. Such investments are expected to help the company secure mid- to long-term growth engines.

(Unit: In KRW billions)

	2014	2013	YoY Change	
New Investment	129.5	210.4	-80.9	-38.5%
Additional Investment	132.4	163.0	-30.6	-18.8%
Capital Investment	125.0	36.0	89.0	247.2%
Total	386.9	409.4	-22.5	-5.5%

6. Liquidity and Financing

1) Liquidity
As of the end of 2014, the company's liquidity—comprised of cash and cash equivalents and short-term financial assets—increased to KRW 448.5 billion from the previous year's level. This resulted from our endeavors to raise our financial stability in response to the unstable market conditions of the oil refining industry. 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 3,473.9 billion at the end of 2014, a rise of about KRW 366 billion from the previous year. This was caused by the issuance of new corporate bonds issued to raise funds for the company's ongoing investments to secure mid- to long-term growth engines. Total liabilities, however, slipped by 12.3% over the year to KRW 5,210.5 billion, and our liabilities-to-equity ratio also dropped by 25.6% points to 175.2%, which significantly improved the stability of our financial structure.

IV. 2015 Market Outlook

In 2014, Hyundai Oilbank maintained its stable domestic market share of 22% by focusing on profitable and practical management and recorded a surplus in operating profit, the only company to do so in the industry. When seen from a broad perspective, the company firmed its risk management capabilities amidst a difficult management environment including downfalls in the oil prices throughout the year.

In 2015, based on such risk management competency, we plan to continue to improve our profitability by raising our management efficiency. Despite the lingering economic slump and low oil price trends, we will lay the foundations for our mid- to long-term growth by consolidating our cost competitiveness and ensuring a speedy response system against changes in our environment. In order to accomplish its 2015 management goals, the company will focus on pushing forward with the following detailed tasks:

1. Reduce raw and minor materials import expenses: Reduce expenses by expanding the imports of extra high crude oil with cheaper prices than existing crude oil, and purchasing byproducts of petrochemical companies
2. Optimize process operation: Reduce energy usage by building an energy management system and maintain the maximum capacity operation ratio of our Heavy Oil Upgrading (HOU) facilities including FCC and HCR
3. Improve domestic sales and tap overseas markets: Expand new domestic distributors, secure earnings from rentals, and increase middle distillate oil exports, targeting high-margin markets
4. Strengthen external risk management: Adjust operating capacity and hedging ratios in accordance with our risk management regulations when oil price and exchange rate fluctuations expand
5. Secure financial stability: Maintain appropriate volume of borrowings as compared to asset holdings, and manage our debt-to-equity ratio through the quarterly management of our financial ratios
6. Bolster human competency: Increase education to improve responsibilities and global capabilities by securing excellent human resources and building an integrated HR operation system

Through the above key imperatives, we expect to improve our profitability, minimize losses in emergency situations, and enhance HR competitiveness. We also plan to secure future growth engines while retaining the industry's highest profitability in 2015.

Independent Auditor's Report

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

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Other Matters

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

We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 9.5% of the Company's consolidated total assets before elimination of intergroup transactions as of December 31, 2013, and 23.3% of the Company's consolidated total profit before elimination of intergroup transactions for the year then ended. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for certain consolidated subsidiaries, is based solely on the report of the other auditors.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
March 11, 2015

Samil PricewaterhouseCoopers

This report is effective as of March 11, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hyundai Oilbank Co., Ltd. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(in thousands of Korean won)

	Notes	2014	2013
Assets			
Current assets			
Cash and cash equivalents		434,504,203	50,595,955
Short-term financial instruments	8	14,027,932	20,490,473
Available-for-sale financial assets (Current)	9	1,076,185	-
Financial assets at fair value through profit or loss	20	210,780	1,056,117
Derivative financial instruments (Current)	20	610,613	2,189,558
Trade and other receivables	10,30	1,105,037,355	1,518,385,539
Inventories	11	1,404,721,111	2,253,431,645
Other current assets		103,438,370	54,390,883
		3,063,626,549	3,900,540,170
Non-current assets			
Investments in associates	12	110,029,185	164,654,988
Long-term financial instruments	8	2,023,500	2,523,500
Available-for-sale financial assets	9	3,000,000	3,075,175
Long-term trade and other receivables	10	144,796,794	155,041,284
Investments in properties	13	10,634,973	25,921,563
Property, plant and equipment	14	4,758,498,892	4,554,839,601
Intangible assets	15	88,469,079	82,556,420
Derivative financial instruments (Non-Current)	20	489,482	-
Deferred income tax assets		3,497,931	-
Other non-current assets	18	-	10,948,093
		5,121,439,836	4,999,560,624
Total assets		8,185,066,385	8,900,100,794
Liabilities			
Current liabilities			
Short-term financial liabilities	17	1,699,232,421	1,143,768,434
Financial liabilities at fair value through profit or loss	20	1,230,297	1,523,909
Derivative financial instruments (Current)	20	168,159	2,838,460
Trade and other payables	16,30	1,433,612,835	2,578,674,197
Current income tax liabilities	27	2,494,390	26,979,719
Provisions	19	3,620,356	4,745,800
Other current liabilities		82,982,540	57,500,787
		3,223,340,998	3,816,031,306

Hyundai Oilbank Co., Ltd. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(in thousands of Korean won)

	Notes	2014	2013
Non-current liabilities			
Long-term financial liabilities	17	1,774,623,325	1,964,097,794
Derivative financial instruments	20	4,238,659	4,027,701
Long-term trade and other payables	15	92,560,519	42,058,455
Net defined benefit liability	18	11,179,150	157,756
Provisions	19	2,153,000	5,207,907
Deferred income		28,531,581	38,594,970
Deferred income tax liabilities	28	67,835,016	71,255,585
Other non current liabilities		6,080,290	-
		1,987,201,540	2,125,400,168
Total liabilities		5,210,542,538	5,941,431,474
Equity attributable to owners of the Parent			
Capital stock	21	1,225,412,110	1,225,412,110
Additional paid-in and other capital		(75,094,521)	(22,619,670)
Accumulated other comprehensive income (loss)	22	(6,474,769)	(7,113,114)
Retained earnings	23	1,682,269,983	1,704,059,013
Non-controlling interest		148,411,044	58,930,981
Total equity		2,974,523,847	2,958,669,320
Total liabilities and equity		8,185,066,385	8,900,100,794

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, 2014 and 2013

(in thousands of Korean won)

	Notes	2014	2013
Sales	7,31	21,324,071,940	22,403,665,530
Cost of sales	25,31	20,765,692,394	21,604,929,271
Gross profit		558,379,546	798,736,259
Administrative expenses	24,25	332,198,842	395,567,638
Operating profit		226,180,704	403,168,621
Finance income	26	56,031,606	88,325,854
Finance costs	26	193,681,222	174,046,551
Other non-operating income	27	265,455,246	275,802,845
Other non-operating expenses	27	281,341,692	381,328,600
Share of profit of associates	12	(54,127,359)	3,171,640
Profit before income tax		18,517,283	215,093,809
Income tax expense	28	14,363,939	56,705,670
Net income		4,153,344	158,388,139
Net income attributable to owners of the Parent company		(5,321,836)	157,669,673
Non-controlling interest		9,475,180	718,466
Basic earnings per share in (Korean won)	29	(22)	643

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, 2014 and 2013

(in thousands of Korean won)

	2014	2013
Net income	4,153,344	158,388,139
Other comprehensive income		
Items that will be reclassified to profit or loss		
Cash flow hedge Gain/Loss on valuation of derivative financial instruments	1,263,900	958,271
Share of other comprehensive income of associates	(498,445)	1,489,724
Currency translation differences	735,114	(150,814)
Gain/Loss on valuation of available-for-sale financial assets	(489,449)	-
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability	(16,518,519)	12,453,195
Total comprehensive income for the year	(11,354,055)	173,138,515
Net income attributable to owners of the Parent company	(21,150,685)	172,441,808
Non-controlling interest	9,796,630	696,707

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, 2014 and 2013

(in thousands of Korean won)

	Capital Stock	Additional paid-in and other capital	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling interest	Total
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	-	-	-	157,669,673	718,466	158,388,139
Cash flow hedges	-	-	958,271	-	-	958,271
Remeasurements of net defined benefit liability	-	-	-	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
Balance at January 1, 2014	1,225,412,110	(22,619,670)	(7,113,114)	1,704,059,013	58,930,981	2,958,669,320
Comprehensive income						
Net income	-	-	-	(5,321,836)	9,475,180	4,153,344
Cash flow hedges	-	-	891,125	-	372,775	1,263,900
Change in value of available-for-sale financial assets	-	-	(489,449)	-	-	(489,449)
Remeasurements of net defined benefit liability	-	-	-	(16,467,194)	(51,325)	(16,518,519)
Share of other comprehensive income of associates	-	-	(498,445)	-	-	(498,445)
Currency translation differences	-	-	735,114	-	-	735,114
Transactions with shareholder						
Investments of subsidiaries	-	(14,051)	-	-	15,990,633	15,976,582
Establishement of subsidiaries etc.	-	(52,460,800)	-	-	63,692,800	11,232,000
Balance at December 31, 2014	1,225,412,110	(75,094,521)	(6,474,769)	1,682,269,983	148,411,044	2,974,523,847

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, 2014 and 2013

(in thousands of Korean won)

	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations			
Net income	30	4,153,344	158,388,139
Adjustments	30	433,150,005	430,094,180
Changes in assets and liabilities		107,927,224	(137,932,114)
		545,230,573	450,550,205
Interest received		6,276,752	7,850,086
Interest paid		(117,686,578)	(120,885,325)
Income tax paid		(40,510,574)	(41,532,509)
Net cash generated from operating activities		393,310,173	295,982,457
Cash flows from investing activities			
Purchases of financial assets		55,083,645	(104,169,614)
Proceeds from disposal of financial assets		(48,621,104)	122,496,829
Purchases of financial assets at fair value through profit or loss		19,954,031	(15,571,421)
Purchases of long-term financial assets		-	(2,000,000)
Proceeds from disposal of long-term financial assets		500,000	1,000,000
Proceeds from sale of Investments in properties		15,236,500	-
Purchases of property, plant and equipment		(579,099,648)	(529,704,643)
Proceeds from sale of property, plant and equipment		75,457,591	63,752,009
Purchases of intangible assets		(1,808,260)	(1,227,885)
Proceeds from sale of intangible assets		920,000	-
Increase in loan and receivables		(51,306,330)	(86,755,035)
Decrease in loan and receivables		61,502,611	78,575,381
Settlement of derivatives		(551,173)	-
Net cash used in investing activities		(452,732,137)	(473,604,379)

(in thousands of Korean won)

	Notes	2014	2013
Cash flows from financing activities			
Proceeds from borrowings		9,748,595,520	8,781,606,530
Repayments of borrowings		(9,301,917,377)	(8,485,582,470)
Proceeds from long-term borrowings		124,379,486	103,832,640
Repayments of long-term borrowings		(300,000,000)	(611,982)
Proceeds from issuance of bonds		597,419,099	-
Repayments of bonds		(52,558,106)	-
Repayments of current portion of bonds		(300,000,000)	(150,000,000)
Repayments of current portion of long-term borrowings		(152,212,769)	(152,359,500)
Non-controlling shareholder's paid-in capital		79,195,046	23,960,396
Net cash provided by financing activities		442,900,899	120,845,614
Change in foreign exchange rates		231,127	(100,762)
Net increase(decrease) in cash and cash equivalents		383,710,062	(56,877,070)
Cash and cash equivalents at beginning of year		50,595,955	107,473,025
Changes in cash equivalents due to foreign currency translation		198,186	-
Cash and cash equivalents at the end of year		434,504,203	50,595,955

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

Hyundai Oilbank Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements
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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 Company has a production capacity of 390,000 barrels per stream day (BPSD) in petroleum processing.

The consolidated financial statements of the Company as at and for the year ended December 31, 2014, consist that of the Company and its subsidiaries (together referred to as the "Group").

As of December 31, 2014, Hyundai Heavy Industries Co., Ltd. owns 91.13% of total outstanding shares.

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

Subsidiaries	Location	Percentage of ownership (%) 2014	2013	Business
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
Hyundai Chemical Co.,Ltd.[1]	Korea	60	-	Crude petroleum refining
Grande Ltd.[1]	Marshall Islands	100	-	Ships leasing

[1] Subsidiaries were established in 2014.

Subsidiaries	Location	Percentage of ownership (%) 2014	2013	Business
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

Subsidiary's financial information as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

Subsidiaries	2014 Assets	Liabilities	Sales	Profit (loss) for the year
HDO Singapore Pte. Ltd.	350,630,787	333,289,999	6,961,228,861	2,840,857
MS Dandy Ltd.	17,294,096	12,140,357	1,436,921	(72,097)
Hyundai Oil Terminal Co., Ltd.	112,753,802	32,884,404	22,667,100	5,608,437
Hyundai and Shell Base Oil Co.,Ltd.	429,771,822	277,277,764	345,045,308	20,958,459
Hyundai Oilbank (Shanghai) Co., Ltd.	42,485,184	38,498,753	353,761,312	675,440
Hyundai Chemical Co.,Ltd.	164,553,062	5,050,344	-	(605,619)
Grande Ltd.	5,166,220	-	-	(19)

(in thousands of Korean won)

Subsidiaries	2013 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

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 accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

The preparation of the 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.

Hyundai Oilbank Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements
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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, 2014:

- Enactment of Korean IFRS 2121, *Levies*
  Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation. The application of this interpretation does not have a material impact on the consolidated financial statements.

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

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*
  Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion.

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

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*
  Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations.
  Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2014, do not have a material impact on the financial statements of the Group.

(b) New standards and interpretations not yet adopted
The Group expects that new standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted would not have a material impact 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.

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Notes to Consolidated Financial Statements
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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).

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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	2 - 36 years
Ships	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.

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(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.

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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, 2014 financial statements of the Company was approved by the Board of Directors on February 5, 2015, which is subject to change with approval at the annual shareholder's meeting.

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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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014				
	USD	EUR	JPY	Other	Total
Cash and cash equivalents	13,006,812	-	-	-	13,006,812
Trade receivables	173,191,148	-	-	-	173,191,148
Other receivables	-	-	-	-	-
	186,197,960	-	-	-	186,197,960
Trade payables	(397,761,159)	(524,103)	-	-	(398,285,262)
Other payables	(5,879,078)	-	(426,750)	-	(6,305,828)
Financial liabilities	(672,452,717)	-	-	-	(672,452,717)
	(1,076,092,954)	(524,103)	(426,750)	-	(1,077,043,807)

(in thousands of Korean won)

	2013				
	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)	-	-	(1,334,366,598)
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

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The effect of foreign currency risk to profit is a sum of net foreign currency fluctuations of Korean won against other foreign currency fluctuations. Hedge effectiveness on derivative instruments has not been reflected. As of December 31, 2014 and 2013, 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)

	2014		2013	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Foreign currency assets	9,309,898	(9,309,898)	21,337,038	(21,337,038)
Foreign currency liabilities	(53,852,190)	53,852,190	(105,405,728)	105,405,728
Net effect	(44,542,292)	44,542,292	(84,068,690)	84,068,690

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)

	2014	2013
Equity securities (unlisted)	1,222,855	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, 2014, 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 ₩770 million (2013: ₩1,840 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, 2014 and 2013, are as follows:

i) Book value

(in thousands of Korean won)

	2014	2013
Cash and cash equivalents	434,237,478	50,342,187
Short-term financial instruments	14,027,932	20,490,473
Trade and other receivables	1,105,037,355	1,518,385,539
Long-term financial instruments	2,023,500	2,523,500
Long-term trade and other receivables	144,796,794	155,041,284
	1,700,123,059	1,746,782,983

The maximum credit exposure amount is equivalent to total financial assets, less cash and equity securities. The Group is exposed to credit risk up to the maximum amount of payment guarantee provided to subsidiaries.

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

(in thousands of Korean won)

	2014	2013
Korea	1,167,133,630	1,182,803,432
North America	10,276,711	74,517,173
Asia	517,568,470	478,488,811
Europe	3,812,257	7,905,971
Others	1,331,991	3,067,596
	1,700,123,059	1,746,782,983

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(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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014					
			Maturity			
	Book value	Cash flow on contract [1]	Less than 6 months	Between 6 months and 1 year	Between 1 and 3 years	Over 3 years
Short-term financial liabilities	1,699,232,421	1,730,186,403	1,628,797,737	101,388,666	-	-
Financial liabilities at fair value through profit or loss	1,230,297	1,230,297	1,230,297	-	-	-
Trade payables and other liabilities	1,433,612,835	1,433,612,835	1,433,612,835	-	-	-
Long-term financial liabilities	1,774,623,325	1,925,938,142	17,468,750	17,468,750	886,498,003	1,004,502,639
Long-term trade payables and other liabilities	92,560,519	92,560,519	-	-	7,560,519	85,000,000
Derivative financial instruments to hedge	4,406,818	4,406,818	940,659	758,490	2,056,757	650,912
Financial guarantee contracts	-	32,976,000	32,976,000	-	-	-

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

(in thousands of Korean won)

	2013					
			Maturity			
	Book value	Cash flow on contract	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	-	-	-

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, 2014 and 2013, are as follows:

(in thousands of Korean won, except for ratios)

	2014	2013
Total liabilities	5,210,542,538	5,941,431,474
Total equity	2,974,523,847	2,958,669,320
Net gearing ratio	175%	201%

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

(in thousands of Korean won)

	2014					
				Amounts not offset		
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Other payables	27,840,712	12,013,049	15,827,664	15,827,664	-	15,827,664

(in thousands of Korean won)

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

The Company trades products with other companies of the same industry. The offset amount of other receivables against other payables in result of the transactions are shown on the financial statements.

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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 2014.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1,2]				
Available-for-sale financial assets (Current)	1,076,185	1,076,185	-	-
Financial instruments at fair value through profit or loss	210,780	210,780	1,056,117	1,056,117
Derivative financial instruments	1,100,095	1,100,095	2,189,558	2,189,558
	2,387,060	2,387,060	3,245,675	3,245,675
Financial liabilities[2]				
Financial instruments at fair value through profit or loss	1,230,297	1,230,297	1,523,909	1,523,909
Derivative financial instruments	4,406,818	4,406,818	6,866,161	6,866,162
	5,637,115	5,637,115	8,390,071	8,390,071

[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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Equity securities (unlisted)	3,000,000	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 are disclosed as of December 31, 2014, are as follows:

(in thousands of Korean won)

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets (Current)	1,076,185	-	-	**1,076,185**
Financial assets at fair value through profit or loss	-	210,780	-	**210,780**
Financial liabilities at fair value through profit or loss	-	1,230,297	-	**1,230,297**
Derivatives assets	-	1,100,095	-	**1,100,095**
Derivatives liabilities	-	4,406,818	-	**4,406,818**
Disclosed fair value				
Investment property [1]	-	-	10,846,150	**10,846,150**

[1] The Group revalues its investment 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, 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				
IInvestment property	-	-	26,346,150	**26,346,150**

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.

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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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		
	Fair value	level	Valuation techniques
Financial assets at fair value through profit or loss			
Currency forwards	210,780	2	Present value technique
Commodity forward contracts	-	2	Present value technique
Derivative financial assets			
Currency forwards	1,100,095	2	Present value technique
Financial liabilities at fair value through profit or loss			
Currency forwards	1,147,033	2	Present value technique
Commodity forward contracts	83,264	2	Present value technique
Derivative financial liabilities			
Interest rate swaps	4,238,659	2	Present value technique
Currency forwards	168,159	2	Present value technique
Investment property (disclosed fair value)			
Investment property	10,846,150	3	Independent valuation technique

(in thousands of Korean won)

	2013		
	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			
Currency forwards	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
Currency forwards	2,838,461	2	Present value technique
Investment property (disclosed fair value)			
Investment property	26,346,150	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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014					
		Financial assets at fair value through profit or loss				
	Loans and receivables	Held for trading	Fair value through profit or loss	Financial assets classified as available-for-sale	Other financial assets[1]	Total
Cash and cash equivalents	434,504,203	-	-	-	-	434,504,203
Short-term financial instruments	14,027,932	-	-	-	-	14,027,932
Available-for-sale financial assets (Current)	-	-	-	1,076,185	-	1,076,185
Financial assets at fair value through profit or loss	-	210,780	-	-	-	210,780
Derivative financial instruments (Current)	-	-	-	-	610,613	610,613
Trade receivables and other receivables (Current)	1,105,037,355	-	-	-	-	1,105,037,355
Long-term financial assets	2,023,500	-	-	-	-	2,023,500
Available-for-sale financial assets (Non-Current)	-	-	-	3,000,000	-	3,000,000
Trade receivables and other receivables (Non-Current)	144,796,794	-	-	-	-	144,796,794
Derivative financial instruments (Non-Current)	-	-	-	-	489,482	489,482
	1,700,389,784	210,780	-	4,076,185	1,100,195	1,705,776,844

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

(in thousands of Korean won)

	2014				
	Financial liabilities at fair value through profit or loss				
	Held for trading	Fair value through profit or loss	Other financial liabilities at amortized cost	Other financial assets[1]	Total
Short-term financial liabilities	-	-	1,699,232,421	-	1,699,232,421
Financial liabilities at fair value through profit or loss	1,230,297	-	-	-	1,230,297
Derivative financial instruments (Current)	-	-	-	168,159	168,159
Trade payables and other payables (Current)	-	-	1,433,612,835	-	1,433,612,835
Long-term financial liabilities	-	-	1,774,623,325	-	1,774,623,325
Derivative financial instruments (Non- Current)	-	-	-	4,238,659	4,238,659
Trade payables and other payables (Non- Current)	-	-	92,560,519	-	92,560,519
	1,230,297	-	5,000,029,100	4,406,818	5,005,666,215

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

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	2013					
		Financial assets at fair value through profit or loss				
	Loans and receivables	Held for trading	Fair value through profit or loss	Financial assets classified as available-for-sale	Other financial assets	Total
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

(in thousands of Korean won)

	2013				
	Financial liabilities at fair value through profit or loss				
	Held for trading	Fair value through profit or loss	Other financial liabilities at amortized cost	Other financial assets	Total
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

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014					
	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	Derivatives financial instruments	Total
Interest income	-	6,291,411	-	-	-	6,291,411
Gain on valuation of financial assets at fair value through profit or loss	210,780	-	-	-	-	210,780
Gain on disposal of financial assets at fair value through profit or loss	81,184,410	-	-	-	-	81,184,410
Gain on foreign currency translation	-	760,961	-	6,214,338	-	6,975,299
Gain on foreign currency transactions	-	70,434,154	-	129,694,748	-	200,128,902
Interest expense	-	-	(27,757)	(111,064,585)	-	(111,092,342)
Loss on valuation of financial assets at fair value through profit or loss	-	-	(1,230,297)	-	-	(1,230,297)
Loss on disposal of financial assets at fair value through profit or loss	-	-	(60,762,586)	-	-	(60,762,586)
Loss on derivative financial instruments	-	-	-	-	(551,173)	(551,173)
Loss on foreign currency translation	-	(2,188,749)	-	(4,430,902)	-	(6,619,651)
Loss on foreign currency transactions	-	(47,699,290)	-	(220,796,372)	-	(268,495,662)
Bad debt expense	-	2,347,353	-	-	-	2,347,353

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(in thousands of Korean won)

	2013				
	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)

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Sale of goods	21,213,826,238	22,313,215,768
Sale of services	110,245,702	90,449,762
	21,324,071,940	22,403,665,530

No external customer contributes more than 10% of the Group revenue for the year ended December 31, 2014.

8. Restricted Financial Instruments

As of December 31, 2014, certain short-term and long-term financial instruments amounting to ₩300 million (2013: ₩300 million) and ₩23.5 million (2013: ₩23.5 million) are restricted, respectively.

9. Available-for-sale Financial Assets

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

(in thousands of Korean won)

	2014	2013
Equity securities (listed) - (Current)	1,076,185	-
Equity securities (unlisted)[1] - (Non-Current)	3,000,000	3,075,175
	4,076,185	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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Beginning balance	3,075,175	3,075,175
Replacement purchase	1,721,896	-
Valuation	(645,711)	-
Impairment	(75,175)	-
Ending balance	4,076,185	3,075,175
Less: non-current portion	(3,000,000)	(3,075,175)
Current portion	1,076,185	-

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10. Trade and Other Receivables

Trade and other receivables as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Trade receivables	904,923,140	1,312,895,152
Less: provision for impairment of trade receivables	(669,960)	(3,974,791)
Other receivables	199,830,651	208,485,227
Less: provision for impairment of other receivables	(3,822)	-
Accrued income	423,021	436,134
Less: provision for impairment of accrued income	-	-
Deposits	534,325	543,817
Less: provision for impairment of deposits	-	-
	1,105,037,355	1,518,385,539

The aging analysis of trade and other receivables as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Trade receivables not past due	1,074,314,491	1,475,663,474
Trade receivables past due but not impaired[1]		
Up to 6 months	25,437,022	34,633,610
Over 6 months	4,619,705	136,561
Trade receivables impaired and provided for[2]		
Up to 1 year	429,992	6,958,548
Over 1 year	909,927	4,968,137
	1,105,711,137	1,522,360,330

[1] Trade receivables are temporarily overdue.

[2] The amount of the provision set for the relevant receivables was ₩674 million(2013: ₩3,975 million) as of December 31, 2014. 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)

	2014	2013
Beginning balance	3,974,791	1,515,783
Provision for receivables impairment	(2,347,352)	3,442,212
Receivables written off during the year as uncollectible	(953,657)	(983,204)
Unused effect	-	-
Ending balance	673,782	3,974,791

Details of long-term trade and other receivables of the Group as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Long-term loans	90,624,095	102,116,790
Deposits	54,172,699	52,924,494
	144,796,794	155,041,284

11. Inventories

Inventories as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		
	Acquisition cost	Less allowance for valuation loss	Book value
Products	60,722,076	-	60,722,076
Finished goods	367,101,942	(5,856,339)	361,245,603
Work in process	127,084,551	-	127,084,551
Raw materials	611,569,875	-	611,569,875
Supplies	20,947,475	-	20,947,475
Materials-in-transit	223,151,531	-	223,151,531
	1,410,577,450	(5,856,339)	1,404,721,111

(in thousands of Korean won)

	2013		
	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

Cost of inventories recognized are as follows:

(in thousands of Korean won)

	2014	2013
Cost of inventories (Cost of sales)	20,099,278,273	20,966,593,737
Reversal of inventory write-down	5,106,518	(137,929)

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12. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

		2014		2013	
	Ownership (%)	Acquisition cost	Book value	Acquisition cost	Book value
Joint Ventures					
Hyundai Cosmo Petrochemical Co., Ltd.	50	291,100,000	102,661,716	291,100,000	157,258,900
Associate					
HYUNDAI-ENR[1].	15	7,500,000	7,367,469	7,500,000	7,396,088
		298,600,000	110,029,185	298,600,000	164,654,988

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

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

(in thousands of Korean won)

	2014				
Investee	Beginning	Acquisition	Valuation Gain	Capital adjustment	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	157,258,900	-	(54,098,739)	(498,444)	102,661,716
HYUNDAI-ENR	7,396,088	-	(28,620)	-	7,367,469
	164,654,988	-	(54,127,359)	(498,444)	110,029,185

(in thousands of Korean won)

	2013				
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

Elimination of unrealized gains and losses for the year ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014				
Investee	Transaction	Beginning	Increased	Realized	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	Disposal of PP&E	(114,068,976)	785,539	(678,351)	(113,961,788)
	Disposal of intangible asset	(201,770)	-	33,628	(168,142)
	Disposal of inventories	(2,398,856)	(463,519)	2,398,856	(463,519)
		(116,669,602)	322,020	1,754,133	(114,593,449)

(in thousands of Korean won)

	2013				
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)

Financial information of the investees as of and for the years ended December 31, 2014, is as follows:

(in thousands of Korean won)

	Assets	Liabilities	Sales	Profit (loss) for the year
Hyundai Cosmo Petrochemical Co., Ltd.	1,246,830,668	812,320,338	2,885,284,204	(112,349,783)
HYUNDAI-ENR	49,498,802	382,346	2,982,751	(190,803)
	1,296,329,470	812,702,684	2,888,266,955	(112,540,586)

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13. Investment Property

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

(in thousands of Korean won)

	2014	2013
Acquisition cost	25,921,563	25,921,563
Disposal	(15,286,590)	-
Ending net book value	10,634,973	25,921,563

Fair value of investment property as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Land	10,846,150	26,346,150

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Rental income	65,000	330,000
Operating costs[1]		
Taxes and the public utilities' charge	406,075	385,438

[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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014									
	Land	Buildings	Structures	Machinery and equipment	Vessel	Vehicles	Tools	Construction-in-progress	Other property, plant and equipment	**Total**
Opening 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**
Opening 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)**
Opening 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**
Acquisitions	5,647,434	249,064	459,924	857,452	-	40,197	7,711,663	567,146,433	-	**582,112,167**
Disposals	(63,202,462)	(5,848,715)	(1,496,027)	(2,521,556)	-	(16,753)	(887,366)	-	(1,338,523)	**(75,311,402)**
Transfer	(13,349,927)	7,485,542	114,519,422	427,343,193	-	653,576	6,733,289	(641,003,675)	49,856,692	**(47,761,888)**
Depreciation	-	(7,207,796)	(34,629,042)	(166,887,632)	(901,140)	(717,503)	(17,256,212)	-	(28,671,371)	**(256,270,696)**
Exchange differences	-	-	-	-	677,450	-	681	212,979	-	**891,110**
Ending acquisition cost	850,656,178	285,987,843	1,283,477,185	3,190,264,922	18,809,625	13,047,565	151,807,607	242,907,095	171,514,962	**6,208,472,982**
Ending accumulated depreciation	-	(59,833,349)	(389,032,330)	(762,074,700)	(1,802,589)	(11,773,261)	(113,696,203)	-	(111,761,658)	**(1,449,974,090)**
Ending net book value	850,656,178	226,154,494	894,444,855	2,428,190,222	17,007,036	1,274,304	38,111,404	242,907,095	59,753,304	**4,758,498,892**

(in thousands of Korean won)

	2013									
	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**

Depreciation expense of ₩235,368 million (2013: ₩202,315 million) has been charged to 'cost of sales' and ₩20,903 million (2013: ₩21,423 million) to 'administrative expenses'.

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As of December 31, 2014, 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	112,753,248	1,440,000,000	Borrowings (Note 17)	1,200,000,000	Korea Development Bank and other financial institutions
Building	95,359,498				
Machinery and equipment	1,949,323,811				
Land	13,743,242	36,000,000		30,000,000	Shinhan Bank
Building	2,505,301				
Structures	20,314,227				
Land	8,563,059	234,000,000		195,000,000	Korea Exchange Bank and other financial institutions
Building	3,565,886				
Structures	43,827,936				
Machinery and equipment	209,330,147				
Vessel	17,007,035	15,661,586		12,047,374	Suhyup Bank

15. Intangible Assets

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

(in thousands of Korean won)

	2014				
	Goodwill	Development costs	Membership rights	Others	Total
Book value at January 1, 2014	56,629,475	3,328,681	13,428,100	9,170,165	82,556,421
Additions	-	370,545	1,437,715	-	1,808,260
Disposals	-	-	(940,240)	(98,599)	(1,038,839)
Amortization	-	(1,219,120)	-	(1,091,861)	(2,310,981)
Transfer	-	1,538,485	-	5,908,021	7,446,506
Exchange differences	-	-	7,641	71	7,712
Book value at December 31, 2014	56,629,475	4,018,591	13,933,216	13,887,797	88,469,079

(in thousands of Korean won)

	2013				
	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

Amortization of ₩275 million (2013: ₩48 million) is included in 'cost of sales' in the statement of income and ₩2,036 million (2013: ₩2,205 million) in 'administrative expenses'.

15-1. Impairment of Intangible Assets

The Group's goodwill as of December 31, 2014, 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	2.96%
Growth rate of the sales volume[1]	(1.98%)
Growth rate beyond 5 years[2]	0.85%
Pre-tax discount rate[3]	7.29%

[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.

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16. Trade and Other Payables

Trade and other payables as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Current		
Trade payables	904,671,609	1,893,228,850
Other payables	514,548,685	666,465,873
Accrued expenses	14,392,541	18,979,474
	1,433,612,835	2,578,674,197
Non-current		
Long-term other payables	85,000,000	33,000,000
Long-term withholdings	7,560,519	9,058,455
	92,560,519	42,058,455

17. Short and Long-term Financial Liabilities

Details of short-term financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Short-term borrowings	1,086,490,421	691,850,716
Current portion of long-term borrowings	162,871,585	152,214,394
Current portion of bonds	449,870,415	299,703,324
	1,699,232,421	1,143,768,434

Details of long-term financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Long-term borrowings	677,932,272	1,015,921,524
Bonds	1,096,691,053	948,176,270
	1,774,623,325	1,964,097,794

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

(in thousands of Korean won)

Type of borrowings	Creditor	Interest (%)	2014	2013
Banker's usance	KDB and others	0.47% ~ 0.73%	672,452,717	691,850,716
Commercial paper	KTB and others	2.2%~2.41%	395,000,000	-
General brrowings	BNP	2.83%	10,000,000	-
General brrowings	HSBC	3.19%	9,037,704	-
			1,086,490,421	691,850,716

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

(in thousands of Korean won)

Type of borrowings	Creditor	Interest (%)	2014	2013
Energy Invest Loan	KDB	1.75%	3,725,000	4,572,000
Environmental improvement loan	KDB	2.77%	1,398,300	2,069,500
Shipbuilding loan	Suhyup Bank	5.40%	12,047,374	12,390,418
Facility loan	KDB and others	4.09%	599,232,000	1,049,104,000
Facility loan	Shinhan Bank	3.46%	30,000,000	20,000,000
Facility loan	KEB and Others	3.87%	194,401,183	80,000,000
			840,803,857	1,168,135,918
Less: Current maturities			(162,871,585)	(152,214,394)
			677,932,272	1,015,921,524

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

(in thousands of Korean won)

Series	Issuance date	Maturity date	Interest (%)	2014	2013
98th	2007-02-02	2014-02-02	5.44%	-	99,994,137
103rd	2009-07-03	2014-07-03	6.80%	-	99,953,650
105th	2010-06-28	2015-06-28	5.75%	199,916,597	199,746,813
106th	2011-04-14	2014-04-14	4.36%	-	99,963,975
108th	2012-01-25	2015-01-25	3.98%	149,984,675	149,791,563
109th	2012-03-27	2015-03-27	4.08%	99,969,143	99,839,546
110th	2012-07-20	2017-07-20	3.52%	299,398,708	299,163,509
111-1st	2012-10-23	2016-10-23	3.24%	99,827,605	99,731,554
111-2nd	2012-10-23	2019-10-23	3.52%	99,747,787	99,694,847
112-1st	2014-01-27	2018-01-27	3.35%	149,465,973	-
112-2nd	2014-01-27	2019-01-27	3.59%	49,794,938	-
113	2014-06-25	2018-06-25	3.01%	99,642,650	-
114-1st	2014-11-21	2017-11-21	2.36%	79,680,236	-
114-2nd	2014-11-21	2019-11-21	2.59%	159,385,220	-
114-3rd	2014-11-21	2021-11-21	2.94%	59,747,936	-
				1,546,561,468	1,247,879,594
Less: Current maturities				(449,870,415)	(299,703,324)
				1,096,691,053	948,176,270

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18. Net Defined Benefit Liability

Net Defined benefit liabilities recognized in the statements of financial position as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Present value of defined benefit liability	152,960,997	126,469,141
Fair value of plan assets	(141,319,193)	(136,719,545)
Contribution to National Pension Fund	(462,654)	(539,934)
Liability(Asset) in the statement of financial position[1]	11,179,150	(10,790,338)

[1] KRW 10,948 million from net defined benefit liabilities as of December 31, 2013 is stated in the statement of financial position as other non-current assets.

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

(in thousands of Korean won)

	2014	2013
Beginning balance	126,469,141	129,685,200
Current service cost	18,499,428	20,257,738
Interest expense	5,187,191	4,750,192
Remeasuments:	14,664,393	(17,253,150)
Actuarial gains and losses arising from changes in demographic assumptions	9,730,677	(1,101,570)
Actuarial gains and losses arising from changes in financial assumptions	9,276,789	(8,741,746)
Actuarial gains and losses arising from experience adjustments	(4,343,073)	(7,409,834)
Benefits payments	(6,876,575)	(10,970,839)
Effect of transference	(4,982,581)	-
Ending balance	152,960,997	126,469,141

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

(in thousands of Korean won)

	2014	2013
Beginning balance	136,719,545	112,643,032
Expected return on plan assets	4,313,244	4,319,715
Remeasurements:	(1,056,972)	(802,800)
Return on plan assets (excluding amounts included in interest income)	(1,056,972)	(802,800)
Contributions:		
Employer	10,000,000	30,100,000
Payments from plans:		
Benefit payments	(8,656,624)	(9,540,402)
Ending balance	141,319,193	136,719,545

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

(in thousands of Korean won)

	2014			
	Quoted price	Unquoted price	Total	Composition
Cash and cash equivalents	141,319,193	-	141,319,193	100%

(in thousands of Korean won)

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

Expected contributions to post-employment benefit plans for the financial year following the reporting period are KRW 16,096 million.

The amounts recognized on the income statements for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Current service cost	18,499,428	20,257,738
Interest expenses	5,187,191	4,750,192
Expected return on plan assets	(4,313,244)	(4,319,715)
	19,373,375	20,688,215

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

(in thousands of Korean won)

	2014	2013
Discount rate at year-end	3.08%	4.38%
Future salary increases	2.53%~4.42%	2.98%~4.84%

The sensitivity of the defined benefit obligations as of December 31, 2014, 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%	10.02% decrease	11.82% increase
Salary growth rate	1%	11.59% increase	10.03% 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.

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Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, 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	8,613,773	42,729,830	72,197,845	541,439,671

19. Provisions, Contingent Liabilities and Commitments

19.1 Provisions

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

(in thousands of Korean won)

	2014			
	Beginning balance	Increase	Decrease	Ending balance
Provision for environmental restoration costs	9,953,707	-	4,180,351	5,773,356

(in thousands of Korean won)

	2013			
	Beginning balance	Increase	Decrease	December 31
Provision for environmental restoration costs	14,719,889	758,877	5,525,059	9,953,707

19.2 Contingent Liabilities

(in billions of Korean won)

	Description	Amount
Lawsuit as the defendant	Damage claim suit (The Fair Trade Commission)	12.4
	Damage claim suit (THE HANKOOK SHELL OIL CO.,LTD)	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
	Revocation suit (Claims for payment of fuel against Defense Acquisition Program Administration)	9.3
	Revocation suit (Restitution for reimbursement of Korea National Oil Corporation)	3.1

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

19.3 Commitments

The Group has entered bank overdraft agreements with Korea Exchange Bank and others for up to ₩50,000 million (2013: ₩50,000 million), agreement for a discount note with Shinhan Bank for the amount of ₩50,000 million (2013: ₩50,000 million), as of December 31, 2014.

The Group has entered an import letter of credit arrangement of US$5,335 million (2013: US 5,034 million) with the Korea Exchange Bank. Payment of US$1,189 million has been made as of December 31, 2014, to the beneficiary.

The Group has entered into a factoring agreement with Hana Bank for up to ₩400,000 million and ₩145,053 million has been paid as of December 31, 2014. Also, the Company has sold ₩35,830 million of account receivables from exports to DBS bank through a forfaiting agreement.

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 navigation performance guarantee with Hyundai Glovis Co., Ltd. The total amount of the guarantee is USD 707 million and the unexecuted balance of the guarantee is USD 691 million.

The Company has entered into a purchase agreement with non-controlling shareholders for non-controlling interests of its subsidiary, Hyundai Oil Terminal Co., Ltd, Hyundai and Shell Base oil Co., Ltd. Under the agreement, non-controlling shareholders of Hyundai Oil Terminal Co., Ltd have the option to request the purchase of relevant shares for the duration of one year from July 2017. In addition, non-controlling shareholders of Hyundai and Shell Base Oil Co., Ltd have the option to request the purchase of relevant shares after from August 2021.

20. Derivative Financial Instruments

As of December 31, 2014, 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, 2014, is 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	60,000,000
	Foreign exchange forward contracts	Foreign exchange risk hedge	KRW	2,034,266
			USD	27,764,706
			JPY	172,000,000
Trading purposes	Foreign exchange forward contracts	Foreign exchange risk hedge	USD	472,300,000
	Commodity forward contracts	Commodity price risk hedge	USD	7,500

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

(in thousands of Korean won)

	2014				
	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	-	-	-	4,238,659
	Foreign exchange forward contracts	-	-	1,100,095	168,159
Trading purpose	Foreign exchange forward contracts	210,780	1,147,033	-	-
	Commodity forward contracts	-	83,264	-	-
		210,780	1,230,297	1,100,095	4,406,818

(in thousands of Korean won)

	2013				
	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
	Foreign exchange forward contracts	-	-	2,189,558	2,838,460
Trading purpose	Foreign exchange forward contracts	634,934	1,312,550	-	-
	Commodity forward contracts	421,184	211,359	-	-
		1,056,117	1,523,909	2,189,558	6,866,162

For the years ended December 31, 2014 and 2013, realized and unrealized gain (loss) from derivative instruments transactions are as follows:

(in thousands of Korean won)

	2014			
	Gain/Loss	Disposal of financial instruments at fair value through profit or loss	Valuation of financial instruments at fair value through profit or loss	Loss on disposal of derivatives instruments
Trading purposes				
Foreign exchange forward contracts	Gain	68,649,158	210,780	-
	Loss	56,997,798	1,147,033	-
Commodity forward contracts	Gain	12,535,252	-	-
	Loss	3,764,788	83,264	-
Cash flow hedge				
Interest swap	Loss	-	-	551,173

(in thousands of Korean won)

	2013		
	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	68,655,412	1,312,550
Commodity forward contracts	Gain	5,259,101	421,183
	Loss	2,179,321	211,359

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Cash flow hedge gain/loss on valuation of derivative financial instruments	(2,653,741)	(3,544,866)
Currency translation differences	(4,061)	(739,175)
Change in value of available-for-sale financial assets	(489,449)	-
Share of other comprehensive income of associates	(3,327,518)	(2,829,073)
	(6,474,769)	(7,113,114)

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

(in thousands of Korean won)

	2014		
	Before tax	Tax effect	After tax
Beginning balance	(8,244,852)	(1,131,738)	(7,113,114)
Changes	766,584	128,239	638,345
Ending balance	(7,478,268)	(1,003,499)	(6,474,769)

(in thousands of Korean won)

	2013		
	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)

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23. Retained Earnings

Retained earnings as of December 31, 2014 and 2013, consist of:

(in thousands of Korean won)

	2014	2013
Legal reserves[1]	25,058,572	25,058,572
Unappropriated retained earnings	1,657,211,411	1,679,000,441
	1,682,269,983	1,704,059,013

[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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Salaries	70,626,572	103,454,613
Freight expenses	106,636,892	103,617,955
Advertising expenses	17,767,686	14,817,857
Service costs	20,782,603	40,463,154
Promotional expenses	11,362,903	11,409,814
Commission expenses	23,375,331	24,684,961
Rental expenses	22,720,984	21,596,331
Depreciation and amortization	22,939,226	23,627,822
Bad debt expenses	(2,351,175)	3,442,212
Others	38,377,820	48,452,919
	332,198,842	395,567,638

25. Expenses by Nature

Expenses by nature for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Changes in inventories	845,765,094	2,157,807,324
Purchase of inventories	19,253,513,179	18,808,786,413
Depreciation	256,270,696	223,738,220
Amortization	2,310,981	2,252,519
Salaries	176,154,060	209,337,940
Others	563,877,226	598,574,493
	21,097,891,236	22,000,496,909

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Finance income		
Interest income	6,291,411	7,548,454
Gain on foreign currency translation	1,859,329	4,892,943
Gain on foreign currency transactions	47,880,866	75,884,457
	56,031,606	88,325,854
Finance expenses		
Interest expense	111,092,342	122,260,004
Impairment loss of financial assets	75,175	-
Loss on foreign currency translation	2,180,810	257,491
Loss on foreign currency transactions	80,332,895	51,529,056
	193,681,222	174,046,551

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27. Other Non-operating Income and Expenses

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

(in thousands of Korean won)

	2014	2013
Other non-operating income		
Gain on disposal of financial assets at fair value through profit or loss	81,184,410	57,156,759
Gain on valuation of financial assets at fair value through profit or loss	210,780	1,056,117
Foreign currency translation gain	5,115,970	8,989,799
Foreign currency transaction gain	152,248,036	166,841,936
Gain on disposal of property, plant, and equipment	14,284,960	9,109,591
Reversal of provision for other receivables impairment	340,000	-
Miscellaneous income	12,071,090	32,648,643
	265,455,246	275,802,845
Other non-operating expenses		
Loss on disposal of financial assets at fair value through profit or loss	60,762,586	70,834,733
Loss on valuation of financial assets at fair value through profit or loss	1,230,297	1,523,909
Loss on disposal of derivatives	551,173	-
Impairment loss of intangible assets	98,599	-
Loss on disposal of investment property	50,090	-
Foreign currency translation loss	4,438,841	7,283,568
Foreign currency transaction loss	188,162,767	224,036,265
Loss on disposal of property, plant, and equipment	14,378,809	10,705,106
Loss on disposal of intangible assets	20,240	-
Other bad debt expense	343,822	-
Donations	8,807,426	8,830,935
Miscellaneous expenses	2,497,042	58,114,084
	281,341,692	381,328,600

28. Income Tax

Income tax expense for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Current income tax	16,001,779	39,856,841
Refund of prior year's income tax	-	12,438,514
Deferred income tax due to temporary differences	(17,321,448)	2,933,781
Deferred income tax due to tax losses	435,353	(240,992)
Deferred income tax due to tax credit	9,967,595	6,020,537
Deferred income tax charged to equity	5,280,660	(4,303,011)
Income tax expense	14,363,939	50,705,670

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)

	2014	2013
Net income	4,153,344	158,388,139
Income tax expense	14,363,939	56,705,670
Income before income taxes	18,517,283	215,093,809
Income taxes based on statutory rate	4,131,136	51,134,319
Effect of non-taxable income	(731,285)	(93,350)
Effect of non-deductible expenses	2,446,514	6,816,643
Effect of tax exemptions	(3,861,575)	(7,270,278)
Effect of unrecognized deferred tax	12,647,408	-
Effect of change in tax rate	(268,259)	6,118,336
	14,363,939	56,705,670

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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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014			
	Temporary differences			
Type	Beginning balance	Changes	Ending balance	Deferred assets (liabilities)
Depreciation	18,332,458	8,394,210	26,726,668	6,467,854
Construction-in-progress	523,621	30,400,197	30,923,818	7,483,564
Contingent liabilities	500,000	-	500,000	121,000
Donations	-	-	-	-
Bad debt expense	9,340,849	529,536	9,870,385	2,388,633
Impairment of financial assets	436,145	(436,145)	-	-
Impairment of monetary securities	-	645,711	645,711	156,262
Accrued income	(435,505)	14,007	(421,497)	(102,002)
Provisions	49,148,501	(14,547,821)	34,600,680	8,373,365
Loss on valuation of inventories	4,965,527	4,912,502	9,878,028	2,390,483
Gain (loss) on disposal of property, plant, and equipment	1,651,591	(124,357)	1,527,234	369,591
Miscellaneous expenses	-	99,770	99,770	24,144
Defined benefit liability	39,278,226	13,583,232	52,861,458	12,792,473
Plan assets	(113,126,539)	(18,637,899)	(131,764,438)	(31,886,994)
Gain (loss) on valuation of derivative instruments	4,466,780	(144,857)	4,321,923	1,045,905
Promotion expense	1,013,406	(95,302)	918,104	222,181
Revaluation of assets	(439,220,591)	31,536,139	(407,684,452)	(98,659,637)
Advanced depreciation provision	(97,798,225)	5,939,351	(91,858,874)	(22,229,847)
Actuarial gains and losses	66,471,513	21,691,526	88,163,039	21,335,455
Accrued expenses	4,841,730	(543,667)	4,298,063	1,040,131
Government subsidy	-	4,423,033	4,423,033	1,070,374
Others	21,444,848	(175,840,930)	(154,396,082)	(35,072)
Tax losses	-	-	-	-
Tax credit carryforwards	-	-	-	23,295,052
	(428,165,665)	(88,201,764)	(516,367,429)	(64,337,085)

(in thousands of Korean won)

	2013			
	Temporary differences			
Type	Beginning balance	Changes	Ending balance	Deferred assets (liabilities)
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	-	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)

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

(in thousands of Korean won)

	2014	2013
Loss on valuation of derivative instruments	1,025,755	1,131,738
Loss on valuation of monetary securities	156,262	-
Actuarial losses	21,335,455	16,105,075
	22,517,472	17,236,813

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29. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won, except per share amount)

	2014	2013
Profit for the year	(5,321,836)	157,669,673
Profit attributable to ordinary shares	(5,321,836)	157,669,673
Weighted average number of ordinary shares in issue	245,082,422 shares	245,082,422 shares
Basic earnings per share(Korean won)	(22)	643

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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Adjustments for:		
Severance and retirement benefits	19,373,375	20,688,217
Depreciation	256,270,696	223,738,221
Amortization	2,310,981	2,252,519
Bad debt expense	(2,351,175)	3,442,212
Miscellaneous bad debt expense	3,822	-
Loss on disposal of investment property	50,090	-
Interest expense	111,092,342	122,260,004
Foreign currency translation losses	6,619,651	7,541,059
Loss on disposal of financial assets at fair value through profit or loss	60,762,586	70,834,733
Loss on valuation of financial assets at fair value through profit or loss	1,230,297	1,523,909
Reversal of loss on valuation of inventories	5,106,518	(137,929)
Loss on disposal of property, plant, and equipment	14,378,809	10,705,106
Loss on disposal of intangible assets	20,240	-
Impairment loss of intangible assets	98,599	-
Impairment loss of available-for-sale financial assets	75,175	-
Miscellaneous expenses	-	2,465,762
Income tax expense	14,363,939	56,705,670

(in thousands of Korean won)

	2014	2013
Interest revenue	(6,291,411)	(7,548,454)
Foreign currency translation gain	(6,975,299)	(13,882,742)
Gain on disposal of financial assets at fair value through profit or loss	(81,184,410)	(57,156,759)
Gain on valuation of financial assets at fair value through profit or loss	(210,780)	(1,056,117)
Loss on disposal of derivatives instruments	551,173	-
Gain on disposal of property, plant, and equipment	(14,284,960)	(9,109,591)
Share of profit of associates	54,127,359	(3,171,640)
Reversal of provision for restoration costs	(1,987,612)	-
	433,150,005	430,094,180
Changes in operating assets and liabilities		
Trade receivables	414,541,525	(150,095,968)
Other receivables	32,494,104	122,190
Inventories	881,646,426	(164,301,772)
Other current assets	(52,521,131)	33,007,127
Other non-current assets	49,213	-
Trade payables	(999,076,188)	71,154,780
Other payables	(167,582,556)	137,361,663
Other current liabilities	25,546,189	(25,030,659)
Long-term trade and other payables	(1,497,936)	(2,037,665)
Defined benefit liability	(13,119,425)	(31,500,087)
Long-term provisions	(2,489,608)	(4,766,182)
Deferred income	(10,063,389)	(1,845,541)
	107,927,224	(137,932,114)

Significant non-cash investing and financing activities for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Transferred from construction-in-progress to other property, plant and equipment and intangible assets accounts	641,003,675	300,302,892
Accounts payable related to property, plant and equipment	3,012,519	5,926,933
Reclassification from long-term bonds payable to short-term bonds payable	449,870,415	299,703,324
Reclassification of current maturities for borrowings	162,871,585	151,390,200

Hyundai Oilbank Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

31. Related Party Transactions

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

	2014	2013	Relationship
Joint Venture	Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	A subsidiary of Hyundai Heavy Industries Co., Ltd.
Associates	HYUNDAI-ENR	HYUNDAI-ENR	
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, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014					
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.	131,705,197	-	-	60,194,183	-	4,010,504
Joint Venture						
Hyundai Cosmo Petrochemical Co., Ltd.	1,844,524,802	1,462,766,930	16,259,039	-	109,276	1,940
Other related parties						
Hyundai Corporation	170,171,977	19,274,510	-	-	308,665	-
Hyundai Mipo Dockyard Co.,Ltd.	18,085,043	-	-	4,845,640	-	-
Hyundai Samho Heavy Industries Co.,Ltd.	22,426,348	-	-	-	-	60,154
Hyundai Merchant Marine Co.,Ltd.[1]	32,899,995	-	-	-	700,000	14,520,720
HYMS	51,577,986	-	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte Ltd.[1]	458,646,124	39,974,039	-	-	-	-
Hyundai Asan Co.,Ltd.	3,247,465	-	-	-	-	24,233
Others	2,130,933	-	-	27,886	-	6,705,812
	2,724,117,953	1,522,015,479	16,259,039	65,067,709	1,117,941	25,304,113

[1] Hyundai Merchant Marine etc. has been excluded from related parties due to a decrease in rate of ownership by the parent company and subsidiaries during 2014. Shown above is the amount until the exclusion.

(in thousands of Korean won)

	2013					
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	-	-	51,767,302	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

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014				
	Receivables			Payables	
	Trade receivables	Loans	Other receivables	Trade payables	Other payables
Parent Company					
Hyundai Heavy Industries Co., Ltd.	14,362,404	-	-	-	7,293,898
Joint Venture					
Hyundai Cosmo Petrochemical Co., Ltd.	13,275,596	-	9,757	79,499,498	-
Other related parties					
Hyundai Corporation	15,020,813	-	2,116,580	-	-
Hyundai Mipo Dockyard Co.,Ltd.	1,839,081	-	-	-	84,770
Hyundai Samho Heavy Industries Co.,Ltd.	3,049,916	-	55,049	-	2,042
Hyundai Merchant Marine Co.,Ltd.	-	-	-	-	-
HYMS	5,922,855	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte Ltd.	12,351,595	-	-	-	39,450
Hyundai Asan Co.,Ltd.	-	-	-	-	-
Others	44,421	-	-	-	-
	65,866,681	-	2,181,386	79,499,498	7,420,160

(in thousands of Korean won)

	2013				
	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

Fund transactions with related parties for the years ended December 31, 2014 and 2013, 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 ₩9,068 million (2013: ₩14,893 million). For the year ended 2014 and 2013, the Group does not have remaining balances in the MMT. The Group has deposited plan assets of ₩7,003 million in HI Investment & Securities Co.,Ltd. account as of December 31, 2014.

HI Investment & Securities Co.,Ltd., an Other related party of the Company, acquired bonds at the amount of ₩110 billion for the year ended December 31, 2014 issued by the Company for the year ended December 31, 2014.

Details of payment guarantees provided by the Group for the funding sources of the related parties as of December 31, 2014, 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

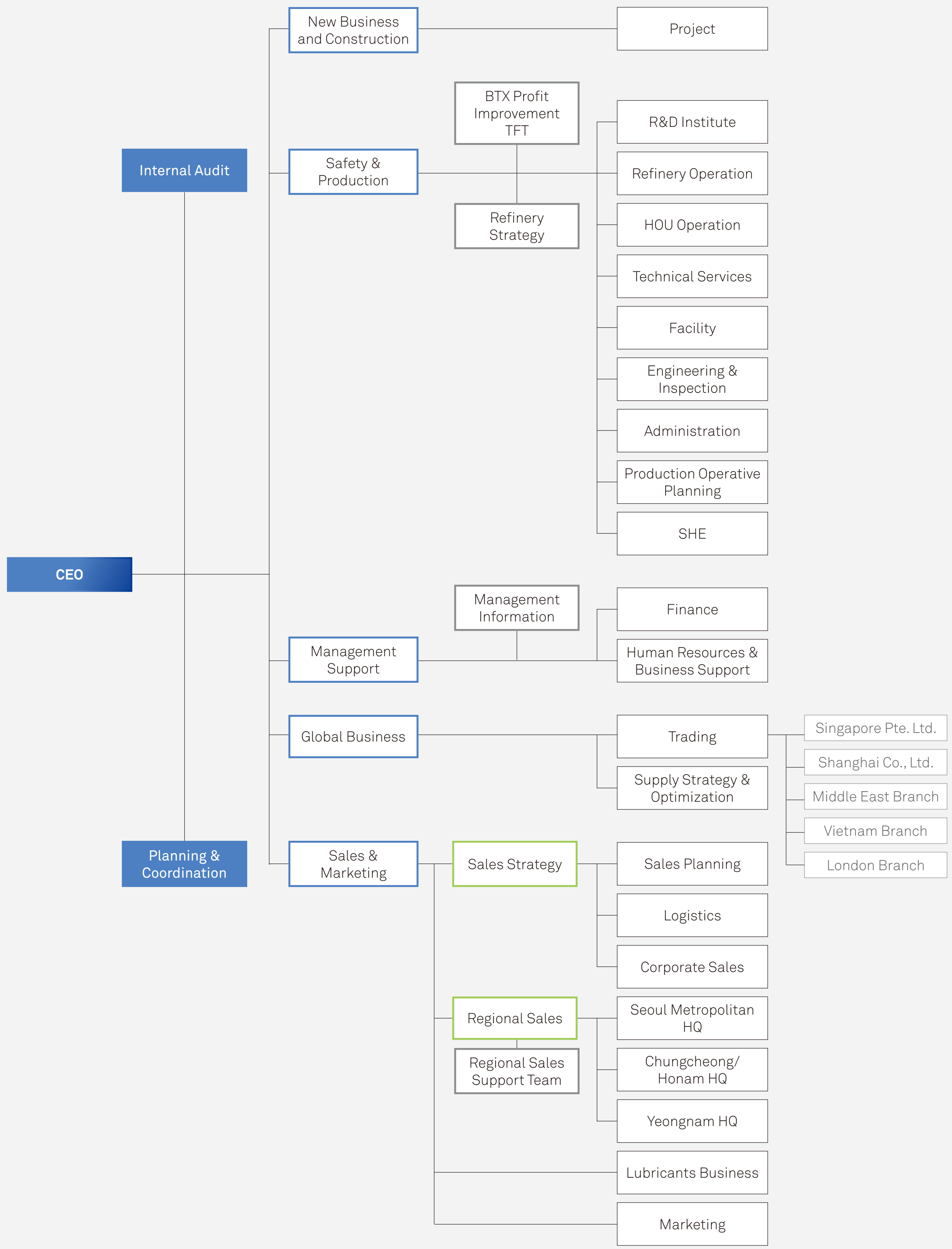
The compensation paid or payable to key management for employee services consists of:

(in thousands of Korean won)

	2014	2013
Short-term salaries	1,239,743	1,186,521
Post-employment benefits	220,575	260,021
	1,460,318	1,446,542

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

Organization



Corporate History

2014

2014. 12. Signed agreement on cooperation to establish a joint venture for the carbon black business
2014. 11. Received Presidential Award at the 2014 Corporate Innovation Award from Korea Chamber of Commerce and Industry
2014. 11. Received Presidential Award at the Labor-Management Culture Awards from Ministry of Employment and Labor
2014. 11. Received Prime Minister Award at Energy Conservation Promotion Rally from Ministry of Trade, Industry and Energy
2014. 11. Ranked first in the service station category at the KS-CQI surveys by Korean Standards Association
2014. 10. Completed #9 FBC Boiler, a cutting-edge facility that supplies heat
2014. 10. Received Presidential Award at the Korea Safety Awards
2014. 09. President and CEO Moon Jong-bak took office
2014. 09. Completed Daegu Logistics Center
2014. 09. Completed a lubricant base oil plant of HYUNDAI and SHELL Base Oil
2014. 07. Celebrated 50th anniversary
2014. 05. Established Hyundai Chemical
2014. 05. Obtained ISO 14001 Energy Management System Certificate
2014. 04. Completed Hyundai Oil Terminal
2014. 01. Directly-run service stations participated in 1% profit sharing program

2013

2013. 12. Completed oil terminal at Ulsan New Port
2013. 11. Ranked first in KS-CQI in refinery category
2013. 08. Launched lubricant business and XTeer automobile engine oil brand
2013. 07. Signed MOU for mixed-xylene manufacturing with Lotte Chemical
2013. 04. Began commercial operations of #2 BTX Plant
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 Hanmaeum 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 Central Technology 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. 07. Began construction of #2 BTX Plant
2011. 03. Launched Customer Advisory Panel
2011. 01. Completed #2 HOU Plant

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

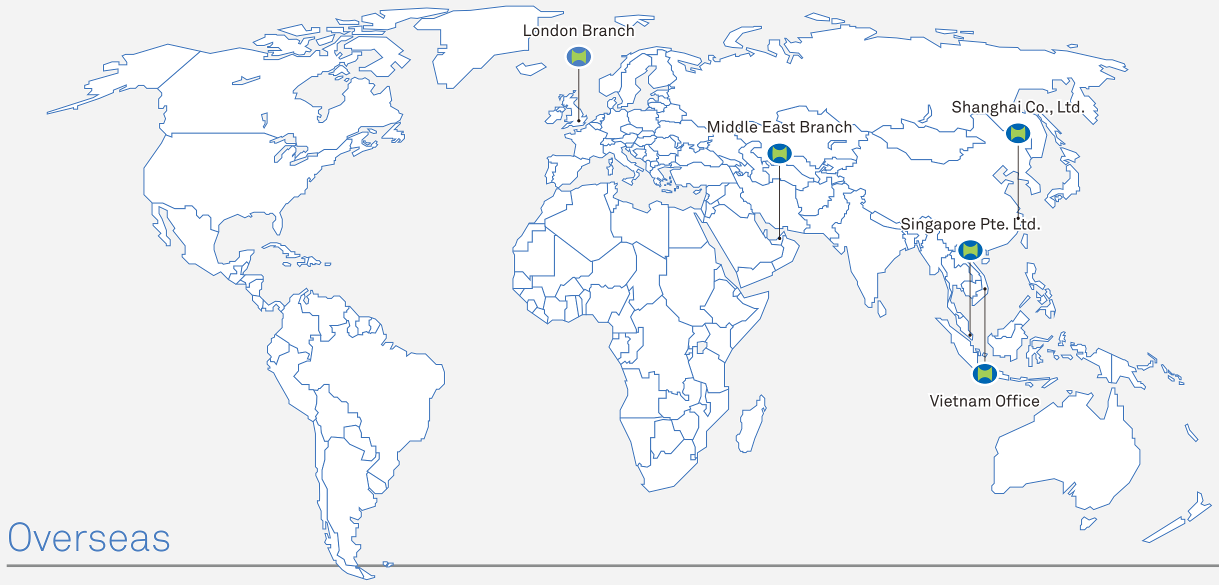
2000's

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.

1900's

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)

Global Network



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