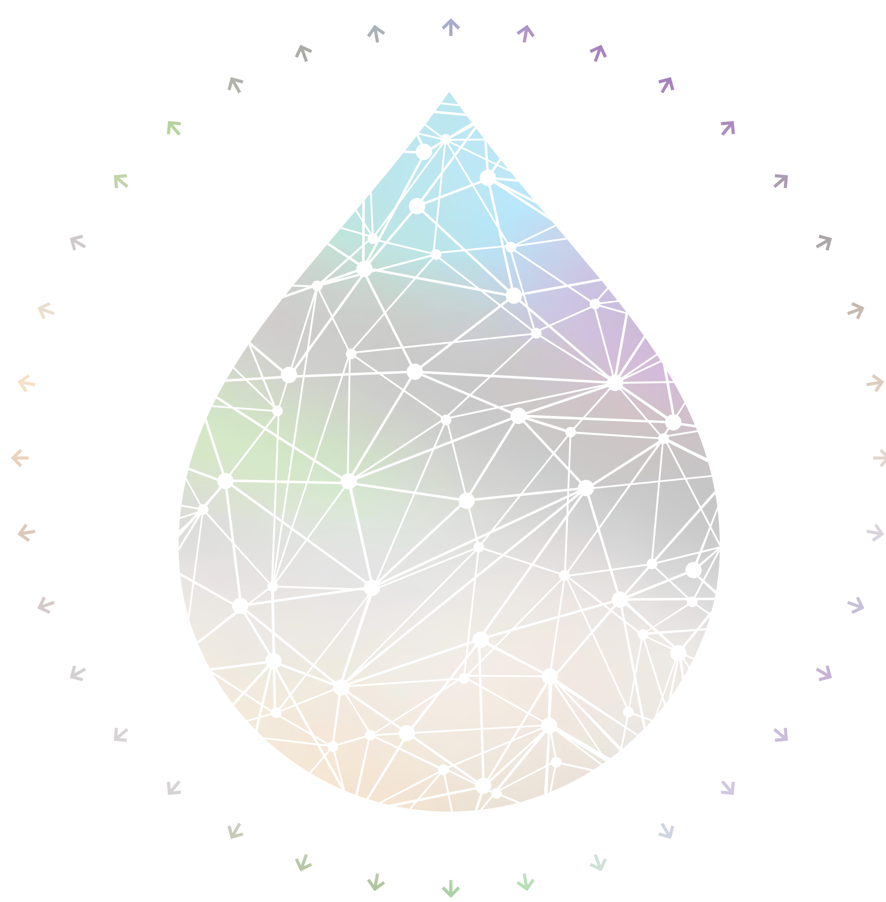
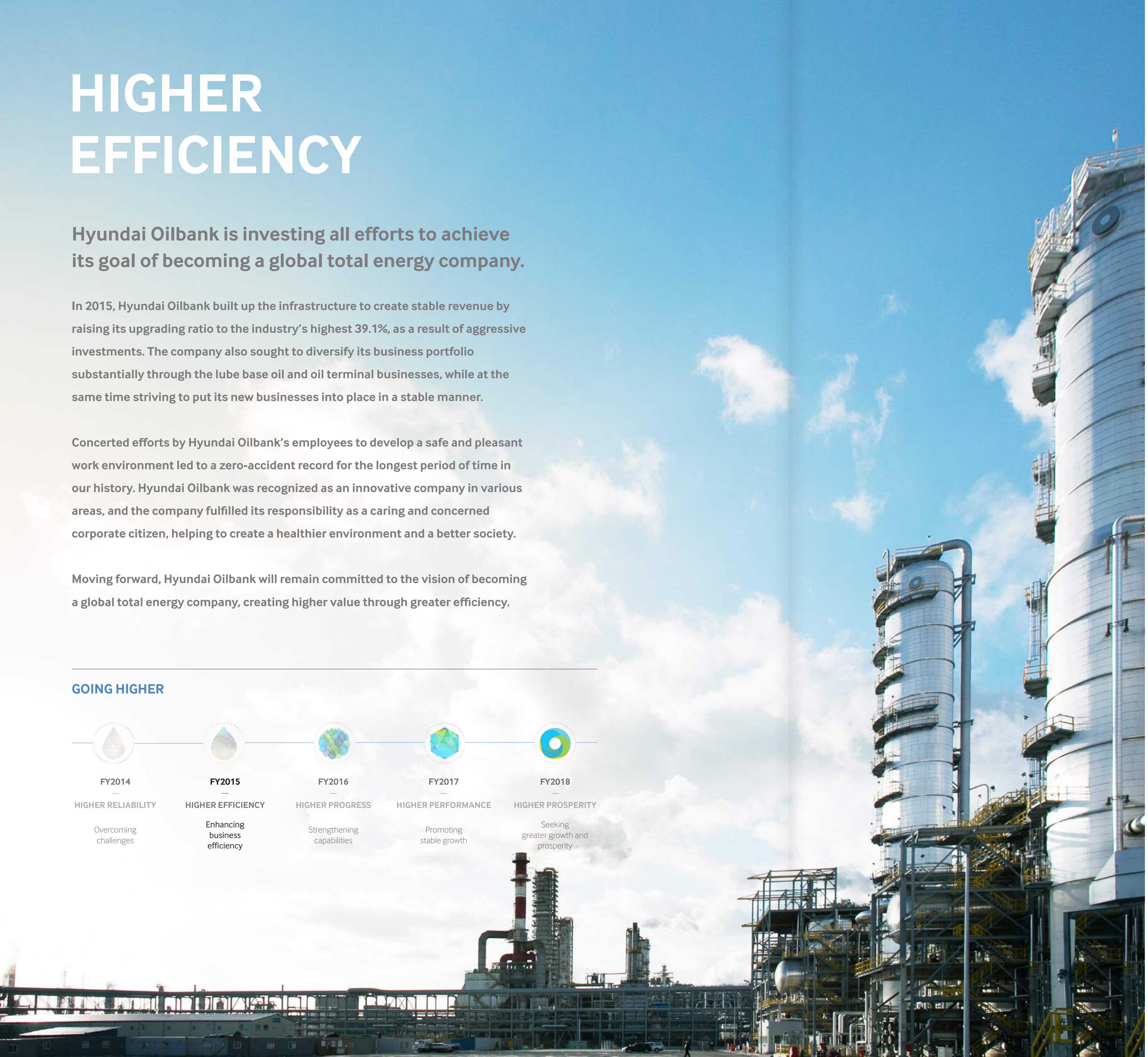
GOING
HIGHER 2

HYUNDAI OILBANK
ANNUAL REPORT 2015

HIGHER EFFICIENCY



Hyundai Oilbank



HIGHER EFFICIENCY

Hyundai Oilbank is investing all efforts to achieve its goal of becoming a global total energy company.

In 2015, Hyundai Oilbank built up the infrastructure to create stable revenue by raising its upgrading ratio to the industry's highest 39.1%, as a result of aggressive investments. The company also sought to diversify its business portfolio substantially through the lube base oil and oil terminal businesses, while at the same time striving to put its new businesses into place in a stable manner.

Concerted efforts by Hyundai Oilbank's employees to develop a safe and pleasant work environment led to a zero-accident record for the longest period of time in our history. Hyundai Oilbank was recognized as an innovative company in various areas, and the company fulfilled its responsibility as a caring and concerned corporate citizen, helping to create a healthier environment and a better society.

Moving forward, Hyundai Oilbank will remain committed to the vision of becoming a global total energy company, creating higher value through greater efficiency.

GOING HIGHER

FY2014	FY2015	FY2016	FY2017	FY2018
HIGHER RELIABILITY	HIGHER EFFICIENCY	HIGHER PROGRESS	HIGHER PERFORMANCE	HIGHER PROSPERITY
Overcoming challenges	Enhancing business efficiency	Strengthening capabilities	Promoting stable growth	Seeking greater growth and prosperity

Contents

COMPANY OVERVIEW

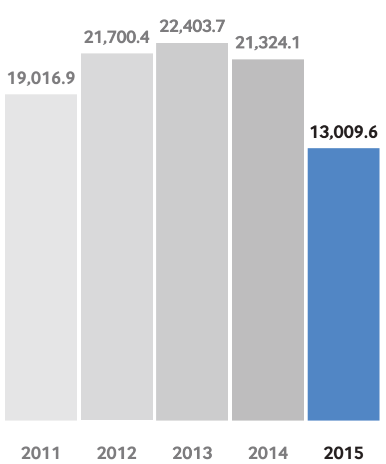
2015 HIGHLIGHTS

In 2015, Hyundai Oilbank achieved a surplus for the fourteenth consecutive quarter, efficiently responding to the rapidly changing market environment including falling oil prices. This outstanding performance was a result of cost-reduction efforts, diversified suppliers, and having the nation's highest-level upgrading facilities.

Sales

13,009.6

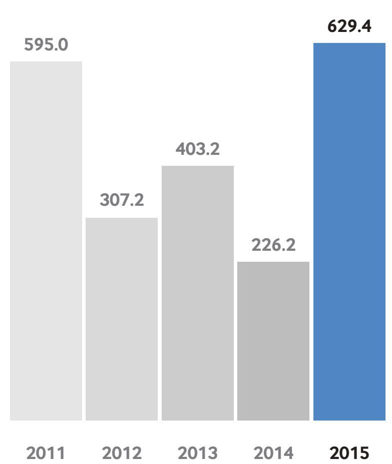
KRW in billions



Operating Profit

629.4

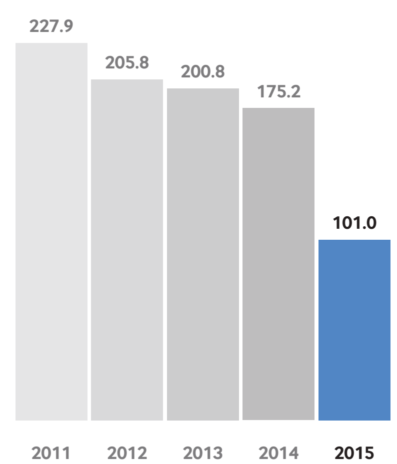
KRW in billions



Liabilities-to-Equity Ratio

101.0%

%



*Based on consolidated financial statements

(KRW in billions)

	2013	2014	2015
For the Year			
Sales	22,403.7	21,324.1	**13,009.6**
Operating Profit	403.2	226.2	**629.4**
Net Income	158.4	4.2	**451.2**
At Year-End			
Total Assets	8,900.1	8,185.0	**7,560.1**
Total Liabilities	5,941.4	5,210.5	**3,798.3**
Total Equity	2,958.7	2,974.5	**3,761.8**
Stability Indicators			
Current Ratio	102.2%	95.0%	**119.1%**
Liabilities-to-Equity Ratio	200.8%	175.2%	**101.0%**
Dependence on Borrowings	34.9%	42.4%	**28.4%**
Interest Coverage Ratio	3.3	2.0	**7.8**
Corporate Bond Rating			
Korea Ratings	AA-	AA-	**AA-**
Korea Investors Service	AA-	AA-	**AA-**
NICE Investors Service	AA-	AA-	**AA-**
Commercial Paper Rating			
Korea Ratings	A1	A1	**A1**
Korea Investors Service	A1	A1	**A1**
NICE Investors Service	A1	A1	**A1**

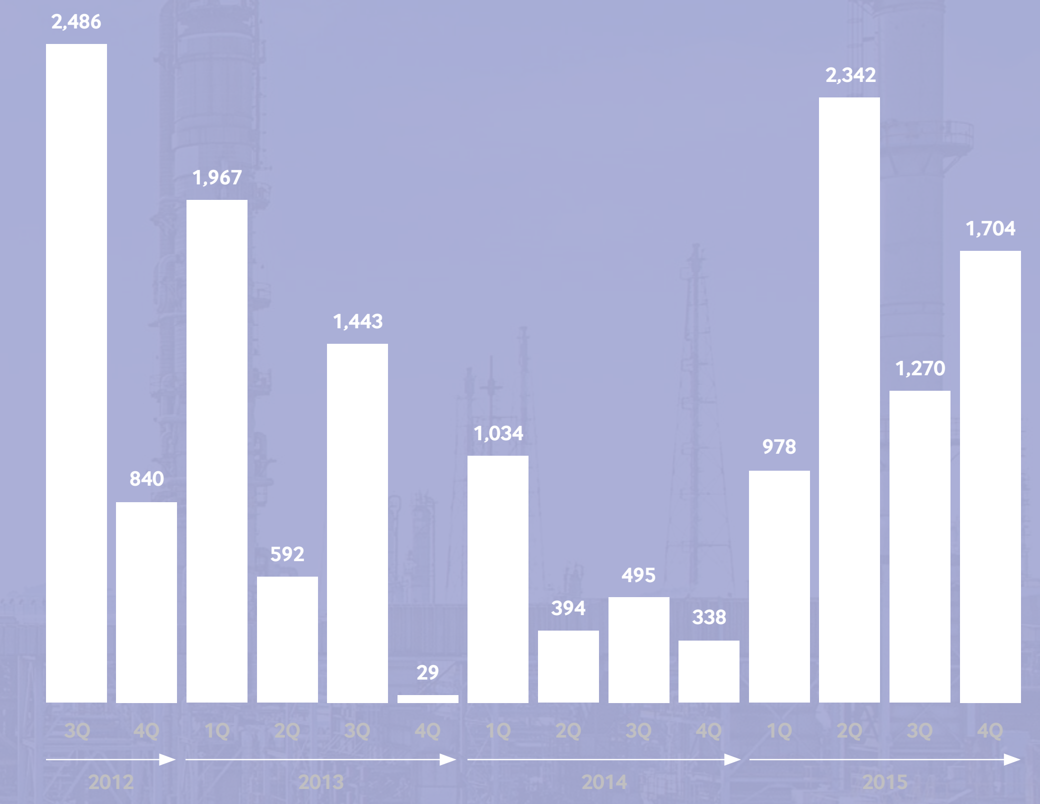
* Based on Korean International Financial Reporting Standards (K-IFRS) and consolidated financial statements

Profitability

Achieved a Surplus for the 14th Consecutive Quarter

3Q 2012 - 4Q 2015

(Unit: KRW in 100 million)



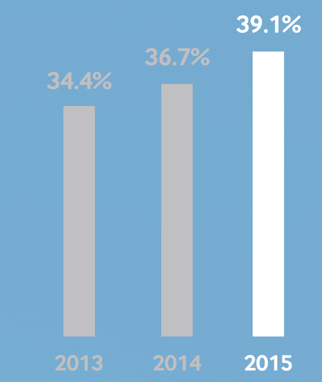
* Based on consolidated financial statements

In 2015, Hyundai Oilbank achieved an outstanding operating profit, based on the industry's highest upgrading ratio. The company sustained stable growth by continuing its surplus streak that had been going since the third quarter of 2012. Sales decreased by KRW 8.315 trillion from the year before to KRW 13.010 trillion, due to plummeting oil prices, but operating profit increased by KRW 403.2 billion to KRW 6.294 trillion.

Competitiveness

The Industry's Highest Upgrading Ratio

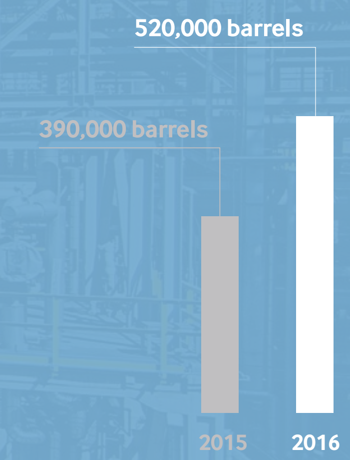
39.1%



Daily Crude Oil Refining Capacity

390,000 barrels

(Expected to be 520,000 barrels by 2016)



Hyundai Oilbank is improving its competitiveness in the petroleum business through ongoing facility investments. The company's total daily crude oil refining capacity equaled 390,000 barrels as of December 2015, and its upgrading ratio improved further to 39.1%, the industry's highest, from 36.5% in 2014. When the mixed xylene (MX) plant begins full operations in 2016, the company's refining capacity will be boosted to 520,000 barrels per day.

Diversification

(Unit: KRW 100 million)

Hyundai and Shell Base Oil	Hyundai Oil Terminal
Sales 5,688	Sales 280
Operating Profit 445	Operating Profit 76

Hyundai Cosmo Petrochemical	Hyundai Chemical
	Business Plans (Commercial operations to begin in October 2016)
Sales 21,557	Sales 35,467
Operating Profit -132	Operating Profit 1,615

Hyundai Oilbank has been diversifying its business portfolio to secure new growth engines while focusing on settling its new businesses into the market. As a result of these efforts, Hyundai and Shell Base Oil posted sales of KRW 568.8 billion and operating profit of KRW 44.5 billion, achieving an operating margin of 8% since entering the lube base oil market in 2015. In 2014, Hyundai Oil Terminal recorded sales of KRW 22.6 billion and operating profit of KRW 5.7 billion. It had an operating margin of 27% in 2015, with sales of KRW 28.0 billion and operating profit of KRW 7.6 billion. Hyundai Cosmo Petrochemical achieved sales of KRW 2.156 trillion in 2015. In 2017, sales of KRW 3.547 trillion and operating profit of KRW 161.5 billion are projected for Hyundai Chemical.

Commitment

Received Grand Prize at 2015 Transparent Management Awards from Korea Employers Federation

Grand Prize

Received Presidential Award at 2015 Korea Electrical Safety Awards

Presidential Award

Received Grand Prize at 2015 Global Green Management Excellence Awards

Presidential Citation

Daesan Refinery Plant Accomplished 5 Million Work Hours with No Accidents

5,000,000 work hours

October 2013 - November 2015 (740 days)

January 2015
3 million work hours

November 2015
5 million work hours

2016 Goal
7 million work hours

Hyundai Oilbank has been committed to developing a safe and healthy workplace. From October 2013 to November 2015, the Daesan Refinery Plant achieved five million zero-accident work hours, thanks to the active participation of all employees. Hyundai Oilbank received Grand Prize at the Transparent Management Awards from the Korea Employers Federation, the Presidential Award at the 2015 Korea Electrical Safety Awards, and the 2015 Global Green Management Excellence Awards' grand prize of the Presidential Citation.

Sustainability

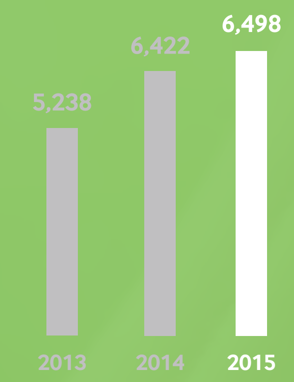
Hyundai Oilbank 1% Nanum Foundation

Sharing 1% of Salaries

Since September 2011
Sharing 1% of employees' salaries every month

Annual Volunteer Service by Employees

6,498 hours



Donation to Social Contribution in 2015

5.0 billion

(Unit: KRW)

Investment in Environmental Management in 2015

13.1 billion

(Unit: KRW)

Hyundai Oilbank is encouraging a society of sharing through its 1% Nanum Foundation, while also carrying out a variety of social contribution activities in our communities. Hyundai Oilbank's employees voluntarily donate 1% of their monthly salaries to charity, while contributing more than 5,000 volunteer hours by division or club on an annual basis. In addition, the company is at the forefront of practicing corporate social responsibility by donating KRW 5.0 billion and investing KRW 13.1 billion, respectively, to social contribution and in environmental conservation projects.

MESSAGE FROM THE CEO

"In 2015, Hyundai Oilbank ranked first in operating margins in the domestic industry's oil refinery business sector for the fifth consecutive year. This was largely due to the stable operations of our upgrading facilities, diversification of crude oil types, and flexible inventory management. In 2016, we will overcome the challenging business climate and continue our surplus streak, by following the management goals of "Retention of cost competitiveness" and "Safety-first plant operation".

Dear valued shareholders, customers, and other stakeholders:

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

In 2015, Hyundai Oilbank ranked first in operating margins in the domestic industry's oil refinery business sector for the fifth consecutive year. This was largely due to the stable operations of our upgrading facilities, diversification of crude oil types, and flexible inventory management amid low oil prices and a low economic growth trend.

Furthermore, despite new plant construction and regular repair during the year, we accomplished five million work hours with no accidents, a first since our founding. It was also a meaningful year in that we established our corporate transparency through the successful outcome of our lawsuits regarding the domicile of origin of gas stations, and LPG price-rigging.

Our subsidiaries, including Hyundai Chemical, Hyundai and Shell base oil, and Hyundai Oil Terminal, are also poised to achieve stable earnings despite difficulties such as excessive product supplies and economic troubles in major consumption countries.

Again in 2016, we anticipate a low oil price trend due to excessive supply in the crude oil market and uncertainties in the global financial market. In order to overcome the challenging business climate and continue our surplus for the fourteenth consecutive quarter, we set two management goals for the new year: "Retention of cost competitiveness" and "Safety-first plant operation".

Importing economically viable crude oil is the most important contributing factor of cost competitiveness. Accordingly, Hyundai Oilbank will do everything in its power to diversify suppliers by increasing crude oil types and tapping into high-margin product markets. We will also continue our efforts for the improvement of efficiency, earnings, and cost savings at our plants. These efforts will include a new employee suggestion system, and idea development meetings among our engineers.

Safety is one of the key values at Hyundai Oilbank. In 2013, we renamed our Production Division as the Safety & Production Division to ensure the safety as our first priority. In addition, a mixed xylene (MX) plant, established jointly with the Lotte Group, will enter commercial operations in the second half of this year. When the plant is completed, our competitiveness will be bolstered even further. We will continue our dedication to safety inspections and safe management, ensuring the stable operation of our existing plants and the successful completion of the MX project.

Hyundai Oilbank's 1% Nanum Foundation, which was launched more than four years ago and is a first among large domestic companies, allows us to carry out a wide range of charitable projects. Going forward, we will continue to fulfill our corporate social responsibilities by increasing our efforts to provide assistance to those in need in our communities.

I would like to thank you once again for the interest and encouragement t hat you have given us so far, and I hope that you will continue your support and patronage. At Hyundai Oilbank, all of our management and employees will remain dedicated to contributing to community and economic development, while increasing value for our shareholders, customers, and other stakeholders.
Thank you.

Moon Jong-bak
President & CEO

Hyundai Oilbank is committed to sustained growth by reinforcing its cost competitiveness through efficient operations, and by creating stable revenue through safety-first plant operations.

Kang Dal-ho, Vice President

Head of Safety & Production Division

In 2016, the Safety & Production Division will work to establish a culture of safety, upgrade the reliability of our facilities, and strengthen our revenue improvement activities. We will achieve zero-accident plant operations by developing advanced emergency responses and reinforcing safety management. We will upgrade the reliability of our facilities by organizing a task force team that will inspect and provide a safety diagnosis for our facilities. In order to raise our profitability, we will encourage employee suggestions through idea development activities. This will allow us to focus on creating new revenue by increasing energy savings and production efficiency. We will also continue our support for the successful completion and operation of our in-progress projects, including the MX project and the construction of the #10 coke Fluidized Bed Combustion (FBC) boiler. We will concentrate our capabilities so that 2016 will be a turning point, leading to the mid- to long-term growth of the company.

Park Byeong-deok, Vice President

Head of Sales & Marketing Division

South Korea's gas station market used to boast better customer service than Japan, but it has lost both profitability and serviceability due to prolonged price competitiveness in an era of high oil prices. To improve customer service, we will enhance our competitiveness through a variety of initiatives, including educating employees about friendliness and cleanliness, encouraging best practices, and improving uniform designs for station attendants. We have also increased our Market Designers, who are service and partnership specialists assigned per region to improve the gas station experience. We will work to increase our operating profits and strengthen our asset values at the same time, by developing decrepit gas stations as gas station complexes combined with various facilities, including restaurants. We are confident that this will be successful, since our first service station complex, Hwajeong station complex, has flourished. Given the heightening interconnection between the domestic market and overseas markets, we need to avoid unconditional domestic sales. We will contribute to maximizing company-wide profits by optimizing our domestic sales and exports portfolio through close communications with the Global Business Division.

Jang Ji-hak, Vice President

Head of Global Business Division

The Global Business Division aims to cope with the rapidly changing internal and external environments by strengthening revenue-first supply and demand control, with a focus on the flexible monthly oil import volume and inventory risk management. To strengthen our sales competitiveness and economic efficiency using overseas branches, we will export low-sulfur gasoline to Australia and New Zealand, and high-sulfur gasoline and ultra-low-sulfur diesel to Vietnam. We will also provide new growth engines, including exporting gasoline to the Americas, and entering the bunkering business in Singapore. We will control supply and demand to improve economic efficiency and maximize operating profits, and will reinforce our ability to secure cost competitiveness and cope with supply and demand through integrated management with newly operated plants.

Han Hwan-gyu, Senior Executive

Head of Management Support Division

Oil prices and fluctuations in the financial market will cause difficulties in 2016. In order to preemptively address rapid changes in the market environment, we will fine tune the roles of our business divisions while maximizing earnings for each division. We will focus on financial risk management through foreign exchange risk management and oil price risk management to reduce unnecessary inventory losses. By increasing support for our subsidiaries, we will enhance our capabilities and enable our new businesses to cope with changes in the external environment. We will also encourage our employees to improve our competitiveness by offering communication activities, such as in-house learning events.

CORPORATE HISTORY

Hyundai Oilbank became South Korea's first privately-owned oil refinery in 1964, and became a Hyundai Heavy Industries Group affiliate in 2010. It is constantly innovating and taking on challenges in line with the goal of becoming a global total energy company.

1900's

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

2000's

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

2010

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

2011

Jan. 2011	Completed #2 HOU plant
Mar. 2011	Launched Customer Advisory Panel
Sep. 2011	Signed agreement on 1% sharing, a first among large companies in South Korea
Nov. 2011	Established Hyundai Oilbank Central Technology R&D Institute

2012

Feb. 2012	Launched Hyundai Oilbank 1% Nanum Foundation
Feb. 2012	Established Hyundai Oil Terminal
Apr. 2012	Established Hyundai and Shell base oil
Apr. 2012	Completed Hanameum Hall for business partners
Jul. 2012	President & CEO Kwon Oh-gap received Dasan Management Award from Korea
Sep. 2012	Completed Fluidized Bed Combustion (FBC)
Oct. 2012	Received Presidential Award at 1st Korea Knowledge Awards
Nov. 2012	Ranked first in KS-CQI in the entire industry category and KS-SQI in refinery category
Nov. 2012	Completed #2 BTX
Dec. 2012	President & CEO Kwon Oh-gap received Silver Tower Industrial Medal on Trade Day
Dec. 2012	Received USD 8 billion Export Tower on Trade Day from Korea International Trade Association (KITA)

2013

Feb. 2013	Named one of the top 10 companies in Best Employers in Korea by Aon Hewitt
Feb. 2013	1% Nanum Foundation signed agreement on overseas school support projects with Good Neighbors
Jul. 2013	Signed MOU for mixed-xylene manufacturing with Lotte Chemical
Aug. 2013	Launched lubricant business and XTeer automobile engine oil brand
Nov. 2013	Ranked first in KS-CQI in refinery category
Dec. 2013	Completed oil terminal at Ulsan New Port

2014

Jan. 2014	Directly-run service stations participated in 1% profit sharing program
Jan. 2014	Established Hyundai Chemical
May 2014	Obtained ISO 14001 Energy Management System Certificate
Jul. 2014	Celebrated 50th anniversary
Sep. 2014	Completed a lube base oil plant of Hyundai and Shell base oil
Sep. 2014	Completed Daegu Logistics Center
Sep. 2014	President and CEO Moon Jong-bak took office
Oct. 2014	Received Presidential Award at the Korea Safety Awards
Oct. 2014	Completed #9 FBC Boiler, a cutting-edge facility that supplies heat
Nov. 2014	Ranked first in the service station category at the KS-CQI surveys by Korea Standards Association
Nov. 2014	Received Prime Minister Award at Energy Conservation Promotion Rally from Ministry of Trade, Industry and Energy
Nov. 2014	Received Presidential Award at the Labor-Management Culture Awards from Ministry of Employment and Labor
Nov. 2014	Received Presidential Award at the 2014 Corporate Innovation Award from Korea Chamber of Commerce and Industry

2015

Feb. 2015	Received Grand Prize at the 11th Transparent Management Awards
Mar. 2015	Launched 1% Sharing House project by Hyundai Oilbank 1% Sharing Foundation
Jun. 2015	Received Presidential Award at the 2015 Green Management Awards
Jun. 2015	Achieved 4 million work hours with no accidents
Jun. 2015	Formed alliance with Seoul National Cemetery
Nov. 2015	Achieved 5 million work hours with no accidents
Nov. 2015	Received Presidential Award at the 2015 Korea Electrical Safety Awards

CORPORATE VISION

VISION 2020

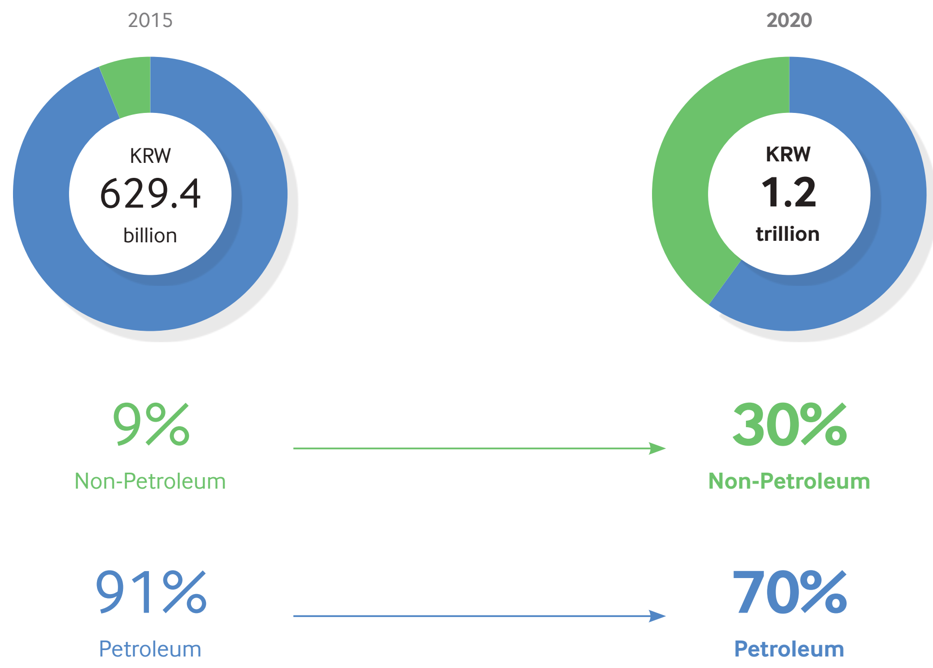
A Global Energy Company with International Competitiveness

- An energy company with the best productivity
- Grow through overseas expansion
- A respected company that fulfills its social responsibilities
- Achieve sales of KRW 21 trillion and operating profit of KRW 1.2 trillion

Marking its 50th anniversary in 2014, Hyundai Oilbank declared its "Vision 2020", which reflects the goal of becoming a global total energy company with international competitiveness by 2020.

This will be achieved by expanding the business portfolio rather than focusing primarily on crude oil refining, which had previously comprised the majority of its revenue. New businesses will include carbon black, polypropylene derivatives, and overseas energy projects, in addition to lube base oil, oil storage, and MX businesses.

Operating Profit



* Based on consolidated financial statements

Achieve Sales of KRW 21 Trillion and Operating Profit of KRW 1.2 Trillion by 2020

Hyundai Oilbank has maintained the industry's highest refinery profitability through the diversification of suppliers, cost reductions, and the improvement of its processes. Based on this stable revenue structure, the company will achieve sales of KRW 21 trillion and operating profit of KRW 1.2 trillion by 2020, by reinforcing its existing businesses, and tapping into overseas businesses. Hyundai Oilbank will also diversify its revenue structure with non-petroleum businesses making up more than 30% of its operating profit through ongoing business diversification.

BOARD OF DIRECTORS

In order to build a transparent corporate governance, Hyundai Oilbank has enhanced the status and roles of its board, the company's highest decision-making body. The company's goal is to embody advanced corporate governance that will meet the expectations of all of its stakeholders.

Role of the Board

The board of directors (BOD) at Hyundai Oilbank 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. Hyundai Oilbank believes that the board plays a key role in bolstering its transparency and efficiency as well as enhancing its credibility with shareholders, investors, and markets.

Composition of the Board

Hyundai Oilbank's articles of incorporation and board regulations provide for a five-member board, including two internal directors and three external 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 matters, 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	**Yoon Jeung-hyun**	2009-2011: Minister of Strategy and Finance 2004-2007: Governor, Financial Services Commission and Financial Supervisory Service 1999: Director, Asian Development Bank
	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

Hyundai Oilbank's 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 Audit Committee

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

Major Board Activities in 2015

The board met seven times during 2015, deciding a total of twenty-four agenda items.

Key Board Resolutions from 2015

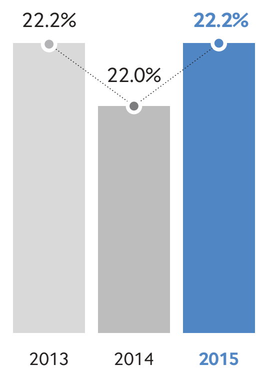
Shareholders' Meeting, Board & Governance	- Approval of the convocation of general shareholders' meeting and adoption of the agenda items for FY 2015 - Appointment of the Outside Director Nominating Committee members (two times) - Appointment of the Internal Transaction Monitoring Committee members
Investment	- Approval of the capital increase in Hyundai Chemical (three times) - Approval of the establishment of Hyundai OCI - Approval of the service contract for power generation facility operation with Hyundai Heavy Industries
Accounting and Finance	- Approval of the FY 2015 financial statements - Approval of the FY 2015 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 115th corporate bond issuances - Approval of the hybrid bond issuances
Other Areas	- Approval of the sponsorship agreement with Hyundai Heavy Industries Sports - Approval of the sponsorship agreement with K League - Approval of the 2016 business plan

BUSINESS REVIEW

PETROLEUM BUSINESS

Hyundai Oilbank achieved a 22.2% share of South Korea's oil market in 2015, with a daily production capacity of 390,000 barrels and the operation of more than 2,300 gas stations nationwide. Based on advanced technological competitiveness and diversified suppliers, Hyundai Oilbank is solidifying its status as a total energy company that produces and supplies the industry's best products.

Domestic Light/Middle Distillate Market Share in 2015



Crude Oil Imports by Country in 2015

(Unit: Thousand Barrels)

	Crude Oil Imports	Percentage
Kuwait	44,676	36.0%
Iraq	17,553	14.1%
Iran	15,491	12.5%
Mexico	9,932	8.0%
Saudi Arabia	7,763	6.3%
Qatar	7,196	5.8%
UAE	6,952	5.6%
UK	4,016	3.2%
Russia	3,461	2.8%
Columbia	1,926	1.6%
Other	5,219	4.2%
Total	**124,185**	**100%**

Diversifying Crude Oil Suppliers

In 2015, Hyundai Oilbank maintained stable crude oil imports through long-term and spot contracts from Middle Eastern countries such as Kuwait and Iraq. The company also imported crude oil from the North Sea, Russia, and Latin America, including Mexico and Columbia, in order to diversify crude oil suppliers and reduce excessive dependency on the Middle East.

Maintaining a Steady Share in Domestic Oil Market

Hyundai Oilbank achieved a stable domestic light and middle distillate market share at the 22% level in 2015. This was attributed to reinforcing its friendly and clean gas stations, making four successful bids for economy gas stations, and attracting new quality clients, despite the challenging environment which included economic slowdowns at domestic & foreign and plunging international oil prices.

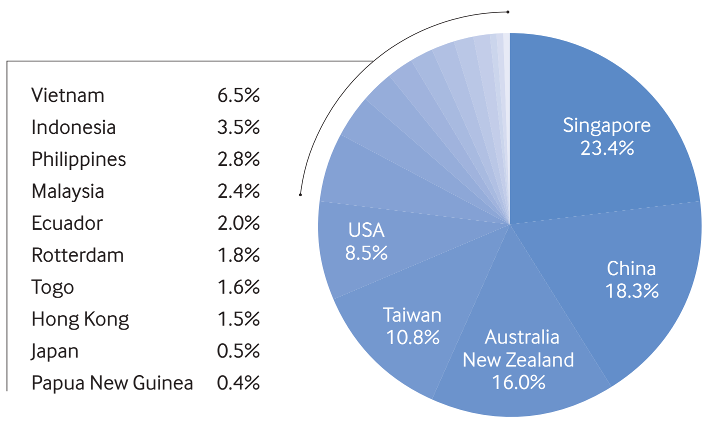
Hyundai Oilbank also carried out marketing endeavors targeting consumers. These included expanding bonus and discount cards, attracting mobile-based customers, and strengthening affiliate marketing strategies. As a result, Hyundai Oilbank continued to be recognized as an excellent service company, ranking first in the KS-SQI survey by the Korean Standards Association. Hyundai Oilbank also ranked first in the KS-CQI survey for the fourth consecutive year.

Strengthening Overseas Business Networks

Hyundai Oilbank exported 39.87 million barrels of petroleum products in 2015. Its major export markets included Australia, New Zealand, Vietnam, the Philippines, and Indonesia, in addition to Singapore, Taiwan, China, and Japan.

Hyundai Oilbank also moved forward with third-party transactions for crude oil and petroleum products by enhancing the functions of its two existing subsidiaries (Singapore and Shanghai) and three branches (Vietnam, United Kingdom, and the Middle East), while seeking arbitrage trading with the Middle East, Africa, Europe, and the Americas. Going forward, the company will proactively advance into new markets through a wide range of trading strategies using its overseas sales networks.

Exports by Region in 2015



Domestic Sales and Exports in 2015

(Unit: Thousand Barrels)

Diesel	52,692
Naphtha	31,644
Gasoline	29,588
Fuel oil	21,141
Jet fuel	13,006
Kerosene	4,201
LPG	3,915
Other	7,134
Total	**163,321**

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

PETROCHEMICAL BUSINESS

Hyundai Oilbank has diversified its petrochemical business through its subsidiary, Hyundai Cosmo Petrochemical. With the completion of #2 BTX plant in 2013, production capability is now 1.37 million tons of benzene, toluene, and p-xylene (BTX) products annually.

Strengthening Market Competitiveness

Hyundai Oilbank established Hyundai Cosmo Petrochemical, a joint venture with Cosmo Oil of Japan. Hyundai Cosmo Petrochemical produces petrochemical products including benzene, toluene, and xylene (BTX), all basic chemical feedstocks used to make plastics, synthetic resins, polyester fibers, and other petrochemical products. The company is now capable of producing 1,370,000 tons of BTX annually, following the commercial operations of the #2 BTX plant that opened in April 2013.

BTX production capacity (tons/year)

1,370,000

#2 BTX Plant

LUBE BASE OIL BUSINESS

Hyundai Oilbank established Hyundai and Shell Base Oil jointly with the Shell Petroleum Company Limited, and began to produce eco-friendly lube base oil for the global market in 2014. Hyundai and Shell Base Oil has successfully grown as a competitive player in the base oil market with expanding profitability.

Eco-Friendly Base Oil

Hyundai and Shell Base Oil built a lube base oil plant in the Daesan refinery, which began its commercial production from 2014. Lube base oil is produced by processing residue oil from the Hyundai Oilbank's heavy oil upgrading (HOU) process, and it is used as the raw material for lubricants. Lubricant oil products for automobiles, ships and other industrial purposes are made by mixing lube base oil with a variety of different additives. Hyundai and Shell Base Oil produces eco-friendly base oil products, including Group II 70 Neutral, Group II 150 Neutral, and Group II 500 Neutral.

Stable Revenue Creation

Since successfully entering the base oil market in 2015, Hyundai and Shell Base Oil has increased profitability by strengthening its marketing capabilities and improving the yields of high-margin products. Through Shell's global distribution network, the company exports a large portion of its products to China, the largest consuming market, and to other Asian countries. In 2015, it recorded sales of approximately KRW 600 billion.

Lube base oil production capacity (tons/year)

700,000

Lube Base Oil Unit

OIL TERMINAL BUSINESS

Hyundai Oilbank advanced into the commercial tank terminal business, a first among domestic refineries, by establishing Hyundai Oil Terminal. Hyundai Oil Terminal is growing into a logistics-specialized company through the management of Hyundai Oilbank's oil reservoirs and the petroleum and petrochemical products storage business.

Accelerating Oil Terminal Business

Hyundai Oilbank established Hyundai Oil Terminal to pursue the oil storage business. By investing a total working capital of KRW 100 billion, Hyundai Oil Terminal 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 in December 2013. 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; it has managed oil reservoirs in each region under contract with Hyundai Oilbank since January 2014.

Moving forward, Hyundai Oil Terminal 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.

Oil storage capacity (kl)

280,000

Hyundai Oil Terminal

NEW BUSINESSES

Hyundai Oilbank established Hyundai Chemical jointly with Lotte Chemical to pursue the condensate refining and MX manufacturing business. Commercial operations will begin in late 2016.

Condensate Refining and MX Manufacturing Business

Hyundai Chemical, established in May 2014, began to construct its plant inside the Daesan Refinery Plant in December 2015; when commercial operations start in late 2016, it will process 130,000 barrels of condensate daily and produce 1 million tons of MX annually. Currently, both Hyundai Oilbank and Lotte Chemical are relying on imports for the majority of mixed-xylene, a key material for the BTX process. Through this joint venture, they will improve the supply stability of raw materials and complete integration in the BTX business by linking with existing plants. All of the plant's products and byproducts will be sold to Hyundai Oilbank, Lotte Chemical, and Hyundai Cosmo Petrochemical. This will produce an import substitution effect of more than KRW 1 trillion, and increase exports by approximately KRW 1.5 trillion annually, through the sales of jet fuel, diesel, and other MX-related products.

PRODUCTS

Hyundai Oilbank produces 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

Hyundai Oilbank's 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. Hyundai Oilbank's high-quality gasoline grades, which produce fewer pollutants, meet and exceed these standards by a large margin. In addition to containing engine-cleaning additives, Hyundai Oilbank's grades are formulated to improve fuel dispersion and combustion.

Ultra-Low Sulfur Diesel

Hyundai Oilbank supplies 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 Hyundai Oilbank's domestic diesel products have had bio-diesel mixtures since 2006, making its line-up even more eco-friendly.

Kerosene

Hyundai Oilbank's 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.

Fuel Oil

Fuel oil is primarily used as internal combustion engine and boiler fuels. Hyundai Oilbank's fuel oil products are classified into low-sulfur, marine, in classes A, B, and C according to sulfur content, application, and viscosity.

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. Hyundai Oilbank produces 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. Hyundai Oilbank produces 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, toluene, and p-xylene are colorless liquids and highly flammable aromatic compounds with a distinctive odor. Benzene is used in nylon 6, Styrofoam, and insulation materials, while toluene is used in thinner and other synthetic materials, and paraxylene is primarily used to make polyester and film.

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.

Asphalt

Produced by the Vacuum Distillation Unit (VDU), asphalt is used as a major material for road paving. Asphalt products from Hyundai Oilbank meet the KSM 2201 standards for road paving. They are also the only products of such high quality that obtained the certification of JIS K 2207 asphalt standards of Japan.

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.

Condensate

An extra light crude oil with an American Petroleum Institute (API) gravity of 40 to 50 degrees, it is produced during the natural gas production process. Naphtha is its major component, and it contains some middle distillate and residue oil.

Mixed Xylene

Composed of ortho xylene, meta xylene, and para xylene, mixed xylene is a colorless, transparent, and fragrant volatile liquid and a major product for the BTX process. It is mainly used in the making of paints and agricultural chemicals.

FACILITIES

Hyundai Oilbank is pursuing the vertical integration of the petroleum business, including making high-value-added products through upgraded facilities to the manufacture of BTX, lube base oil, MX, and carbon black.

A complete view of Hyundai Oilbank's Daesan refinery

Hyundai Oilbank increases value through the stable production and supply of high-quality products, using its state-of-the-art refining facilities. The company is also building a safe and eco-friendly production base that enhances efficiency and minimizes pollutant emissions by continuously upgrading its processes.

Refinery Growth and Progress

Hyundai Oilbank is 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 now capable of refining 390,000 barrels of oil per day. In addition, Hyundai Oilbank secured the industry's highest upgrading ratio of 39.1% as of the end of 2015, based on its hydro cracking unit and other leading-edge facilities. The company's #2 BTX plant and lube base oil plant began commercial operations in 2013 and 2014, respectively, to further diversify its petrochemical product portfolio, allowing it to be one of the world's most advanced refineries.

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

Facilities

Hyundai Oilbank's Daesan Refinery Plant mainly consists of #1 Plant, #2 Plant, #1 BTX Plant, #2 BTX Plant, and lube base oil production facilities.

Total Capacity

(Unit: Thousand barrels/day)

Process and Facility	#1 Plant	#2 Plant	#1 BTX	#2 BTX	MX	Total
Crude Distillation Unit (CDU)	110	280				**390**
Vacuum Distillation Unit (VDU)	78	-				**78**
Light End Recovery Unit (LER)	12	6				**18**
Naphtha/Mogas* Hydrotreating Unit						
-Naphtha Hydro Treating (NHT)	12	20				**32**
-Platforming Treating (PLT)	4	20				**24**
-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)	-	60				**60**
-Gas Oil Hydro Treating (GHT)	22	102				**124**
-Kerosene Merox (KMX)	22	-				**22**
Heavy Oil Cracking Units						
-Hydro Cracking (HCR)	42	-				**42**
-Delayed Coking Unit (DCU)	36.5	-				**36.5**
-Atmospheric Residue Desulfurization (ARDS)	-	85				**85**
-Residue Fluidized Catalytic Cracking (RFCC)	-	74				**74**
LBO Production Unit						
-Lube Base Oil	20	-				**20**
BTX Unit (KMTA)**						
-Benzene	-	-	120	120		**240**
-Para-Xylene	-	-	330	800		**1,130**
Condensate Refining Unit (2016)					130	**130**
MX Manufacturing Unit (2016) (KMTA)					1,200	**1,200**

* Mogas: Short for motor gasoline, the material is used to formulate gasoline.
** KMTA: Kilo Metric Ton Annual

(1) Crude Distillation Unit (CDU)

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 (VDU)

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 (HCR)

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 (DCU)

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 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 KHT process removes sulfur compounds from the kerosene products produced by the CDU and DCU to upgrade it to low-sulfur kerosene.

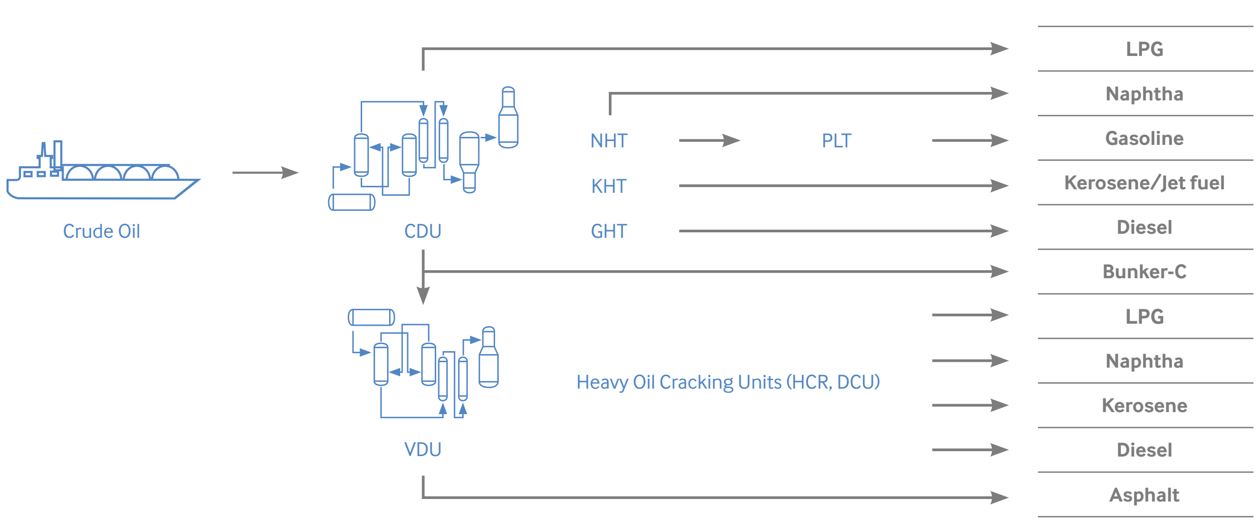
(7) Gasoil Hydro Treating (GHT)

The GHT process removes sulfur compounds from the diesel products produced by the CDU, DCU and ARDS to upgrade it to low-sulfur diesel.

(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.

Process Flow



(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 in high temperatures using a fluidized catalyst into propylene, alkylation, and Mogas (motor gasoline) products.

(11) Benzene, Toluene, P-Xylene (BTX)

#1 BTX and #2 BTX processes use naphtha reformate and mixed xylene, respectively, to produce paraxylene, benzene, and toluene.

(12) 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.

(13) Condensate Unit

This process distills and separates condensate into different petroleum products by their boiling points, to produce LPG, naphta, kerosene, diesel, and residue oil. Naptha is used as a raw material for MX production.

(14) Mixed Xylene Unit

This process produces MX and benzene, using naphtha and heavy aromatics produced in the condensate unit as raw materials.

Atmospheric Residue De-Sulfurization

Residue Fluidized Catalytic Cracking

Producing High-End Products with Industry-Leading Upgrading Ratio

In the refining industry, Heavy Oil Upgrading (HOU) plants take high-sulfur heavy oil which is produced by crude oil refining process 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, Hyundai Oilbank officially completed its #2 Heavy Oil Upgrading plant. This established a new platform for its growth in the refining business, increasing its daily upgrading capacity by 74,000 barrels, rising from 78,500 to 152,500. Hyundai Oilbank achieved the industry-leading 39.1% upgrading ratio, which has enabled it to generate a stable operating profit by processing low-priced bunker-C oil which accounts for 40% to 50% of remains after crude oil refining. The plant manufactures 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. The products are exported to developed countries around the world, including the U.S.

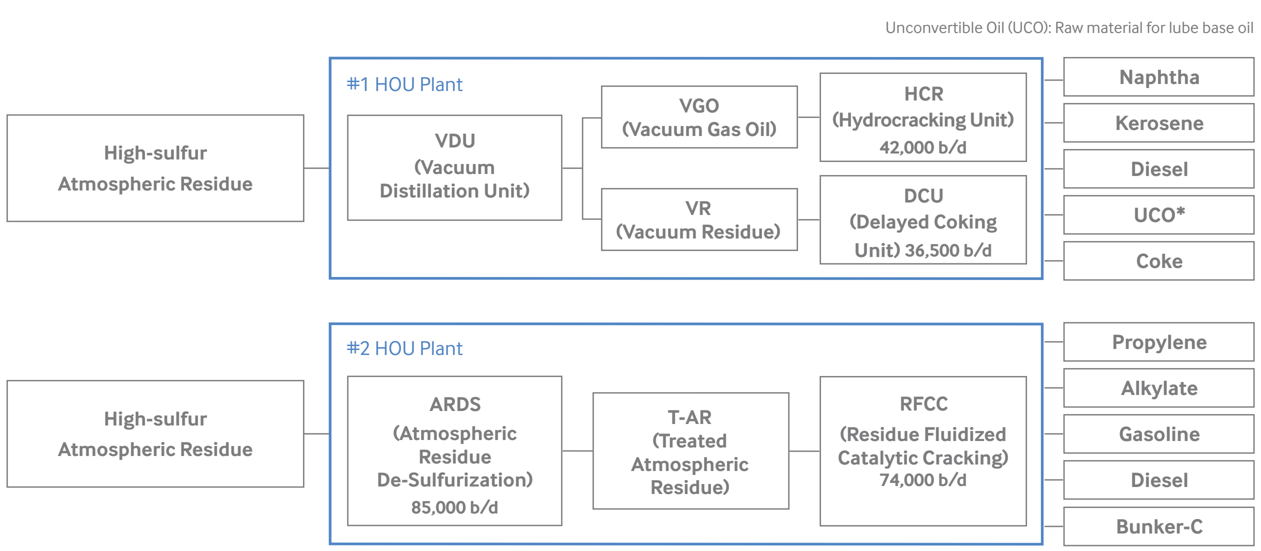
#1 HOU Plant

Hyundai Oilbank operates 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, the #1 HOU Plant, which mainly produces diesel and kerosene, consists of the Hydrocracking Unit and the Delayed Coking Unit. Its daily refining capacity is 42,000 barrels by the Hydrocracking Unit and 36,500 barrels by the Delayed Coking Unit.

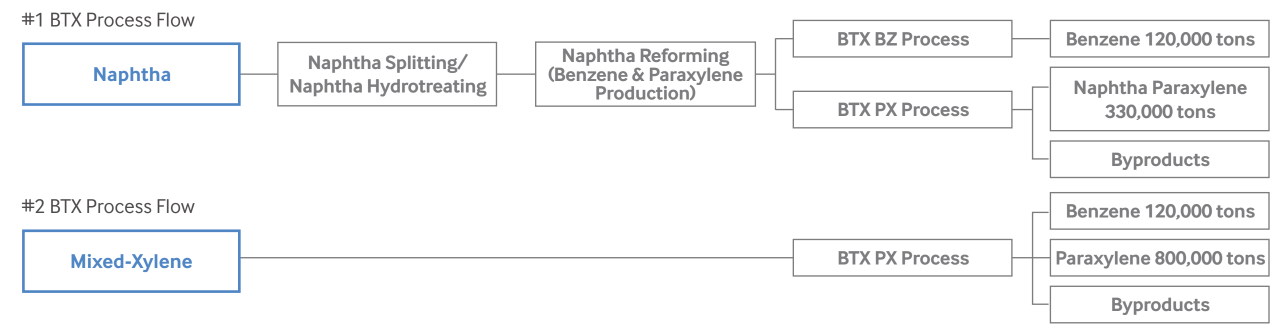
#2 HOU Plant

The #2 HOU plant includes atmospheric residue de-sulfurization (ARDS) and residue fluidized catalytic cracking (RFCC) processes. The ARDS process takes fuel oil from the refining process and adds hydrogen to trigger a desulfurization reaction. The RFCC produces petroleum products and petrochemical feedstocks like propylene, using fuel oil from the heavy oil hydrocracking process as a raw material. The plant's daily refining capacity is 85,000 barrels by the ARDS and 74,000 barrels by the RFCC.

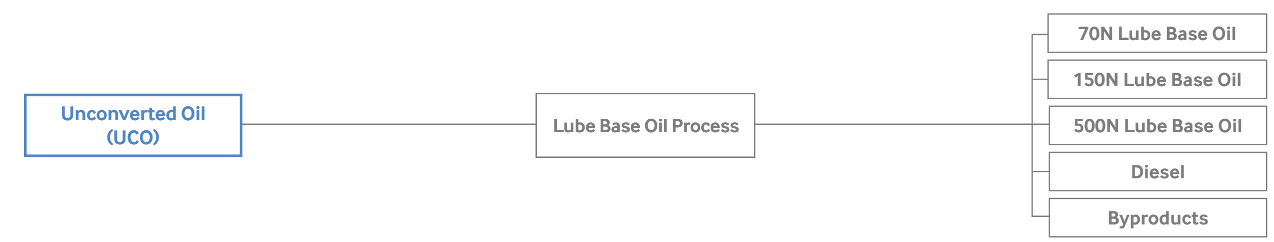
HOU Process Flow



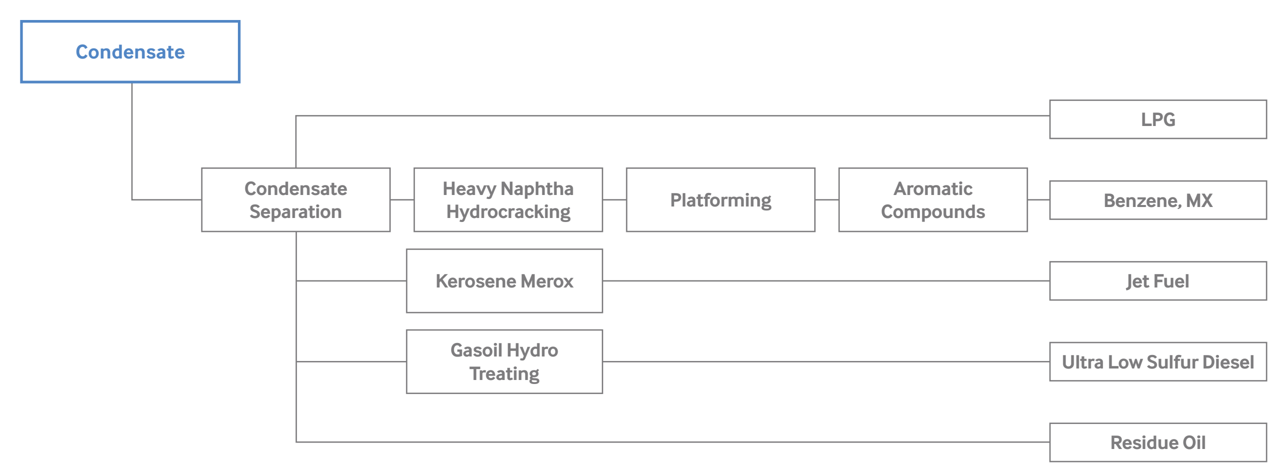
BTX Process Flow



LBO Process Flow



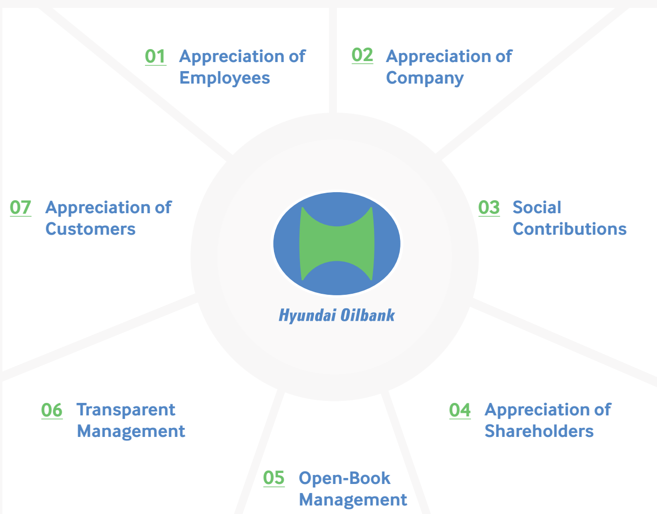
Condensate/MX Process Flow



MANAGEMENT REVIEW

MANAGEMENT PHILOSOPHY

Hyundai Oilbank established a fundamental management philosophy that meets its stakeholders' expectations with an aim to contribute to the economic and social development of the communities it serves by upholding its initial goals and fulfilling its social responsibilities. This management philosophy consists of seven detailed policies.



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

Enhancing Stakeholder Value

Hyundai Oilbank aims to deliver greater value to all of its stakeholders, from customers and shareholders, to employees and local communities. Hyundai Oilbank is heightening its reputation and elevating its intrinsic value so that its employees recognize that they are the company's most valuable asset, while asserting the importance of mutual respect, broadening communications, and fostering their creativity. To maximize shareholder value, the company pursues sustainability through efficient management. Hyundai Oilbank also recognizes its important role in South Korea's energy industry, making every effort to contribute to national economic and social development as it seeks a win-win growth with local communities.

Building Trust through Action

As it strives to impart the highest level of satisfaction to its stakeholders, Hyundai Oilbank also aims to be society's most trusted and respected company by practicing management that is both open and transparent. Hyundai Oilbank upholds social norms and order with high ethical standards, leading the way in fair and honest management. In addition, Hyundai Oilbank proactively discloses necessary business information and practice open-book management that is also participated in by its employees. Through this, Hyundai Oilbank is strengthening its core capabilities to offer the finest products and services. Its approach will enable the company to become a reliable company that fulfills its fundamental goals and responsibilities by enhancing the benefits of its customers, employees, partners, shareholders, and local communities.

MANAGEMENT STRATEGY

In 2015, Hyundai Oilbank effectively reacted to environmental changes, hedging margins and optimizing process operations amid falling oil prices, and as a result, it recorded an operating profit of KRW 629.4 billion. In 2016, Hyundai Oilbank will raise profitability by developing economically feasible crude oil and overseas high-margin markets and improving the capacity of profitable processes. Through its safety-first plant operation initiative, Hyundai Oilbank will also achieve seven million work hours with no accidents and 'zero emergency stops'.

2016 Strategic Imperatives			
	Retain Superior Cost Competiveness	Enhance the Economic Efficiency of Crude Oil Imports	- Increase imports of low-price crude oils, including extra heavy crude oil - Continue to develop economical crude oil supply chain
		Raise Profitability	- Increase the capacity of high-margin processes and improve production efficiency - Improve domestic sales margins and develop overseas high-margin markets
	Operate Plants with Safety as Top Priority	Put a Culture of Safety into Place	- Achieve 'zero emergency stops' - Achieve 7 million work hours with no accidents - Strengthen plant operation competency by sharing expertise in process operation

BUSINESS ETHICS

Hyundai Oilbank is committed to practicing transparent management and pursuing continuous innovations in compliance with the highest standards of business ethics. As a trusted and respected company, Hyundai Oilbank will continue its growth in compliance with these standards.

Corporate Commitment

Hyundai Oilbank introduced a business ethics system initiative in 2002. Since joining the Hyundai Heavy Industries Group and rebuilding the business ethics system in 2010, an enterprise-wide consensus has formed regarding the need for greater transparency and ongoing innovation in ethics practices. Based on this, Hyundai Oilbank strives to become "a preferred company to make transactions" with customers and business partners, "an ideal place to work" for executives and employees, as well as "a company that fulfills its social duties for a better society".

Business Ethics System

Hyundai Oilbank operates an organized and practical ethics management system that includes a Charter of Ethics, a Code of Conduct, and a set of Business Ethics Guidelines. The Charter of Ethics is a declaration of corporate philosophy based on compliance with business ethics. The Charter of Ethics is incorporated into the Code of Conduct, which specifies standards for ethical behaviors; and the Business Ethics Guidelines, a guidance on specific judgment of actions and business handling. In particular, Hyundai Oilbank has added and is applying a Special Code of Conduct for six specific duties which demand stricter ethical standards. In addition, Hyundai Oilbank is making efforts to build a practical business ethics system by implementing various action programs such as education and public relations.

Major Action Program

Clean Notice System	In 2013, Hyundai Oilbank implemented a stronger system in business ethics. Hyundai Oilbank's employees are prohibited from accepting meals, money, valuables, and any other gifts of monetary value for any reason, including for congratulatory or condolence purposes, from its business partners, and so on. If any employee has received money and gifts from a business partner, all items must be returned immediately. Items which cannot be returned shall be collected and donated to designated social welfare facilities.
Reporting Conflicts of Interests	With respect to transactions within the company, where Hyundai Oilbank executive or employee has or is likely to have a conflict of interest with any owner, director, or employees of a business partner, the relevant person is required to give the company prior notice in order to allow for a fair and transparent transaction, and for measures to be taken to avoid that conflict of interest.
Whistleblower Protection and Rewards	The identity of whistleblowers and the content of their reports are protected by the strictest confidentiality. Whistleblowers are protected from any kind of retaliation or recrimination. In addition, there is an incentive program in place.
Business Ethics Website and On-line Reporting	Hyundai Oilbank operates its own website (http://ethics.oilbank.co.kr) to share information on its business ethics system and its progress. The website also serves to introduce various ethics regulations including the Charter of Ethics and provides the "Code of Conduct by Example" as well as a "Q&A for Business Ethics". There is also an on-line reporting system for whistleblowers.
Education & Public Relations	Every year, Hyundai Oilbank provides new employees and newly promoted employees with off-line education in business ethics. All employees watch a monthly business ethics video, and participate in Hyundai Heavy Industries Group's customized on-line curriculum exclusively tailored for business ethics.

COMPLIANCE PROGRAM

Respecting fair market competition is key to improving corporate competitiveness. Based on this, Hyundai Oilbank has put into action a compliance program that covers all aspects of its operations since 2003 in order to consistently and systematically carry out transparent management and fair competition practices.

Application of Compliance

Hyundai Oilbank has applied the compliance program to its overall management activities in order to practice fair and transparent management. 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 its daily management activities. Its goals are to reduce legal expenses following violations in the short term, and to enhance its competitiveness by raising its corporate value in the long term.

Efforts for Compliance

Hyundai Oilbank's entire staff pledges to abide by compliance measures together with its CEO promising commitment and the introduction of compliance policies. Hyundai Oilbank also continues to implement a broad range of CP programs. These include internal and external employee training, compliance inspections, and prior business reviews. In addition, Hyundai Oilbank operates an integrated internal compliance program by establishing a disciplinary system for the violation of laws and a management system for CP-related documents. Major action items are as follows.

Major Action Items

Core Elements	Action Items
CEO Leadership	Promises commitment and policy through electronic correspondence and corporate website
Program Organization	Appoints head of the Management Support Division as 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)
	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, the risk management system is effective due to its focus on factors specific to the oil refinery market, including oil price and exchange rate fluctuations. Hyundai Oilbank promptly and accurately responds to rapidly changing market situations by analyzing risks to prevent and mitigate losses.

Risk Management Organization

Hyundai Oilbank operates a risk management committee chaired by the CEO to effectively manage all conceivable risks that may arise due to changes in the oil prices. The company uses 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

The oil Hyundai Oilbank imports 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.

To prevent losses from price fluctuations, Hyundai Oilbank has instituted mandatory hedging for operating margins as well as fixed price bids, oil reserves, and storage facility rental transactions. To prevent risk from fluctuations in monthly import volume, the company determines the portion of the monthly volume that is exposed to risk and make adjustments based on the oil price situation. Hyundai Oilbank makes it a rule to adjust the risk exposure volume by adjusting base prices and hedging swap transactions.

Crude Oil Import Diversification

Hyundai Oilbank is 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 its 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. Hyundai Oilbank strives to maximize the economical efficiency of its crude oil imports, which change according to market conditions. Going forward, Hyundai Oilbank will prevent the risks while simultaneously maximizing earnings by increasing new crude oil imports through in connection with its plants.

Exchange Rate Risk

Since it imports crude oil and export refined petroleum products on the basis of foreign currencies, Hyundai Oilbank is inherently exposed to risk from fluctuations in the exchange rate. Accordingly, Hyundai Oilbank holds quarterly risk management committee meetings to effectively cope with this risk. Its Risk Management Committee establishes optimal hedging strategies by monitoring economies of scale at home and abroad. Its Exchange Risk Management Team is tasked with minimizing the risk by proactively addressing exposures based on these hedging strategies.

Risk management

QUALITY MANAGEMENT

At Hyundai Oilbank, customer satisfaction is a top priority; therefore the company is improving the quality of its post-sales services with inspections and a Quality Complaint Management System. Through ongoing R&D activities, Hyundai Oilbank endeavors to maximize customer satisfaction.

Quality Management Principles and Initiatives

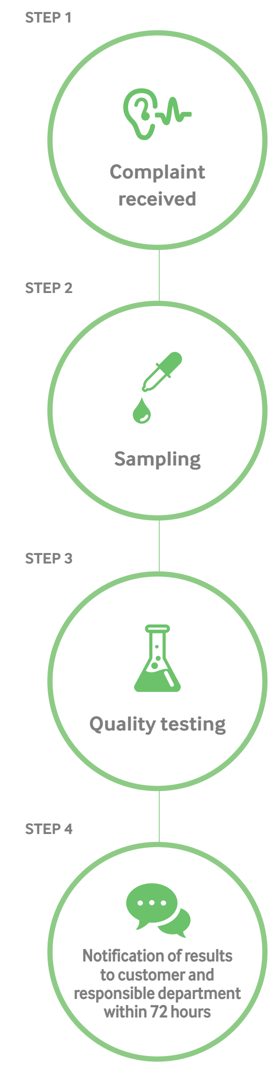
Hyundai Oilbank conducts exhaustive quality tests on all its products from the beginning of the production process to the end at each of its service stations, by observing regulations stipulated by relevant laws and ordinances. In order to ensure high quality management during the final distribution stage, Hyundai Oilbank thoroughly oversees the quality of its products by carrying out quality inspections throughout the year.

This rigorous commitment to quality management enabled Hyundai Oilbank to once again pass all regular fuel-quality tests administered by the Ministry of Trade, Industry and Energy and the Ministry of Environment targeting gas stations in 2015. The reliability of its quality tests was also confirmed by the Korea Institute of Petroleum Management (K-Petro), in which it passed testing for all fuel types and categories within the acceptable margin of error. In 2015, Hyundai Oilbank was recertified for the ISO 9001 quality management system, winning international recognition for its quality and management levels.

Hyundai Oilbank Central Technology R&D Institute

Product quality test

Quality Complaint Handling Procedure



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. In this process, the customers will be notified of the resolutions once they are processed. In addition, Hyundai Oilbank strives to resolve potential delays in the complaint handling process and to guarantee a speedy response. Equipped with cutting-edge testing and analyzing 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 customers will be notified immediately of the results. Hyundai Oilbank also operates regular training programs for its sales force and service station operators, and publish an annual handbook as a part of efforts to address its customers' quality concerns promptly. Additionally, information on the hazardous substances in the company's products is also provided in complete compliance with observing regulations to help protect the health and safety of all customers.

Hyundai Oilbank Central Technology R&D Institute

Hyundai Oilbank 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 its 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. Hyundai Oilbank, in particular, decided to introduce catalysts from Cosmo Oil for its #1 GHT process in October 2013 in order to secure original catalyst technologies. Furthermore, Hyundai Oilbank is teaming with leading overseas companies to develop optimized catalysts, while working toward the nation's first localization of hydrotreating catalysts. 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 will be more dedicated to R&D for the enhancement of technological competitiveness. 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 Hyundai Oilbank's business diversification. It will focus on securing production technologies that are needed for the company's advancement into the promising business areas. These include research into catalyst manufacturing, waste catalyst recycling, optimization of process catalysts using pilot plants, FBC hydrotreating, marine opportunity crude processing, coke gasification, carbon black manufacturing and syngas application, polypropylene derivatives, lubricant, high value-added solvents, insoluble sulfur, 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

Hyundai Oilbank increases its brand awareness and customer loyalty through various brand value activities, service quality improvement, and enhanced affiliate marketing. The company will strengthen its sales competitiveness further, by expanding customer-centered differentiated marketing initiatives and building solid partnerships with affiliated gas stations.

Strengthening Brand Value

Since becoming a member of the Hyundai Heavy Industries family in 2010, Hyundai Oilbank has carried out a wide variety of activities to raise its brand value and embed a friendly company image in its consumers. These include its 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 six years in a row. Hyundai Oilbank has also held a creative marketing idea contest for university students, and campaigned support for child hunger abroad to enhance its brand value.

Hyundai Oilbank has enhanced its corporate image and brand value under the slogan of "Hope and Sharing for the Next 100 years". Hyundai Oilbank also carries out PR events, including offering customers a chance to experience its XTeer lubricant brand and the "XTeer α" fuel additive brand.

Visual communication is crucial in Hyundai Oilbank's efforts to increase brand awareness. Hyundai Oilbank applies a streamlined, standardized design, for example, to its gas stations, attendant uniforms, advertising materials, and offices. Hyundai Oilbank is particularly focused on developing unique designs for its service stations, the company's customer contact points, by using its own characters and art walls.

Increasing Friendliness and Cleanliness

Hyundai Oilbank has carried out service quality improvement activities in line with its service slogan "Good Service Bank!", increasing the friendliness and cleanliness of its gas stations. Hyundai Oilbank is South Korea's first refiner to assign service specialists known as "Market Designers" to each region to systematically improve the gas station services.

Hyundai Oilbank also operates a "Service Campaign", which allows customers to nominate gas station attendants with outstanding customer service, a "Service Team" to help invigorate station sales by demonstrating standardized service delivery and improving the attendants' skills. The company pays attention to its customers' participation and needs, by operating various programs including a customer advisory panel, online supporters, and monitoring members- an opportunity that allows it to gain valuable feedback from a consumer's perspective on its marketing activities and level of services, as well as advice on how the company can improve. In addition, Hyundai Oilbank is increasing its differentiated and standardized services by publishing a guide to gas station services.

As a result of these efforts, Hyundai Oilbank was ranked first in the 2015 KS-SQI (Korean Standard-Service Quality Index) survey in the gas station category by the Korea Standards Association. Hyundai Oilbank's call center earned the industry's top rating on the Korean Service Quality Index (KSQI) by the KMA Consulting for the seventh consecutive year in 2015. The company also ranked first in the service station category at the 2015 Korean Standard-Contact Service Quality Index (KS-CQI) survey by the Korea Standards Association for the fourth straight year, winning recognition for excellence in its services.

Expanding Affiliate Marketing

Hyundai Oilbank has actively expanded the accumulation and usage of points from its consumer bonus cards through marketing partnerships with the nation's leading companies in the retail, automobile, insurance, food and beverage, and restaurant industries. As consumers have become increasingly price-sensitive, Hyundai Oilbank is 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. Hyundai Oilbank has also partnered with events such as major musicals and concerts, festivals, and hypermarkets to build its image as a gas station that provides fun, money-saving benefits.

Consolidating Customer Loyalty

Hyundai Oilbank's marketing begins with scientific analysis of customer data from over 1.3 million customers who carry its bonus card. Hyundai Oilbank contributes 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 its partner companies.

Hyundai Oilbank also holds differentiated promotional events such as the "XTeer α Experience", "Thanksgiving Day Festival", and "Hansol Oak Valley Event", targeting its bonus card customers. Through these, Hyundai Oilbank increases the value of its bonus card and maximize customer loyalty.

Building Partnerships with Affiliate Service Stations

Hyundai Oilbank introduced a Partner Relationship Management (PRM) program to build partnerships with its affiliate service stations by providing premium services to their owners. Hyundai Oilbank also hosts charitable partner relationship programs exclusively for the service station owners and their families. These include family invitation programs such as the "Queens Party", "Regional Family Camp", "Dinner in the City", and "Dinner at Home by Chef", as well as discounts for health checkups at major hospitals and travel deals. Other programs include group purchases for sales promotion gifts, so that customers can buy high-quality mineral water, wet tissues, and other items at the nation's lowest prices.

Gas Station Complex No. 1

Drum performance by Dream Team

ENVIRONMENTAL MANAGEMENT

Hyundai Oilbank minimizes environmental impact from its business activities through an advanced integrated environmental management system, while continuously investing in environmental conservation projects. Hyundai Oilbank is also strengthening its environmental management activities by carrying out preventive initiatives such as employee training, environmental inspections in cases of emergency.

Integrated Environmental Management System

Hyundai Oilbank has enacted and practiced environmental policies as basic guidelines through environmental management activities. In addition, Hyundai Oilbank successfully acquired the ISO 14001 Environmental Management System Certificate. The company operates relevant data such as atmosphere, water quality, chemicals, and education through its environmental integrated information system with a commitment to an efficient and systematic management that is in accordance to international standards.

Chemical accident prevention and control drills in 2015

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.

Efforts to Improvement the Environment

Hyundai Oilbank is committed to continuous innovations in its overall management for a cleaner environment.

(1) Environmental Investments

Hyundai Oilbank has introduced high-performance pollution control facilities to minimize the generation of pollutants at its business locations. In 2015, the company invested approximately KRW 13.1 billion in environmental preservation projects. 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 its terminal facilities; and airtight drainages at its processes.

(2) Responding to Climate Change

Hyundai Oilbank is 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 Korean government's green growth policies such as the GHG reduction registry, the GHG & Energy Target Management System, and emissions trading, Hyundai Oilbank is leading the way to a low-carbon society.

(3) Environmental Conference and Inspections

Hyundai Oilbank conducts regular inspections of each business location and operate an environmental conference to prevent or eliminate all conceivable environmental risks as part of its commitment to accident prevention and mitigation.

Environmental Inspections	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

Hyundai Oilbank operates 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, Hyundai Oilbank realigned its incident response manual to improve in-house prevention and control capabilities, and execute prevention and control drills according to the company's annual plans.

Composition	Major Roles
Ministry of Environment, 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 its 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. Hyundai Oilbank practices empathy through energy and help spread the culture of sharing through a wide range of volunteer activities joined by its employees and their families, and independent gas stations.

사랑가득 희망에너지

Full of Love, Hopeful Energy

This CSR mark shows Hyundai Oilbank's initiation to address and meet the needs of society through acts of compassion for humanity.

Hyundai Oilbank 1% Nanum Foundation

Since September 2011, Hyundai Oilbank's employees have donated 1% of their monthly salaries to help those in need. Hyundai Oilbank was 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

Hyundai Oilbank is building win-win partnerships with residents of the Seosan region where its headquarters is located through a wide variety of community initiatives.

Since 2003, Hyundai Oilbank has operated a rice-purchasing program by investing KRW 1 billion each year to help lift farming incomes and build a self-supporting farming economy. An annual rockfish re-stocking program, which Hyundai Oilbank is sponsoring, has become a popular local festival and tourist attraction, called "Samgilpo Rockfish Festival", and helps to protect the marine habitats while revitalizing local fishing communities. Hyundai Oilbank also continues to take the lead in protecting marine environments through coastal cleanups in the Samgilpo area.

Founded in 2003, the 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, Hyundai Oilbank 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, the company developed an ecological park and hiking trails at the Hwagok Reservoir Park in Seosan, offering local residents a place for relaxation as part of its efforts for regional growth.

Scholarship


Coastal clean-up in Samgilpo

Rice purchasing program

Volunteer Activities

Hyundai Oilbank supports volunteer services by making a financial contribution (KRW 10,000 per volunteer hour) to the charities its employees support. Also in operation is the Sharing Happiness volunteer program, in which Hyundai Oilbank provides articles needed worth up to KRW 2 million. Its 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

Hyundai Oilbank joins its parent company, Hyundai Heavy Industries, in annually contributing to a number of charity programs including the Community Chest of Korea. Hyundai Oilbank has also partnered with three other South Korean refiners to create a fund relief of KRW 100 billion for the energy disadvantaged groups. The company also volunteers in a number of industry-wide programs to establish a responsible energy culture.

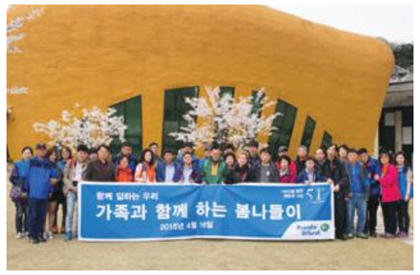
Hyundai Oilbank carries out counseling activities for an affiliated military unit, and provides heating oil for small-scale social assistance facilities and low-income households, and offers scholarships for the children of cargo transporters and coast guard service members in need. In addition, Hyundai Oilbank supports less fortunate children in other countries through a bonus point sharing campaign with its gas station customers.

Hiring the Disadvantaged

Hyundai Oilbank operates an employment program for the physically disadvantaged to assist their self-sufficiency. As part of the program, Hyundai Oilbank has hired disadvantaged individuals, including those with severe challenges, as car wash attendants at its directly-run gas stations in cooperation with Korea Employment Agency for the disadvantaged since 2003. As of the end of 2015, Hyundai Oilbank employed 21 disadvantaged individuals at stations across the nation.


Sharing happiness family volunteering


Welfare facility heating assistance



Family invitation for disadvantaged car wash attendants

FINANCIAL REVIEW

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. 2015 Economic Overview

In 2015, the South Korean economy faced reduced domestic demand and consumption following the outbreak of the Middle East respiratory syndrome (MERS). Exports also decreased due to plunging oil prices and the slowing Chinese economy. The domestic economy showed signs of a rebound in the latter part of the year, as private consumption improved and construction investment recovered. In comparison, some developed nations showed a strong upward trend, centering around the U.S., while the EURO zone and Japan experienced slight recovery. Developing countries had a slow recovery due to economic slowdowns in China and falling raw material prices.

In 2016, domestic consumption will increase, led by a consumption rebound in the U.S., but business is forecast to pick up slowly due to aggravating export conditions behind the strengthening U.S. dollar. The growth of developing countries will likely slow down following the emergence of economic downside risk, including inactivity in the exports of raw materials and the outflows of foreign investment capital.

Oil prices continued to be low since 2014, due to an increased supply of crude oil by OPEC member countries, including U.S. shale oil, and a drop in crude oil imports as a result of the slowing Chinese economy. In 2016, low oil prices will persist if global economic recovery remains weak and an excessive supply of crude oil continues. The possibility of additional over-supply of crude oil following the settlement of nuclear negotiations with Iran could also add to reduced oil prices.

2. Market Overview

1) International Crude Oil Price and Foreign Exchange Rate

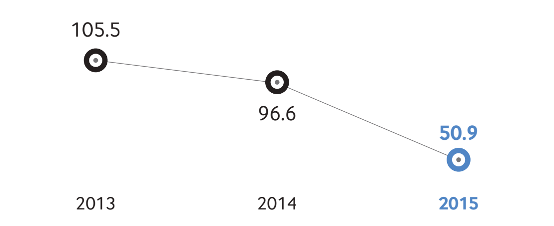
The international crude oil market is characterized by limited availability, concentrated regional production, uncertain supply and demand, and price volatility. Viewed from a basic supply and demand perspective, it can be described as a seller's market. The primary oil-producing nations are clustered 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.

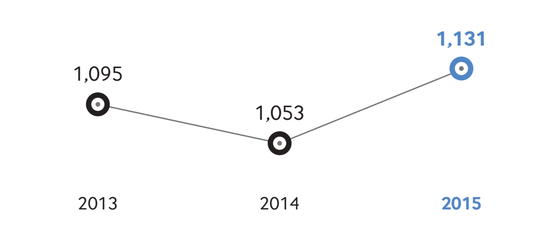
Today's international oil market prices are determined by a broad and complicated range of factors. Economic factors include global oil demand, supplies from non-OPEC producers, and the volume of crude oil inventories. Additional influences include geopolitical factors such as conflicts between Iran and other OPEC countries over production, financial factors such as the futures market, and speculative behavior or strategy.

In the first half of 2015, oil prices plunged to low USD 40s, caused by an over-supply of shale oil, but rose to mid USD 60s as a result of political unrest in the Middle East and expectations of a global economic recovery. Prices dropped to mid USD 30s in the fourth quarter of 2015, due to a slowing Chinese economy and an increase in crude oil supply. In 2016, low oil prices will continue, but fluctuations are likely owing to political instability in oil-producing countries and uncertainties in the global financial markets.

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



Average Foreign Exchange Rate *(Unit: KRW/USD)*



The South Korean won-dollar exchange rate turned upward in the second half of 2014, led by a weak yen following the second quantitative easing (QE) by the Bank of Japan. After the won-dollar exchange rate registered upturn in 2014, it continued its upward trend due mainly to economic recovery in the U.S.

In 2016, the won-dollar exchange rate is forecast to rise marginally, affected by economic slowdowns in China and developing countries and benchmark interest rate hikes in the U.S. However, its rise may be limited by the possibility that South Korea will continue to record large-scale current account surpluses and will be considered a relatively safe investment target by international investors.

Management's Discussion & Analysis

2) South Korean Oil Refining Industry Overview

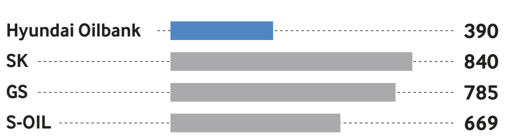
The South Korean oil refining industry held the world's sixth-largest crude refining capacity of 2,684,000 barrels per day as of the end of 2015 through large-scale refinery expansion projects since the early 1990s. These facilities enable economies of scale and now give the industry a competitive advantage in international markets.

The prolonged downturns in international oil prices since 2014 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. Sharp oil price downfalls in 2014 significantly aggravated the domestic refining industry's profits.

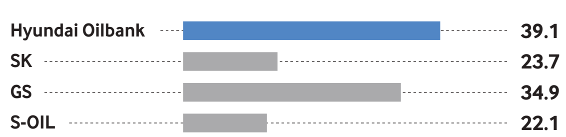
This had a positive influence on refining margins in 2015, however, as it led to a drop in crude oil import prices and stimulated demand for petroleum products. While it may be difficult for the excessive supply in the crude oil market to be resolved in a short period of time, the domestic industry is expected to enjoy the demand-pull effect of low oil prices for some time.

In 2016, although low oil prices will likely continue, Hyundai Oilbank will retain its superior competitiveness by stabilizing new businesses and bolstering export marketing efforts, based on the domestic industry's highest-level upgrading ratio and the optimization of process efficiencies.

Refining Capacity *(Unit: Thousand barrels/day)*



Upgrading Ratio *(Unit: %)*



II. 2015 Business Results

1. Operational Overview

(Unit: In KRW billions)

Summary of Income Statements	2015	2014	YoY Change	
1. Sales	**13,009.6**	21,324.1	-8,314.5	-39.0%
2. Cost of Goods Sold	**12,008.8**	20,765.7	-8,756.9	-42.2%
3. Gross Profit	**1,000.8**	558.4	442.4	79.2%
4. Selling and Administrative Expenses	**371.5**	332.2	39.3	11.8%
5. Operating Profit	**629.4**	226.2	403.2	178.2%
6. Financial Income (Costs)	**63.6**	-137.7	201.3	-146.2%
7. Other Non-Operating Income (Expenses)	**-15.9**	-15.9	-	0.0%
8. Share of Profit of Associates	**-20.5**	-54.1	33.6	-62.1%
9. Net Income	**451.2**	4.2	447.0	10,642.9%
Operating Margin	**4.84%**	1.06%		3.78%p
Net Margin	**3.47%**	0.02%		3.45%p

* Based on consolidated financial statements

In response to the prolonged international oil price plunge since 2014 and challenging business conditions—including economic slowdowns at home and abroad, Hyundai Oilbank focused on improving its profitability from crude oil imports to production and sales, targeting the industry's highest efficiency, and on diversifying business through the early settlement of its new undertakings.

With regard to its on-site management, Hyundai Oilbank closely managed refining margins by adjusting its plant operating capacity in a flexible manner. The company 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, Hyundai Oilbank ranked first in operating margins in the oil refinery sector for the fifth consecutive year, and recorded a surplus in operating profit for fourteen straight quarters. This is attributable to its efforts in improving profitability through the stable operation of its upgrading facilities, with satisfactory profitability and continuous cost savings.

Hyundai Oilbank built up its competitive edge through its sustained commitment to management improvement.

First, the company's productivity enhanced thanks to energy savings resulting from the installation of FCB boilers, waste heat recovery, and energy consulting, and upgraded operations through process automation and increased efficiency of upgrading processes.

Second, Hyundai Oilbank secured cost competitiveness in crude oil imports. The company expanded the imports of crude oil products from sources other than the Middle East, including the Forties Oil Field in the North Sea, Sokol in Russia, and Isthmus in Mexico. It also increased the imports of supplementary materials by developing new basic materials, such as C5C6 and Solvent Xylene.

Third, Hyundai Oilbank has ensured the nation's highest-level upgrading facilities through steady investment. This has enabled the company to operate stably and achieve five million work hours with no accidents. Based on expertise accumulated from this process, Hyundai Oilbank now has the ability to maximize revenue through the stable operation of state-of-the-art facilities.

Management's Discussion & Analysis

2. Sales Analysis

1) Sales

In 2015, petroleum consumption slowed in the wake of a worldwide economic depression, whereas demand for petroleum products increased due to the persistence of low oil prices. In response to such changes in the external business environment, Hyundai Oilbank focused on balanced market management of domestic consumption and exports. To this end, the company strengthened sales through the diversification of its sales channels and the development of new channels, improved its revenue by building competitive sales networks, and reinforced its ability to incorporate new businesses and create new revenue models.

2) Sales by Channel

The company establishes and applies appropriate sales strategies by channel. Its goals are to adjust sales in a flexible manner by preemptively addressing market changes, leading to the maximization of revenue.

Retail Sales

The company sells its products to end-users including gas stations, agencies, the National Agricultural Cooperative Federation, and LPG filling stations. Light and middle distillate oil is supplied through the retail sales channel. The retail sales channel is the primary domestic channel that it is expanding in strategic regions as well as increasing channel sales through strengthened advertising and mass promotions. The company also works to enhance its brand value by putting friendly and clean services into place at gas stations, and to increase its operating profit and asset values through the development of gas station complexes.

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.

Exports

The rate 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. Given the increasing linkage between the domestic consumption market and overseas marketplaces, Hyundai Oilbank focuses on maximizing profits through the optimization of its domestic sales and exports portfolio. The company also strives to provide new growth engines by exporting gasoline to the Americas with high sales efficiency, and advancing into the bunkering business in Singapore.

3) Sales by Product

With the operation of HOU plants, Hyundai Oilbank's upgrading ratio rose from 36.7% in 2014 to the domestic industry's highest at 39.1%. This allowed the company to produce higher-value-added products, which improved its overall business competitiveness, strengthened its profit base, and lifted its light oil market share. In terms of product sales volume, diesel led the way, 32.3% of the total, followed by naphtha, gasoline, and fuel oil. Hyundai Oilbank's market share for domestic light and middle distillate oil products such as gasoline, jet fuel, kerosene, and diesel remained at 22.2%, similar to the previous year's level.

Sales by Product

(Units: %, Thousand barrels)

Light Oil	2013	34.1%	51,087
	2014	32.9%	50,517
	2015	32.3%	52,692
Naphtha	2013	20.1%	30,097
	2014	20.4%	31,370
	2015	19.4%	31,644
Gasoline	2013	18.6%	27,858
	2014	19.4%	29,831
	2015	18.1%	29,588
Fuel Oil	2013	10.5%	15,768
	2014	11.7%	18,054
	2015	12.9%	21,141
Jet Fuel	2013	7.6%	11,395
	2014	7.2%	11,080
	2015	8.0%	13,006
Kerosene	2013	3.4%	5,127
	2014	2.7%	4,196
	2015	2.6%	4,201
LPG	2013	2.9%	4,421
	2014	2.7%	4,164
	2015	2.4%	3,915
Etc.	2013	2.8%	4,185
	2014	2.9%	4,488
	2015	4.4%	7,134
Total	2013		**149,938**
	2014		**153,700**
	2015		**163,321**

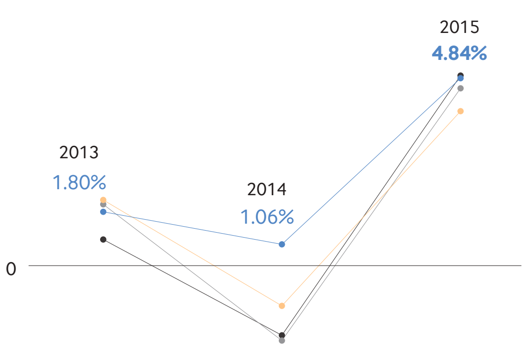
Management's Discussion & Analysis

3. Profitability Analysis

Operating Profit

The company has posted high operating margins through profitable and practical management. This was based on its industry-leading upgrading ratio and high domestic market share, which contradicts its refining capacity. In 2014, the company was the only player in the domestic industry to record satisfactory operating profit, when all of its competitors suffered from operating losses due to worsening market conditions. In 2015, it demonstrated stable operating profit management capabilities, posting operating profit for the fourteenth consecutive quarter, while ranking first in operating profit in the oil refining business for five years in a row.

Operating Margin



	2013	2014	2015
Hyundai Oilbank ●	1.80%	1.06%	4.84%
SK ●	2.07%	-0.34%	4.09%
GS ●	1.97%	-1.13%	4.61%
S-OIL ●	1.17%	-1.01%	4.90%

* Based on consolidated financial statements

The current low oil price situation will likely be prolonged as exports by Iran have normalized due to the lifting of sanctions, and the production volume of U.S. shale oil and the OPEC crude oil has sustained. In addition, competition in regional exports is also intensifying as a result of a rise in the volume of offshore inflows following the expansion of waterways and the new construction and extension of the large-scale refinery plants.

In order to cope with this mid- to long-term market outlook, Hyundai Oilbank will focus on maximizing profits through new businesses, and will pursue productivity improvement, energy savings, high-margin overseas market development, and earnings improvement activities by division. The company expects to retain its superior profitability over competitors in 2016 by boosting its efficiency in crude oil import, production, and sales stages.

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 Technology Development Team, Technological Strategy Team, and Process Technology Team. The Technology Development Team is dedicated to research projects, targeting commercialization in various areas including petroleum and petrochemical products, optimization of catalysts, waste to resources, and green energy. The Technological Strategy Team is in charge of developing new research projects and reviewing their technological and economic validity in order to determine their future value. It also enables the projects to be properly commercialized when their development is completed. The Process Technology Team carries out research into process improvement and efficiency, including mid- to long-term investment, energy efficiency, and process optimization.

5. Financial Status

1) Summary of Financial Position

At the end of 2015, the company's total assets amounted to KRW 7.561 trillion, a marginal decrease from the previous year. Current assets declined by 32.9%, but this was the result of its efficient management of key items such as inventories and receivables because of low oil price. The company's financial liquidity improved, with its current ratio surging by 24.0% points to 119.1%.

Tangible assets increased as a result of its steady investment in new businesses to secure mid- to long-term growth engines, and non-current assets also rose by 7.5% to KRW 5.503 trillion. Current liabilities reduced by 46.4% to KRW 1.727 trillion, led by a plunge in oil prices and its efforts to manage crude oil imports diversification and expand the imports of crude oil with high economic efficiency. Non-current liabilities increased by 4.2% to KRW 2.071 trillion. Total liabilities declined by 27.1% to KRW 3.798 trillion.

Total shareholders' equity rose by 26.5% to KRW 3.762 trillion, maintaining stable capital reserves. This was caused by the issuance of hybrid bonds, which were classified as equity products, and the realization of high profits in this fiscal year. Liabilities-to-equity ratio also fell by 74.2% points to 101.1%, further improving its financial structure.

(Unit: In KRW billions)

Key Financial Indicators	2015	2014	YoY Change	
Current Assets	**2,057.1**	3,063.6	-1,006.5	-32.9%
Non-Current Assets	**5,503.1**	5,121.4	381.7	7.5%
Total Assets	**7,560.1**	8,185.0	-624.9	-7.6%
Current Liabilities	**1,727.4**	3,223.3	-1,495.9	-46.4%
Non-Current Liabilities	**2,071.0**	1,987.2	83.8	4.2%
Total Liabilities	**3,798.3**	5,210.5	-1,412.2	-27.1%
Capital Stock	**1,225.4**	1,225.4	-	0.0%
Hybrid bonds	**22.4**	-	-	-
Capital Surplus	**-76.0**	-75.1	-0.9	1.2%
Accumulated Other Comprehensive Income	**-2.2**	-6.5	4.3	-66.2%
Retained Earnings	**2,101.4**	1,682.3	419.1	24.9%
Non-Controlling Interest	**289.0**	148.4	140.6	94.7%
Total Shareholders' Equity	**3,761.8**	2,974.5	787.3	26.5%
Liabilities-to-Equity Ratio	**101.0%**	175.2%		-74.20p

* Based on consolidated financial statements

Management's Discussion & Analysis

2) CAPEX

Hyundai Oilbank 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 undertakings. In addition, the company consistently pursues new businesses, including the introduction of solvent deasphalting (SDA), a step-up in upgrading capacity, construction of additional FBC boilers, and the utilization of byproducts from the Daesan complex. The company also maintains additional investments and capital investment to improve the efficiency of its existing investments and stabilize them early. Such investments are expected to help the company secure mid- to long-term growth engines.

(In KRW billions)

	2015	2014	YoY Change	
New Investment	**200.6**	129.5	71.1	54.9%
Additional Investment	**134.5**	132.4	2.1	1.6%
Capital Investment	**194.6**	125.0	69.6	55.7%
Total	**529.7**	386.9	142.8	36.9%

* Based on consolidated financial statements

6. Liquidity and Financing

1) Liquidity

As of the end of 2015, the company's liquidity ratio increased by 24.0% points over the year to 119.1%, further improving financial liquidity. This resulted from its endeavors to raise 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

Through the issuance of new corporate bonds and hybrid bonds, the company leverages financial vehicles with structures that are more stable in the long term. Total borrowings amounted to approximately KRW 2.149 trillion at the end of 2015, a decrease of about KRW 1.325 trillion from the previous year. This was largely due to the repayment of short-term borrowings which matured during the year.

Total liabilities shrank by 27.1% over the year to KRW 3.798 trillion, and its liabilities-to-equity ratio also dropped by 74.2% points to 101.1%, which significantly improved the stability of its financial structure.

III. 2016 Market Outlook

In 2015, Hyundai Oilbank generated stable earnings by focusing on profitable and practical management, and achieved continuous growth while recording higher profitability than its competitors. The company ranked first in operating margins in the oil refinery sector for the fifth consecutive year, by enhancing competitiveness through increased business efficiency, and by continuously diversifying its businesses. The company also recorded an operating profit for the fourteenth consecutive quarter, proving its stable operating profit management ability.

On a macro level, 2015 required the company to confirm its risk management competency amidst difficult market conditions in the mid- to long-term; these conditions were mainly a result of prolonged low oil prices, intensifying competition in regional exports, and worldwide economic slowdowns.

The company has secured stable foundations for earnings generation by advancing into various new businesses through the diversification of its existing petroleum business, and it aims to become a global total energy company with world-class competitiveness by 2020. To this end, the company will continue to improve its profitability in the mid- to long-term by strengthening existing business capabilities and reinvigorating overseas expansion.

In order to accomplish its 2016 management goals, the company will focus on pushing forward with the following detailed tasks:

1. Improve the economic feasibility of crude oil imports
   Expand low-price crude oil imports, including extra heavy crude oil, and continue to develop economical crude oil supply chain

2. Strengthen earnings improvement activities
   Increase high-return process capacity and enhance production efficiency, and concentrate on improving margins from domestic sales and developing high-margin markets

3. Put a culture of safety into place
   Achieve 'zero emergency stops' and seven million zero-accident work hours, and boost plant operation competency through the sharing of expertise

In 2016, the company will secure future growth engines while retaining the industry's highest profitability, by maintaining superior cost competitiveness and operating our plants with safety as a top priority through the above key imperatives.

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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters
Auditing standards and their application in practice vary among countries. The procedure 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 7, 2016

Samil PricewaterhouseCoopers

This report is effective as of March 7, 2016, 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.

Consolidated Financial Statements

Consolidated Statements of Financial Position
December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries

(in thousands of Korean won)

Subject	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents		**250,139,265**	434,504,203
Short-term financial instruments	8	**36,031,187**	14,027,932
Available-for-sale financial assets	9	**-**	1,076,185
Financial assets at fair value through profit or loss	20	**1,206,981**	210,780
Derivative financial instruments	20	**27,838,652**	610,613
Trade and other receivables	10, 32	**670,563,467**	1,105,037,355
Inventories	11	**955,228,791**	1,404,721,111
Other current assets		**116,050,280**	103,438,370
		2,057,058,623	3,063,626,549
Non-current assets			
Investments in associates	12	**82,731,734**	110,029,185
Long-term financial instruments	8	**1,023,500**	2,023,500
Available-for-sale financial assets	9	**3,000,000**	3,000,000
Long-term trade and other receivables	10	**127,057,928**	144,796,794
Investments in properties	13	**10,634,973**	10,634,973
Property, plant and equipment	14	**5,183,619,088**	4,758,498,892
Intangible assets	15	**93,616,376**	88,469,079
Derivative financial instruments	20	**229,398**	489,482
Deferred income tax assets	29	**1,176,519**	3,497,931
		5,503,089,516	5,121,439,836
Total assets		**7,560,148,139**	8,185,066,385
Liabilities			
Current liabilities			
Short-term financial liabilities	17	**301,244,150**	1,699,232,421
Financial liabilities at fair value through profit or loss	20	**3,568,072**	1,230,297
Derivative financial instruments	20	**26,107,900**	168,159
Trade and other payables	16, 32	**1,184,935,874**	1,433,612,835
Current income tax liabilities	29	**96,630,175**	2,494,390
Provisions	19	**7,117,476**	3,620,356
Other current liabilities		**107,764,575**	82,982,540
		1,727,368,222	3,223,340,998

Consolidated Financial Statements

Consolidated Statements of Financial Position

December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries

(in thousands of Korean won)

Subject	Notes	2015	2014
Non-current liabilities			
Long-term financial liabilities	17	**1,847,362,111**	1,774,623,325
Derivative financial instruments	20	**2,575,546**	4,238,659
Long-term trade and other payables	16	**92,392,519**	92,560,519
Net defined benefit liability	18	**13,261,804**	11,179,150
Provisions	19	**1,714,815**	2,153,000
Deferred income		**28,380,914**	28,531,581
Deferred income tax liabilities	29	**79,250,746**	67,835,016
Other non-current liabilities		**6,026,170**	6,080,290
		2,070,964,625	1,987,201,540
Total liabilities		**3,798,332,847**	5,210,542,538
Equity attributable to owners of the Parent			
Capital stock	21	**1,225,412,110**	1,225,412,110
Hybrid capital securities	22	**224,272,850**	-
Additional paid-in and other capital		**(76,016,121)**	(75,094,521)
Accumulated other comprehensive income	23	**(2,186,580)**	(6,474,769)
Retained earnings	24	**2,101,351,584**	1,682,269,983
Non-controlling interest		**288,981,449**	148,411,044
Total equity		**3,761,815,292**	2,974,523,847
Total liabilities and equity		**7,560,148,139**	8,185,066,385

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

Consolidated Financial Statements

Consolidated Statements of Income

Years Ended December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries

(in thousands of Korean won)

Subject	Notes	2015	2014
Sales	7, 32	**13,009,622,080**	21,324,071,940
Cost of sales	26, 32	**12,008,781,218**	20,765,692,394
Gross profit		**1,000,840,862**	558,379,546
Selling and administrative expenses	25, 26	**371,475,283**	332,198,842
Operating profit		**629,365,579**	226,180,704
Finance income	27	**36,679,950**	56,031,606
Finance costs	27	**137,678,335**	193,681,222
Other non-operating income	28	**287,297,701**	265,455,246
Other non-operating expenses	28	**223,721,076**	281,341,692
Share of loss of associates	12	**(20,519,740)**	(54,127,359)
Profit before income tax		**571,424,079**	18,517,283
Income tax expense	29	**120,195,381**	14,363,939
Profit for the year		**451,228,698**	4,153,344
Net income attributable to owners of the parent company		**437,594,630**	(5,321,836)
Non-controlling interest		**13,634,068**	9,475,180
Basic earnings per share (in Korean won)	30	**1,785**	(22)

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

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries *(in thousands of Korean won)*

Subject	2015	2014
Profit for the year	**451,228,698**	4,153,344
Other comprehensive income		
Items that will be reclassified to profit or loss		
Gain on valuation of derivative financial instruments for cash flow hedge	**2,075,232**	1,263,900
Share of other comprehensive income of associates	**589,758**	(498,444)
Currency translation differences	**1,191,944**	735,113
Gain (loss) on valuation of available-for-sale financial assets	**489,449**	(489,449)
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability	**(18,422,291)**	(16,518,519)
Total comprehensive income for the year	**437,152,790**	(11,354,055)
Net income attributable to owners of the Parent company	**423,967,985**	(21,150,685)
Non-controlling interest	**13,184,805**	9,796,630

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

Consolidated Financial Statements

Consolidated Statements of Changes in Equity
Years Ended December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries *(in thousands of Korean won)*

Subject	Capital Stock	Hybrid Equity Securities	Additional paid-in and Other Capital	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest	Total
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	-	-	-	(498,444)	-	-	**(498,444)**
Currency translation differences	-	-	-	735,113	-	-	**735,113**
Transactions with shareholder							
Investments of subsidiaries	-	-	(14,051)	-	-	15,990,633	**15,976,582**
Establishement of subsidiaries and others	-	-	(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**
Balance at January 1, 2015	1,225,412,110	-	(75,094,521)	(6,474,769)	1,682,269,983	148,411,044	**2,974,523,847**
Comprehensive income							
Net income	-	-	-	-	437,594,630	13,634,068	**451,228,698**
Cash flow hedges	-	-	-	2,017,038	-	58,194	**2,075,232**
Change in value of available-for-sale financial assets	-	-	-	489,449	-	-	**489,449**
Remeasurements of net defined benefit liability	-	-	-	-	(17,914,834)	(507,457)	**(18,422,291)**
Share of other comprehensive income of associates	-	-	-	589,758	-	-	**589,758**
Currency translation differences	-	-	-	1,191,944	-	-	**1,191,944**
Transactions with shareholder							
Investments of subsidiaries	-	-	(921,600)	-	-	127,385,600	**126,464,000**
Issuance of hybrid euqity securities	-	224,272,850	-	-	-	-	**224,272,850**
Dividends of hybrid equity securities	-	-	-	-	(598,195)	-	**(598,195)**
Balance at December 31, 2015	1,225,412,110	224,272,850	(76,016,121)	(2,186,580)	2,101,351,584	288,981,449	**3,761,815,292**

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

Consolidated Financial Statements

Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries

(in thousands of Korean won)

Subject	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations			
Net income		451,228,698	4,153,344
Adjustments	31	509,428,221	432,598,832
Changes in assets and liabilities	31	618,489,289	107,927,224
		1,579,146,208	544,679,400
Interest received		7,403,168	6,276,752
Interest paid		(84,422,235)	(117,686,578)
Income tax paid		(4,947,303)	(40,510,574)
Net cash inflow from operating activities		1,497,179,838	392,759,000
Cash flows from investing activities			
Increase in short-term financial assets		(47,177,495)	(48,621,104)
Decrease in disposal of short-term financial assets		25,674,239	55,083,645
Decrease in financial assets at fair value through profit or loss		9,827,133	19,954,031
Proceeds from disposal of avilable-for-sale financial assets		2,156,981	-
Decrease in long-term financial assets		500,000	500,000
Proceeds from disposal of Investments in properties		-	15,236,500
Purchases of property, plant and equipment		(732,547,669)	(579,099,648)
Proceeds from disposal of property, plant and equipment		12,436,609	75,457,591
Purchases of intangible assets		(2,174,923)	(1,808,260)
Proceeds from disposal of intangible assets		1,239,545	920,000
Proceeds from disposal of investments in associates		7,212,150	-
Increase in loans and receivables		(8,699,072)	(51,306,330)
Decrease in loans and receivables		26,219,926	61,502,611
Net cash outflow from investing activities		(705,332,576)	(452,180,964)

Consolidated Financial Statements

Hyundai Oilbank Co., Ltd. and Subsidiaries

(in thousands of Korean won)

Subject	Notes	2015	2014
Cash flows from financing activities			
Proceeds from borrowings		3,973,380,625	9,748,595,520
Repayments of borrowings		(5,021,853,175)	(9,301,917,377)
Repayments of current portion of long-term liabilities		(162,898,193)	(152,212,769)
Repayments of current portion of bonds		(450,000,000)	(300,000,000)
Proceeds from issuance of bonds		398,273,300	597,419,099
Repayments of bonds		-	(52,558,106)
Incresae in long-term borrowings		84,325,780	124,379,486
Repayments of long-term borrowings		(150,000,000)	(300,000,000)
Capital increase of subsidiaries		126,386,538	79,195,046
Issuance of hybrid equity securities		224,272,850	-
Net cash inflow (outflow) from financing activities		(978,112,275)	442,900,899
Change in foreign exchange rates		598,692	231,127
Net increase (decrease) in cash and cash equivalents		(185,666,321)	383,710,062
Cash and cash equivalents at beginning of year		434,504,203	50,595,955
Changes in cash equivalents due to foreign currency translation		1,301,383	198,186
Cash and cash equivalents at the end of year		250,139,265	434,504,203

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Hyundai Oilbank Co., Ltd. and Subsidiaries

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, 2015, consist that of the Company and its subsidiaries (together referred to as the "Group").

As of December 31, 2015, Hyundai Heavy Industries Co., Ltd. owns 91.13% of total outstanding shares.

The consolidated subsidiaries as of December 31, 2015 and 2014, are as follows:

Subsidiaries	Location	Percentage of ownership		Business
		2015	2014	
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.	Korea	60%	60%	Crude petroleum refining
Grande Ltd.	Marshall Islands	100%	100%	Ships leasing

Subsidiary's financial information as of December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

Subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
HDO Singapore Pte. Ltd.	161,621,142	138,311,318	3,672,248,845	2,164,656
MS Dandy Ltd.	17,450,544	11,959,374	1,538,953	(3,766)
Hyundai Oil Terminal Co., Ltd	109,551,176	24,280,550	28,026,181	5,547,446
Hyundai and Shell Base Oil Co., Ltd	392,588,590	209,002,287	568,792,493	31,152,541
Hyundai Oilbank (Shanghai) Co., Ltd.	28,149,013	23,839,110	201,202,404	297,010
Hyundai Chemical Co., Ltd.	569,206,102	93,725,195	-	(1,532,615)
Grande Ltd.	11,535,484	3,517,977	-	(66,878)

(2) 2014

(in thousands of Korean won)

Subsidiaries	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)

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.

Notes to Consolidated Financial Statements

2.2 Changes in Accounting Policy and Disclosures

(1) 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, 2015:

• Amendment to Korean IFRS 1019, *Employee Benefits*
Korean IFRS 1019, *Employee Benefits*, allows a practical expedient for companies that operate defined benefit plans and when contributions are made by employees or third parties. The application of this amendment does not have a material impact on the consolidated financial statements.

• Annual Improvements to Korean IFRS *2010-2012 Cycle*
- Amendment to Korean IFRS 1102, *Share-based payment*
Korean IFRS 1102, *Share-based payment*, clarifies the definition of a 'vesting conditions', 'performance condition', and 'service condition'.
- Amendment to Korean IFRS 1103, *Business Combination*
Korean IFRS 1103, *Business Combination*, clarifies the classification and measurement of contingent consideration in the business combination.
- Amendment to Korean IFRS 1108, *Operating Segments*
Korean IFRS 1108, *Operating Segments*, requires disclosures of the judgments made by management in aggregating operating segments and a reconciliation of the reportable segments' assets to the entity's assets.
- Amendment to Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*
Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*, clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- Amendment to Korean IFRS 1024, *Related Party Disclosures*
Korean IFRS 1024, *Related Party Disclosures*, includes, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

• Annual Improvements to Korean IFRS 2011-2013 *Cycle*:
- Amendment to Korean IFRS 1103, *Business Combination*
Korean IFRS 1103, *Business Combination*, clarifies that Korean IFRS 1103 does not apply to the accounting for the formation of any joint arrangement.
- Amendment to Korean IFRS 1113, *Fair Value Measurement*
Korean IFRS 1113, *Fair Value Measurement*, clarifies that the portfolio exception, which allows an entity to measure the fair value of a group of financial instruments on a net basis, applies to all contracts (including non-financial contracts) within the scope of Korean IFRS 1039.
- Amendment to Korean IFRS 1040, *Investment property*
Korean IFRS 1040, *Investment property*, clarifies that Korean IFRS 1040 and Korean IFRS 1103 are not mutually exclusive.

Other standards and amendments which are effective for the annual period beginning on January 1, 2015, do not have a material impact on the consolidated financial statements of the Group.

(2) New and amended standards not yet adopted

New standards and amendments issued but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments would not have a material impact on its consolidated financial statements.

• Amendment to Korean IFRS 1001, *Presentation of Financial Statements*
• Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*
• Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*
• Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities: Exemption for consolidation of investee*
• Korean IFRS 1111, *Joint Agreements*
• Annual Improvements to Korean IFRS 2012-2014 *Cycle*

Further, new standards issued, but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below:

• Korean IFRS 1109, *Financial Instruments*
The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments*: Recognition and Measurement.

Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

• Korean IFRS 1115, *Revenue from Contracts with Customers*
The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS1018, Revenue, Korean IFRS 1011, Construction Contracts, and related Interpretations.

Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2.3 Consolidation

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

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) Joint Arrangements

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

2.4 Foreign Currency Translation

(1) 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.

(2) Transactions and balances

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

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

(3) 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.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2.5 Financial Assets

(1) 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.

(2) 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 significant delinquency in interest or principal payments; 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.

(3) 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.

(4) Offsetting of financial instruments

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

2.6 Derivative Financial Instruments

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

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:

	Useful lives		Useful lives
Buildings	25 ~ 50 years	Tools and fixtures	5 years
Structures	25 ~ 50 years	Vehicles	5 years
Machinery	2 ~ 36 years	Others	2 ~ 6 years
Ships	15 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.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2.10 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.11 Intangible Assets

Goodwill is measured as explained in Note 2.3.(a) and carried at its cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Internally generated software development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. 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 assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives, are as follows:

Trademarks and licenses	4 - 20 years

2.12 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives from 25 to 50 years.

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

(1) 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.

(2) 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 provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'other financial liabilities':

• the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets; or*
• the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

2.16 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.

2.17 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.

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

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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.

2.18 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.

2.19 Revenue Recognition

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

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

(1) Sale of goods

The Group manufactures and sells petroleum products. Sale of goods are recognized when products are delivered to the purchaser.

(2) 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.

(3) Dividend income

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

2.20 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.

2.21 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.

2.22 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2015 financial statements of the Company was approved by the Board of Directors on February 4, 2016, which is subject to change with approval at the annual shareholder's meeting.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

3. Critical Accounting Estimates and Judgments

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

(1) 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.

(2) 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.

(3) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 29).

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(4) Provisions

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

(5) 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.

(6) 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.

4.1.1 Market risk

(1) 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, 2015 and 2014, are as follows

(in thousands of Korean won)

2015	USD	EUR	JPY	Total
Cash and cash equivalents	28,935,360	-	-	**28,935,360**
Trade receivables	194,763,416	-	-	**194,763,416**
Other receivables	95,153,432	-	-	**95,153,432**
	318,852,208	-	-	**318,852,208**
Trade payables	(293,739,127)	(346,851)	-	**(294,085,978)**
Other payables	(11,197,103)	-	-	**(11,197,103)**
Financial liabilities	(39,184,720)	-	-	**(39,184,720)**
	(344,120,950)	(346,851)	-	**(344,467,801)**

(in thousands of Korean won)

2014	USD	EUR	JPY	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)**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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)

	2015		2014	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Foreign currency assets	15,942,610	(15,942,610)	9,309,898	(9,309,898)
Foreign currency liabilities	(17,223,390)	17,223,390	(53,852,190)	53,852,190
Net effect	(1,280,780)	1,280,780	(44,542,292)	44,542,292

(2) 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)

	2015	2014
Equity securities	900,000	1,222,855

(3) 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, 2015, 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 ₩543 million (2014: ₩770 million) lower/higher, mainly as a result of higher/lower interest expense on long-term floating rate borrowings.

4.1.2 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, 2015 and 2014, are as follows:

(1) Book value

(in thousands of Korean won)

	2015	2014
Cash and cash equivalents	249,913,780	434,237,478
Short-term financial instruments	36,031,187	14,027,932
Trade and other receivables	670,563,467	1,105,037,355
Long-term financial instruments	1,023,500	2,023,500
Long-term trade and other receivables	127,057,928	144,796,794
	1,084,589,862	**1,700,123,059**

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 (Note 32).

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

(in thousands of Korean won)

	2015	2014
Korea	847,425,378	1,167,133,630
North America	1,144,327	10,276,711
Asia	228,306,446	517,568,470
Europe	3,119,837	3,812,257
Others	4,593,874	1,331,991
	1,084,589,862	**1,700,123,059**

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4.1.3 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, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Book value	Cash flow on contract [1]	Maturity			
			Less than 6 months	Between 6 months and 1 year	Between 1 and 3 years	Over 3 years
Short-term financial liabilities	301,244,150	313,211,917	126,835,803	186,376,114	-	-
Financial liabilities at fair value through profit or loss	3,568,072	3,568,072	3,568,072	-	-	-
Trade payables and other liabilities	1,184,935,874	1,184,935,874	1,184,935,874	-	-	-
Long-term financial liabilities	1,847,362,111	1,986,874,103	20,398,900	20,423,063	953,606,940	992,445,200
Long-term trade payables and other liabilities	92,392,519	92,392,519	-	-	7,392,519	85,000,000
Derivative financial instruments to hedge	28,683,446	28,683,446	26,868,267	690,414	1,124,765	-
Financial guarantee contracts	-	35,160,000	35,160,000	-	-	-

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

(2) 2014

(in thousands of Korean won)

	Book value	Cash flow on contract [1]	Maturity			
			Less than 6 months	Between 6 months and 1 year	Between 1 and 3 years	Over 3 years
Short-term financial liabilities	1,699,232,421	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.

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, 2015 and 2014, are as follows:

(in thousands of Korean won, except for ratios)

	2015	2014
Total liabilities	3,798,332,847	5,210,542,538
Total equity	3,761,815,292	2,974,523,847
Debt ratio	101%	175%

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, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015					
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
				Financial instruments	Cash collateral	
Other payables	22,099,671	11,376,858	10,722,813	10,722,813	-	10,722,813

(in thousands of Korean won)

	2014					
	Gross liabilities	Gross assets offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
				Financial instruments	Cash collateral	
Other payables	27,840,712	12,013,048	15,827,664	15,827,664	-	15,827,664

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

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets[1,2]				
Available-for-sale financial assets	-	-	1,076,185	1,076,185
Financial instruments at fair value through profit or loss	1,206,981	1,206,981	210,780	210,780
Derivative financial instruments	28,068,050	28,068,050	1,100,095	1,100,095
	29,275,031	**29,275,031**	**2,387,060**	**2,387,060**
Financial liabilities[2]				
Financial instruments at fair value through profit or loss	3,568,072	3,568,072	1,230,297	1,230,297
Derivative financial instruments	28,683,446	28,683,446	4,406,818	4,406,818
	32,251,518	**32,251,518**	**5,637,115**	**5,637,115**

[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, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Equity securities (unlisted)	3,000,000	3,000,000

The above unlisted shares and investments are measured at cost because the variability of estimated cash flows is significant and the probabilities of the various estimates cannot be reasonably assessed.

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, 2015, 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	-	1,206,981	-	**1,206,981**
Financial liabilities at fair value through profit or loss	-	3,568,072	-	**3,568,072**
Derivative assets	-	28,068,050	-	**28,068,050**
Derivative liabilities	-	28,683,446	-	**28,683,446**

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, 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	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**
Derivative assets	-	1,100,095	-	**1,100,095**
Derivative liabilities	-	4,406,818	-	**4,406,818**

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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 of the fair value hierarchy as of December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Fair value	Level	Valuation techniques
Financial assets at fair value through profit or loss			
Currency forwards	729,573	2	Present value technique
Commodity forward contracts	477,408	2	Present value technique
Derivative financial assets			
Currency forwards	1,395,404	2	Present value technique
Commodity forward contracts	26,672,646	2	Present value technique
Financial liabilities at fair value through profit or loss			
Currency forwards	230,785	2	Present value technique
Commodity forward contracts	3,337,287	2	Present value technique
Derivative financial liabilities			
Interest rate swaps	2,575,545	2	Present value technique
Currency forwards	317,980	2	Present value technique
Commodity forward contracts	25,789,921	2	Present value technique
Investment property (disclosed fair value)			
Investment property	10,846,150	3	Independent valuation technique

(2) 2014

(in thousands of Korean won)

	Fair value	Level	Valuation techniques
Financial assets at fair value through profit or loss			
Currency forwards	210,780	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

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as of December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Loans and receivables	Financial assets at fair value through profit or loss		Financial assets classified as available-for-sale	Financial assets held-to-maturity	Other financial assets[1]	Total
		Held for trading	Fair value through profit or loss				
Cash and cash equivalents	250,139,265	-	-	-	-	-	250,139,265
Short-term financial instruments	36,031,187	-	-	-	-	-	36,031,187
Available-for-sale financial assets	-	-	-	3,000,000	-	-	3,000,000
Financial assets at fair value through profit or loss	-	1,206,981	-	-	-	-	1,206,981
Derivative financial instruments	-	-	-	-	-	28,068,050	28,068,050
Trade receivables and other receivables	797,621,395	-	-	-	-	-	797,621,395
Long-term financial assets	1,023,500	-	-	-	-	-	1,023,500
	1,084,815,347	**1,206,981**	**-**	**3,000,000**	**-**	**28,068,050**	**1,117,090,378**

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

(in thousands of Korean won)

	Financial liabilities at fair value through profit or loss		Other financial liabilities at amortized cost	Other financial liabilities1	Total
	Held for trading	Fair value through profit or loss			
Short-term financial liabilities	-	-	301,244,150	-	301,244,150
Financial liabilities at fair value through profit or loss	3,568,072	-	-	-	3,568,072
Derivative liabilities	-	-	-	28,683,446	28,683,446
Trade payables and other payables	-	-	1,277,328,393	-	1,277,328,393
Long-term financial liabilities	-	-	1,847,362,111	-	1,847,362,111
	3,568,072	**-**	**3,425,934,654**	**28,683,446**	**3,458,186,172**

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

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(2) 2014

(in thousands of Korean won)

	Loans and receivables	Financial assets at fair value through profit or loss		Financial assets classified as available-for-sale	Financial assets held-to-maturity	Other financial assets[1]	Total
		Held for trading	Fair value through profit or loss				
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	-	-	-	4,076,185	-	-	4,076,185
Financial assets at fair value through profit or loss	-	210,780	-	-	-	-	210,780
Derivative financial instruments	-	-	-	-	-	1,100,095	1,100,095
Trade receivables and other receivables	1,249,834,149	-	-	-	-	-	1,249,834,149
Long-term financial assets	2,023,500	-	-	-	-	-	2,023,500
	1,700,389,784	**210,780**	**-**	**4,076,185**	**-**	**1,100,095**	**1,705,776,844**

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

(in thousands of Korean won)

	Financial liabilities at fair value through profit or loss		Other financial liabilities at amortized cost	Other financial liabilities[1]	Total
	Held for trading	Fair value through profit or loss			
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 liabilities	-	-	-	4,406,818	4,406,818
Trade payables and other payables	-	-	1,526,173,354	-	1,526,173,354
Long-term financial liabilities	-	-	1,774,623,325	-	1,774,623,325
	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.

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, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives financial instruments	Total
Interest income	-	7,302,836	-	-	-	-	7,302,836
Gain on valuation of financial assets at fair value through profit or loss	1,206,981	-	-	-	-	-	1,206,981
Gain on disposal of financial assets at fair value through profit or loss	45,880,831	-	-	-	-	-	45,880,831
Gain on disposal of available-for-sale financial assets	-	-	435,085	-	-	-	435,085
Gain on foreign currency translation	-	652,397	-	-	3,228,503	-	3,880,900
Gain on foreign currency transactions	-	76,772,991	-	-	93,553,818	-	170,326,809
Interest expense	-	-	-	(287,471)	(80,226,296)	-	(80,513,767)
Loss on valuation of financial assets at fair value through profit or loss	-	-	-	(3,568,072)	-	-	(3,568,072)
Loss on disposal of financial assets at fair value through profit or loss	-	-	-	(35,034,181)	-	-	(35,034,181)
Loss on transactions of derivative financial instruments	-	-	-	-	-	(754,746)	(754,746)
Loss on foreign currency translation	-	(705,280)	-	-	(2,482,267)	-	(3,187,547)
Loss on foreign currency transactions	-	(49,100,547)	-	-	(168,908,352)	-	(218,008,899)
Bad debt expenses	-	(471,191)	-	-	-	-	(471,191)

(2) 2014

(in thousands of Korean won)

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	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 transactions of 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)
Reversal of allowance for bad debt	-	2,347,353	-	-	-	2,347,353

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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, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Sale of goods	12,922,009,510	21,260,954,077
Rendering of services	87,612,570	63,117,863
	13,009,622,080	**21,324,071,940**

There is no external customer attributing to more than 10% of the total sales for the years ended December 31, 2015 and 2014.

8. Restricted Financial Instruments

As of December 31, 2015, certain short-term and long-term financial instruments amounting to ₩400 million (2014: ₩300 million) and ₩23.5 million (2014: ₩23.5 million) are restricted, respectively.

9. Available-for-sale Financial Assets

Available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Equity securities (listed)	-	1,076,185
Equity securities (unlisted)[1]	3,000,000	3,000,000
	3,000,000	**4,076,185**

[1] Since 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, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Beginning balance	4,076,185	3,075,175
Replacement purchase	-	1,721,896
Valuation	-	(645,711)
Impairment	-	(75,175)
Disposal	(1,076,185)	-
Ending balance	3,000,000	4,076,185
Less: non-current portion	(3,000,000)	(3,000,000)
Current portion	-	1,076,185

10. Trade and Other Receivables

Trade and other receivables as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Trade receivables	578,897,072	904,923,140
Less: provision for impairment of trade receivables	(349,674)	(669,960)
Other receivables	91,082,144	199,830,651
Less: provision for impairment of other receivables	-	(3,822)
Accrued income	378,301	423,021
Deposits	555,624	534,325
	670,563,467	**1,105,037,355**

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The aging analysis of trade and other receivables as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Trade receivables not past due	642,679,091	1,074,314,491
Trade receivables past due but not impaired[1]		
Up to 6 months	23,335,455	25,437,022
Over 6 months	4,220,505	4,619,705
Trade receivables impaired[2]		
Up to 1 year	333,835	429,992
Over 1 year	344,255	909,927
	670,913,141	**1,105,711,137**

[1] Trade receivables are temporarily overdue.
[2] The amount of the provision set for the relevant receivables was ₩350 million (2014: ₩674 million) as of December 31, 2015. Total trade receivables impaired less the recoverable amount is set as provision for impairment.

Movements on provisions for impairment of trade and other receivables are as follows:

(in thousands of Korean won)

	2015	2014
Beginning balance	673,782	3,974,791
Provision for receivables impairment (reversal)	171,191	(2,347,353)
Receivables written off during the year as uncollectible	(495,299)	(953,656)
Ending balance	349,674	673,782

Details of long-term trade and other receivables of the Group as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Long-term loans	73,548,535	90,624,095
Provision for impairment of long-term loans	(300,000)	-
Deposits	53,809,393	54,172,699
	127,057,928	**144,796,794**

Movements on provisions for impairment of long-term trade and other receivables for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Beginning balance	-	-
Provisions for receivables impaired	300,000	-
Ending balance	300,000	-

11. Inventories

Inventories as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Products	19,679,376	60,722,076
Finished goods	266,616,879	361,245,603
Work in process	126,217,664	127,084,551
Raw materials	251,132,666	611,569,875
Supplies	26,019,372	20,947,475
Materials-in-transit	265,562,834	223,151,531
	955,228,791	**1,404,721,111**

Details of cost of inventories recognized are as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Cost of inventories (Cost of sales)	11,214,005,625	20,099,278,273
Loss on valuation of inventory (reversal of inventory written-down)	(5,775,836)	5,106,518

12. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	Ownership (%)	2015		2014	
		Acquisition cost	Book value	Acquisition cost	Book value
Joint Ventures					
Hyundai Cosmo Petrochemical Co., Ltd.	50	291,100,000	82,731,734	291,100,000	102,661,716
Associate					
HYUNDAI-ENR[1].	-	-	-	7,500,000	7,367,469
		291,100,000	**82,731,734**	**298,600,000**	**110,029,185**

[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. And the Group sold HYUNDAI-ENR for the year ended December 31, 2015.

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Changes in investments in associates for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

Investee	Beginning	Acquisition	Valuation Gain	Capital adjustment	Disposal	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	102,661,716	-	(20,519,740)	589,758	-	82,731,734
HYUNDAI-ENR	7,367,469	-	-	-	(7,367,469)	-
	110,029,185	**-**	**(20,519,740)**	**589,758**	**(7,367,469)**	**82,731,734**

(2) 2014

(in thousands of Korean won)

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**

Elimination of unrealized gains and losses for the years ended December 31, 2015 and 2014, is as follows:

(1) 2015

(in thousands of Korean won)

Investee	Transaction	Beginning	Increased	Realized	Ending
Hyundai Cosmo Petrochemical Co., Ltd.	Disposal of PP&E	(113,961,788)	-	715,104	(113,246,684)
	Disposal of intangible asset	(168,142)	-	33,629	(134,513)
	Sale of inventories	(463,519)	(841,882)	463,519	(841,882)
		(114,593,449)	**(841,882)**	**1,212,252**	**(114,223,079)**

(2) 2014

(in thousands of Korean won)

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)
	Sale of inventories	(2,398,856)	(463,519)	2,398,856	(463,519)
		(116,669,602)	**322,020**	**1,754,133**	**(114,593,449)**

Financial information of the investees as of and for the years ended December 31, 2015, is as follows:

(in thousands of Korean won)

	Assets	Liabilities	Sales	Loss for the year
Hyundai Cosmo Petrochemical Co., Ltd.	1,159,414,441	765,504,814	2,155,732,411	(41,780,218)

13. Investment Property

Changes in investment property for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Acquisition cost	10,634,973	25,921,563
Disposal	-	(15,286,590)
Ending net book value	10,634,973	10,634,973

During 2015, rental income from investment property is ₩12 million (2014: ₩65 million), and direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year are ₩116 million (2014: ₩406 million).

Fair value of investment property as of December 31, 2015, is ₩10,846 million (2014: ₩10,846 million). The valuation of fair value as of December 31, 2015 and 2014, is performed by an independent valuer.

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14. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Land	Buildings	Structures	Machinery and equipment	Vessel	Vehicles	Tools	Construction-in-progress	Other property, plant and equipment	Total
Opening acquisition cost	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
Opening 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)
Opening 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
Acquisitions	179,510	138,527	520,249	1,308,017	-	199,277	6,947,580	721,178,396	-	730,471,556
Disposals	(10,991,358)	(7,245,750)	(892,587)	(2,942,352)	-	(3)	(330,876)	-	(153,886)	(22,556,812)
Transfer	2,511,472	7,319,352	14,129,369	101,952,588	-	813,195	8,177,044	(195,229,526)	51,770,921	(8,555,585)
Depreciation	-	(7,119,560)	(37,013,173)	(175,779,087)	(968,109)	(596,208)	(16,014,200)	-	(38,371,344)	(275,861,681)
Exchange differences	-	-	-	-	1,091,715	-	1,776	529,227	-	1,622,718
Ending acquisition cost	842,355,802	283,642,271	1,295,352,765	3,286,456,533	20,055,386	13,948,848	154,591,308	769,385,192	222,989,978	6,888,778,083
Ending accumulated depreciation	-	(64,395,208)	(424,164,052)	(933,727,145)	(2,924,744)	(12,258,283)	(117,698,580)	-	(149,990,983)	(1,705,158,995)
Ending net book value	842,355,802	219,247,063	871,188,713	2,352,729,388	17,130,642	1,690,565	36,892,728	769,385, 192	72,998,995	5,183,619,088

(2) 2014

(in thousands of Korean won)

	Land	Buildings	Structures	Machinery and equipment	Vessel	Vehicles	Tools	Construction-in-progress	Other property, plant and equipment	Total
Opening acquisition cost	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

Depreciation expense of ₩256,631 million (2014: ₩235,368 million) has been charged to 'cost of sales' and ₩19,230 million (2014: ₩20,903 million) to 'selling and administrative expenses'.

As of December 31, 2015, 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 and in USD)

Assets	Book value	Up to	Accounts	Related to the amount	Pledged to
Land	112,753,248	1,440,000,000	Borrowings (Note 17)	299,360,000	Korea Development Bank and others financial institutions
Building	87,398,556				
Machinery and equipment	1,841,588,645				
Land	13,743,242	36,000,000		20,000,000	Shinhan Bank
Building	2,441,607				
Structures	19,797,300				
Land	8,563,065	234,000,000		195,000,000	Korea Exchange Bank and others financial institutions
Building	3,493,969				
Structures	42,871,058				
Machinery and equipment	197,728,755				
Vessel	17,130,642	USD 10,136,089		USD 10,136,089	Suhyup Bank

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December 31, 2015 and 2014

15. Intangible Assets

Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Goodwill	Development costs	Membership rights	Others	Total
Book value at January 1, 2015	56,629,475	4,018,590	13,933,216	13,887,798	88,469,079
Additions	-	25,062	2,149,861	-	2,174,923
Disposals	-	-	(2,361,346)	-	(2,361,346)
Amortization	-	(1,804,326)	-	(1,432,448)	(3,236,774)
Transfer	-	3,754,016	-	4,801,491	8,555,507
Exchange differences	-	-	14,936	51	14,987
Book value at December 31, 2015	56,629,475	5,993,342	13,736,667	17,256,892	93,616,376

(2) 2014

(in thousands of Korean won)

	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

Amortization of ₩546 million (2014: ₩275 million) is included in 'cost of sales' in the statement of income and ₩2,691 million (2014: ₩2,036 million) in 'administrative expenses'.

15.1 Impairment of Intangible assets

The Group's goodwill as of December 31, 2015, 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

Assumptions	Rate
Operating profit margin rate	7.58%
Growth rate of the sales volume[1]	10.21%
Growth rate beyond 5 years[2]	(2.84%)
Pre-tax discount rate[3]	7.18%

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

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

16. Trade and Other Payables

Trade and other payables as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Current		
Trade payables	547,926,996	904,671,609
Other payables	623,458,117	514,548,685
Dividend payables	598,195	-
Accrued expenses	12,952,566	14,392,541
	1,184,935,874	**1,433,612,835**
Non-current		
Long-term other payables	85,000,000	85,000,000
Long-term withholdings	7,392,519	7,560,519
	92,392,519	**92,560,519**

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17. Short and Long-term Financial Liabilities

Details of short-term financial liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Short-term borrowings	39,184,720	1,086,490,421
Current portion of long-term borrowings	162,137,792	162,871,585
Current portion of bonds	99,921,638	449,870,415
	301,244,150	**1,699,232,421**

Details of long-term financial liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Long-term borrowings	451,075,508	677,932,272
Bonds	1,396,286,603	1,096,691,053
	1,847,362,111	**1,774,623,325**

Details of short-term borrowings as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

Type of borrowings	Creditor	Interest (%)	2015	2014
Import loan	SMBC	0.65%	39,184,720	-
Usance L/C	KDB and others	-	-	672,452,717
Commercial paper	KTB and others	-	-	395,000,000
General brrowings	BNP	-	-	10,000,000
General brrowings	HSBC	-	-	9,037,704
			39,184,720	**1,086,490,421**

Details of long-term borrowings as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

Type of borrowings	Creditor	Interest (%)	2015	2014
Energy Invest Loan	KDB	1.75%	2,302,400	3,725,000
Environmental improvement loan	KDB	1.98%	727,100	1,398,300
Facility loan	KDB and others	3.53%	299,360,000	599,232,000
Facility loan	Shinhan bank	3.46%	20,000,000	30,000,000
Facility loan	KEB and others	3.34%	194,496,994	194,401,183
Facility loan	KDB and others	3.74%	80,931,310	-
Shipbuilding loan	Suhyup Bank	5.40%	11,879,496	12,047,374
Shipbuilding loan	HHD Co., Ltd.	2.25%	3,516,000	-
			613,213,300	840,803,857
Less: Current maturities			(162,137,792)	(162,871,585)
			451,075,508	**677,932,272**

Details of bonds as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

Series	Issuance date	Maturity date	Interest (%)	2015	2014
105th	2010-06-28	2015-06-28	-	-	199,916,597
108th	2012-01-25	2015-01-25	-	-	149,984,675
109th	2012-03-27	2015-03-27	-	-	99,969,143
110th	2012-07-20	2017-07-20	3.52%	299,631,466	299,398,708
111-1st	2012-10-23	2016-10-23	3.24%	99,921,638	99,827,605
111-2nd	2012-10-23	2019-10-23	3.52%	99,799,969	99,747,787
112-1st	2014-01-27	2018-01-27	3.35%	149,639,171	149,465,973
112-2nd	2014-01-27	2019-01-27	3.59%	49,845,157	49,794,938
113rd	2014-06-25	2018-06-25	3.01%	99,744,750	99,642,650
114-1st	2014-11-21	2017-11-21	2.36%	79,789,869	79,680,236
114-2nd	2014-11-21	2019-11-21	2.59%	159,510,260	159,385,220
114-3rd	2014-11-21	2021-11-21	2.94%	59,784,380	59,747,936
115-1st	2015-03-27	2018-03-27	1.98%	69,742,300	-
115-2nd	2015-03-27	2020-03-27	2.20%	189,321,870	-
115-3rd	2015-03-27	2022-03-27	2.53%	139,477,411	-
				1,496,208,241	1,546,561,468
Less: Current maturities				(99,921,638)	(449,870,415)
				1,396,286,603	**1,096,691,053**

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18. Net Defined Benefit Liability

Net Defined benefit liabilities recognized in the statements of financial position as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Present value of defined benefit liabilities	193,262,357	152,960,997
Fair value of plan assets	(179,581,648)	(141,319,193)
Contribution to National Pension Fund	(418,905)	(462,654)
Liability in the statement of financial position	13,261,804	11,179,150

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Beginning balance	152,960,997	126,469,141
Current service cost	20,384,898	18,499,428
Interest expense	4,479,878	5,187,191
Remeasuments:	22,640,957	14,664,393
Actuarial gains and losses arising from changes in demographic assumptions	-	9,730,677
Actuarial gains and losses arising from changes in financial assumptions	18,063,574	9,276,789
Actuarial gains and losses arising from experience adjustments	4,577,383	(4,343,073)
Benefits payments	(11,861,308)	(6,876,575)
Effect of transference	4,656,935	(4,982,581)
Ending balance	193,262,357	152,960,997

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Beginning balance	141,319,193	136,719,545
Expected return on plan assets	3,893,988	4,313,244
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(1,312,092)	(1,056,972)
Contributions:		
Employer	41,600,000	10,000,000
Payments from plans:		
Benefit payments	(5,919,441)	(8,656,624)
Ending balance	179,581,648	141,319,193

Plan assets as of December 31, 2015 and 2014, consist of as follows:

(in thousands of Korean won)

	2015			2014		
	Quoted price	Total	Composition	Quoted price	Total	Composition
Cash and cash equivalents	179,581,648	179,581,648	100%	141,319,193	141,319,193	100

Expected contributions to post-employment benefit plans for the financial year following the reporting period are ₩28,751 million.

The principal actuarial assumptions as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate at year-end	2.66%	3.08%
Future salary increases	2.81%~4.74%	2.53%~4.42%

The sensitivity of the defined benefit obligations as of December 31, 2015, 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%	10.08% decrease	12.32% increase
Salary growth rate	1%	11.97% increase	10.01% decrease

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

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

Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, 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	Total
Pension benefits	8,306,658	14,432,070	33,070,692	7,500,765,401	7,556,574,821

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19. Provisions, Contingent Liabilities and Commitments

19.1 Provisions

Changes in provisions for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Beginning balance	Increase	Decrease	Ending balance
Provision for environmental restoration costs	5,773,356	-	1,045,755	4,727,601
Provision for carbon gas emission	-	4,104,690	-	4,104,690

(2) 2014

(in thousands of Korean won)

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

In regards to Carbon gas emissions, the Group sets provision for expected expenses due to emissions exceeding the emission rights capacity in a given year. As of December 31, 2015, emission rights for allocation of no cost are as follows:

	2015	2016	2017	Total
Emission allowances allocated free of charge	2,160	2,108	2,066	6,334

The carrying amount of emission rights is nil and none of rights are pledged as collaterals.

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 suit1 (Alleged collusive LPG price-fixing)	26.3
	Revocation suit1 (Restitution for reimbursement of petroleum import levy)[1]	9.7
	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 into bank overdraft agreements with Korea Exchange Bank and others for up to ₩40,000 million (2014: ₩50,000 million) and agreement for a discount note with Shinhan Bank for the amount of ₩50,000 million (2014: ₩50,000 million). Also, the Group has entered into mutual support agreements with Woori Bank for cooperation partner amounting to ₩50,000 million as of December 31, 2015.

The Group has entered into an import letter of credit arrangement of US$4,325 million (2014: US$ 5,335 million) with Korea Exchange Bank and others. Payment of US$241 million has been made as of December 31, 2015, to the beneficiary.

The Group has entered into a factoring agreement with Hana Bank and Shinhan Capital for up to ₩400,000 million and ₩170,000 million, respectively, and ₩73,088 million has been paid to Shinhan Capital as of December 31, 2015. Also, the Group has sold ₩26,370 million of account receivables from exports to Mizuho bank through a forfaiting agreement.

The Group is provided with supplemental funding agreements amounting to ₩286,000 million for borrowings from Lotte Chemical Co., Ltd. as of December 31, 2015.

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 656 million.

The Group 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, 2015, 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, 2015, is as follows:

(in thousands of Korean won and in USD, JPY and EUR)

Purpose	Type of contract	Details of contract	Contract unit	Contract value
Cash flow hedge	Interest swap contract	CP floating rate risk hedge	KRW	50,000,000
	Commodity forward contracts	Refining margin risk hedge	USD	43,471,745
	Foreign exchange forward contracts	Foreign exchange risk hedge	USD	12,668,514
			EUR	1,200,000
			JPY	217,600,000
Trading purposes	Foreign exchange forward contracts	Foreign exchange risk hedge	USD	142,400,000
	Commodity forward contracts	Commodity price risk hedge	USD	262,470

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Derivative financial instruments as of December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Type of contract	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
Cash flow hedge	Interest swap contract	-	-	-	2,575,545
	Foreign exchange forward contracts	-	-	1,395,404	317,980
	Commodity forward contracts	-	-	26,672,646	25,789,921
Trading purpose	Foreign exchange forward contracts	729,573	230,785	-	-
	Commodity forward contracts	477,408	3,337,287	-	-
		1,206,981	**3,568,072**	**28,068,050**	**28,683,446**

(2) 2014

(in thousands of Korean won)

	Type of contract	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
Cash flow hedge	Interest swap contract	-	-	-	4,238,659
	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**

For the years ended December 31, 2015 and 2014, realized and unrealized gain (loss) from derivative instruments transactions are as follows:

(1) 2015

(in thousands of Korean won)

	Gain/Loss	Disposal of financial instruments at fair value through profit or loss	Valuation of financial instruments at fair value through profit or loss	Loss on disposal of Derivatives instruments
Trading purposes				
Foreign exchange forward contracts	Gain	42,789,111	729,573	-
	Loss	34,063,851	230,785	-
Commodity forward contracts	Gain	3,091,720	477,408	-
	Loss	970,330	3,337,287	-
Cash flow hedge				
Interest swap	Loss	-	-	754,746

(2) 2014

(in thousands of Korean won)

	Gain/Loss	Disposal of financial instruments at fair value through profit or loss	Valuation of financial instruments at fair value through profit or loss	Loss on disposal of Derivatives instruments
Trading purposes				
Foreign exchange forward contracts	Gain	68,649,158	210,780	-
	Loss	56,997,799	1,147,033	-
Commodity forward contracts	Gain	12,535,252	-	-
	Loss	3,764,787	83,264	-
Cash flow hedge				
Interest swap	Loss	-	-	551,173

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. Hybrid Equity Securities

Details of bond-type hybrid equity securities classified as equity as of December 31, 2015 are as follows:

(in thousands of Korean won)

	Issue date	Maturity date	Interest rate	2015
1-1st private hybrid equity securities	2015. 12. 11	2045. 12. 11	4.80%	160,000,000
1-2nd private hybrid equity securities	2015. 12. 11	2045. 12. 11	4.75%	65,000,000
				225,000,000
Less: issuance expenses				(727,150)
				224,272,850

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

The condition of hybrid equity securities issued for the year ended December 31, 2015 is as follows:

(in thousands of Korean won)

	1-1st Private hybrid equity securities	1-2nd Private hybrid equity securities
Issue amount	160,000,000 thousand	65,000,000 thousand
Maturity	30 years (At maturity, it can be extended on the Group's decision)	
Rate	From issue date to December 11, 2020 : Fixed rate 4.80% per year Recalculated and applied every 5 years, Yield rate of government bond with 5 year maturity + annual 2.865% + annual 2.00% (step-up clauses)	From issue date to December 11, 2020: Fixed rate 4.75% per year, Recalculated and applied every 5 years, Yield rate of government bond with 5 year maturity + annual 2.815 % + annual 2.00% (step-up clauses)
Condition for interest paid	Three months deferred payment and it is possible to selectively extend the payment date.	
Others	Prepayment is allowed after 5 years from the issuance date or every interest payment date depending on the Group's decision.	

The Group has a right to extend the maturity date of hybrid equity securities. In addition, payment of interest on bonds can be postponed at the discretion of the Group which in that case the Group cannot resolve and pay the dividend of common stocks until the interest is fully paid. Hybrid capital securities where the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as equity instruments.

23. Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) as of December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Cash flow hedge gain (loss) on valuation of derivative financial instruments	(636,704)	(2,653,741)
Currency translation differences	1,187,884	(4,061)
Change in value of available-for-sale financial assets	-	(489,449)
Share of other comprehensive income of associates	(2,737,760)	(3,327,518)
	(2,186,580)	**(6,474,769)**

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Before tax	Tax effect	After tax
Beginning balance	(7,478,268)	1,003,499	(6,474,769)
Changes	5,088,413	(800,224)	4,288,189
Ending balance	(2,389,855)	203,275	(2,186,580)

(2) 2014

(in thousands of Korean won)

	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)

24. Retained Earnings

Retained earnings as of December 31, 2015 and 2014, consist of:

(in thousands of Korean won)

	2015	2014
Legal reserves[1]	25,058,572	25,058,572
Unappropriated retained earnings	2,076,293,012	1,657,211,411
	2,101,351,584	**1,682,269,983**

[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.

25. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Salaries	82,111,414	70,626,572
Employee benefits	14,637,146	13,524,839
Promotional expenses	11,880,223	11,362,903
Advertising expenses	21,643,495	17,767,686
Service costs	37,581,184	20,782,603
Commission expenses	22,092,671	23,375,331
Transportation expenses	109,068,871	106,636,892
Depreciation	19,230,315	20,902,963
Amortization	2,691,092	2,036,263
Rental expenses	24,225,992	22,720,984
Bad debt expenses (reversal)	171,191	(2,351,175)
Others	26,141,689	24,812,981
	371,475,283	**332,198,842**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

26. Expenses by Nature

Expenses by nature for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Changes in inventories	449,492,320	845,765,094
Purchase of inventories	10,764,513,304	19,253,513,179
Depreciation	275,861,681	256,270,696
Amortization	3,236,774	2,310,981
Salaries	206,664,376	176,154,060
Others	680,488,046	563,877,226
	12,380,256,501	**21,097,891,236**

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.

27. Finance Income and Costs

Finance income and costs for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Finance income		
Interest income	7,302,836	6,291,411
Gain on disposal of available-for-sale financial assets	435,085	-
Gain on foreign currency translation	1,333,303	1,859,329
Gain on foreign currency transactions	27,608,726	47,880,866
	36,679,950	**56,031,606**
Finance costs		
Interest expense	80,513,767	111,092,342
Impairment loss of financial assets	-	75,175
Loss on foreign currency translation	1,198,769	2,180,810
Loss on foreign currency transactions	55,965,799	80,332,895
	137,678,335	**193,681,222**

28. Other Non-operating Income and Expenses

Other non-operating income and expenses of the Group for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Other non-operating Income		
Gain on disposal of financial assets at fair value through profit or loss	45,880,831	81,184,410
Gain on valuation of financial assets at fair value through profit or loss	1,206,981	210,780
Gain on foreign currency translation	2,547,597	5,115,970
Gain on foreign currency transactions	142,718,083	152,248,036
Gain on disposal of property, plant, and equipment	702,274	14,284,960
Reversal of provision for other receivables impairment	-	340,000
Miscellaneous income	94,241,935	12,071,090
	287,297,701	**265,455,246**
Other non-operating Expenses		
Loss on transactions of derivative financial instruments	754,746	551,173
Loss on disposal of financial assets at fair value through profit or loss	35,034,181	60,762,586
Loss on valuation of financial assets at fair value through profit or loss	3,568,072	1,230,297
Loss on foreign currency translation	1,988,778	4,438,841
Loss on foreign currency transactions	162,043,100	188,162,767
Loss on disposal of property, plant, and equipment	10,822,478	14,378,809
Loss on disposal of intangible assets	1,121,801	20,240
Impairment loss of intangible assets	-	98,599
Loss on disposal of investment property	-	50,090
Loss on disposal of investments in subsidiaries and associates	155,318	-
Other bad debt expense	300,000	343,822
Donations	4,993,723	8,807,426
Miscellaneous expenses	2,938,879	2,497,042
	223,721,076	**281,341,692**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

29. Income Tax

Income tax expense for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Current income tax	101,699,837	16,001,779
Deferred income tax due to temporary differences	(8,761,152)	(17,321,448)
Deferred income tax due to tax losses	-	435,353
Deferred income tax due to tax credit	22,498,294	9,967,595
Deferred income tax charged to equity	4,758,402	5,280,660
Income tax expense	120,195,381	14,363,939

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)

	2015	2014
Profit before tax	571,424,079	18,517,283
Tax calculated at statutory tax rates	142,764,054	4,131,136
Effect of non-taxable income	(18,327,082)	(731,285)
Effect of non-deductible expenses	1,887,113	2,446,514
Effect of tax exemptions	(6,528,730)	(3,861,575)
Effect of unrecognized deferred tax	-	12,647,408
Effect of change in tax rate	400,026	(268,259)
	120,195,381	**14,363,939**

Changes in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

Type	Temporary differences			Deferred assets (liabilities)
	Beginning balance	Changes	Ending balance	
Depreciation	26,726,668	20,900,516	47,627,184	11,525,779
Construction-in-progress	30,923,818	1,811,018	32,734,836	7,921,830
Contingent liabilities	500,000	-	500,000	121,000
Bad debt expense	9,870,385	(623,033)	9,247,352	2,237,859
Impairment of monetary securities	645,711	(645,711)	-	-
Accrued income	(421,497)	44,615	(376,882)	(91,205)
Provisions	34,600,680	(1,236,421)	33,364,259	8,074,151
Loss on valuation of inventories	9,878,028	(5,840,913)	4,037,115	976,982
Loss on disposal of property, plant, and equipment	1,527,234	(120,414)	1,406,820	340,450
Miscellaneous expenses	99,770	(99,770)	-	-
Defined benefit liability	52,861,458	17,660,445	70,521,903	17,066,301
Plan assets	(131,764,438)	(35,220,468)	(166,984,906)	(40,410,347)
Loss on valuation of derivative instruments	4,321,923	230,777	4,552,700	1,101,753
Promotion expenses	918,104	245,960	1,164,064	281,703
Revaluation of assets	(407,684,452)	13,813,881	(393,870,571)	(95,316,678)
Advanced depreciation provision	(91,858,874)	-	(91,858,874)	(22,229,847)
Actuarial gains and losses	88,163,039	22,559,388	110,722,427	26,860,759
Other long-term employee benefits	-	258,243	258,243	62,495
Accrued expenses	4,298,063	1,368,848	5,666,911	1,371,392
Government subsidy	4,423,033	(899,600)	3,523,433	852,671
Provision for carbon gas emission	-	4,104,690	4,104,690	993,335
Others	(154,396,082)	14,577,754	(139,818,328)	(611,368)
Tax credit carry forwards	-	-	-	796,758
	(516,367,429)	**52,889,805**	**(463,477,624)**	**(78,074,227)**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

(2) 2014

(in thousands of Korean won)

Type	Temporary differences			Deferred assets (liabilities)
	Beginning balance	Changes	Ending balance	
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
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)	14,008	(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	4,912,501	9,878,028	2,390,483
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)
Loss on valuation of derivative instruments	4,466,780	(144,857)	4,321,923	1,045,905
Promotion expenses	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 credit carryforwards	-	-	-	23,295,052
	(428,165,665)	**(88,201,764)**	**(516,367,429)**	**(64,337,085)**

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

(in thousands of Korean won)

	2015	2014
Loss on valuation of derivative instruments	409,663	1,025,755
Loss on valuation of monetary securities	-	156,262
Actuarial losses	26,866,212	21,335,455
	27,275,875	**22,517,472**

30. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2015 and 2014, are as follows:

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

	2015	2014
Profit attributable to owners of the parent company	437,594,630	(5,321,836)
Weighted average number of ordinary shares outstanding	245,082,422 shares	245,082,422 shares
Basic earnings per share (Korean won)	1,785	(22)

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

31. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Adjustments for:		
Severance and retirement benefits	20,970,788	19,373,375
Depreciation	275,861,681	256,270,696
Amortization	3,236,774	2,310,981
Bad debt expenses (reversal)	171,191	(2,351,175)
Miscellaneous bad debt expenses	300,000	3,822
Loss on disposal of investment property	-	50,090
Interest expenses	80,513,767	111,092,342
Loss on foreign currency translation	3,187,547	6,619,651
Loss on disposal of financial assets at fair value through profit or loss	35,034,181	60,762,586
Loss on valuation of financial assets at fair value through profit or loss	3,568,072	1,230,297
Loss on valuation of inventories (reversal)	(5,775,836)	5,106,518
Loss on disposal of property, plant, and equipment	10,822,478	14,378,809
Loss on disposal of intangible assets	1,121,801	20,240
Impairment loss of intangible assets	-	98,599
Impairment loss of available-for-sale financial assets	-	75,175
Loss on disposal of equity method investments	155,318	-
Income tax expense	120,195,381	14,363,939
Interest revenue	(7,302,836)	(6,291,411)
Gain on foreign currency translation	(3,880,900)	(6,975,299)
Gain on disposal of financial assets at fair value through profit or loss	(45,880,831)	(81,184,410)
Gain on valuation of financial assets at fair value through profit or loss	(1,206,981)	(210,780)
Gain on disposal of available-for-sale financial assets	(435,085)	-
Gain on disposal of property, plant, and equipment	(702,274)	(14,284,960)
Share of loss of associates	20,519,740	54,127,359
Reversal of provision for restoration costs	(1,045,755)	(1,987,612)
	509,428,221	**432,598,832**

(in thousands of Korean won)

	2015	2014
Changes in operating assets and liabilities		
Trade receivables	339,078,020	414,541,525
Other receivables	86,801,136	32,494,104
Inventories	455,483,277	881,646,426
Other current assets	(12,142,997)	(52,521,131)
Other non-current assets	(77,391)	49,213
Trade payables	(370,361,769)	(999,076,188)
Other payables	133,838,151	(167,582,556)
Other current liabilities	24,980,142	25,546,189
Long-term trade and other payables	(168,000)	(1,497,936)
Defined benefit liability	(42,841,183)	(13,119,425)
Long-term provisions	4,104,690	(2,489,608)
Deferred income	(150,667)	(10,063,389)
Other non-current liabilities	(54,120)	-
	618,489,289	**107,927,224**

Significant non-cash investing and financing activities for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	2015	2014
Transferred from construction-in-progress to other property, plant and equipment and intangible assets accounts	195,229,448	641,003,675
Accounts payable related to the acquisition of property, plant and equipment	3,981,427	3,012,519

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

32. Related Party Transactions

As of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

	2015	2014	Relationship
Joint Venture	Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	
Associates[1]	-	HYUNDAI-ENR	A subsidiary of Hyundai Heavy Industries Co., Ltd.
Other related parties	The subsidiaries of Hyundai Heavy Industries Co., Ltd. and others	The subsidiaries of Hyundai Heavy Industries Co., Ltd. and others	

[1] HYUNDAI-ENR was sold to Hyundai Corporation for the year ended December 31, 2015.

Sales and purchases with related parties for the years ended December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

Count party	Sales of goods	Purchase of raw materials	Acquisition of property, plant and equipment	Other Sales[1]	Other Purchase
Parent company					
Hyundai Heavy Industries Co., Ltd.	91,303,263	-	75,909,404	547	4,395,312
Joint venture					
Hyundai Cosmo Petrochemical Co., Ltd.	1,193,371,668	887,870,946	-	55,257	11,643
Other related parties					
Hyundai Corporation[2]	191,224,001	165,557	-	-	1,363
Hyundai Mipo Dockyard Co., Ltd.	11,735,537	-	-	-	-
Hyundai Samho Heavy Industries Co., Ltd.	29,513,988	-	-	-	60,481
HYMS	42,700,548	-	-	-	-
HYUNDAI CORP. SINGAPORE Pte., Ltd.[2]	114,524,510	-	-	-	128,562
Others	3,711,285	-	-	-	8,093,689
	1,678,084,800	**888,036,503**	**75,909,404**	**55,804**	**12,691,050**

[1] Other than the above transaction, the Group sold its entire shares of Hyundai Energy & Resource Co., Ltd., an associate, to Hyundai Corporation, an assicoate, for W87 million.
[2] Hyundai Merchant Marine etc. has been excluded from related parties due to the disposal of shares of Hyundai Corporation during 2015. Shown above is the amount until the exclusion.

(2) 2014

(in thousands of Korean won)

	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.	458,646,124	39,974,039	-	-	-	-
Hyundai Asan Co., Ltd. [1]	3,247,465	-	-	-	-	24,233
Others	2,130,933	-	-	27,886	-	6,705,812
	2,735,415,870	**1,522,015,479**	**16,259,039**	**65,067,709**	**1,117,941**	**25,323,363**

[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.

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2015 and 2014, are as follows:

(1) 2015

(in thousands of Korean won)

	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent company				
Hyundai Heavy Industries Co., Ltd.	9,026,398	-	-	13,070,691
Joint venture				
Hyundai Cosmo Petrochemical Co., Ltd.	92,015,676	14,639	28,824,095	1,067
Other related parties				
Hyundai Mipo Dockyard Co., Ltd.	1,175,407	-	-	176,612
Hyundai Samho Heavy Industries Co., Ltd.	3,213,636	55,049	-	268
HYMS	2,227,411	-	-	-
Others	198,506	-	-	19,433
	107,857,034	**69,688**	**28,824,095**	**13,268,071**

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(2) 2014

(in thousands of Korean won)

	Receivables		Payables	
	Trade receivables	**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
HYMS	5,922,855	-	-	-
HYUNDAI CORP. SINGAPORE Pte. Ltd.	12,351,595	-	-	39,450
Others	44,421	-	-	-
	65,866,681	**2,181,386**	**79,499,498**	**7,420,160**

Fund transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in thousands of Korean won)

	Name of company	Capital reduction by cash distribution	
		2015	**2014**
Associates	HYUNDAI-ENR	7,125,000	-

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 ₩48,216 million (2014: ₩9,068 million). For the years ended 2015 and 2014, the Group does not have remaining balances in the MMT. The Group has deposited plan assets of ₩6,575 million (2014: ₩7,003 million) in HI Investment & Securities Co., Ltd. account as of December 31, 2015.

HI Investment & Securities Co., Ltd., an Other related party of the Company, acquired bonds at the amount of ₩70 billion (2014: ₩110 billion) for the year ended December 31, 2015 issued by the Company.

Details of payment guarantees provided by the Group for the funding sources of the related parties as of December 31, 2015, 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 for the years ended December 31, 2015 and 2014, consists of:

(in thousands of Korean won)

	2015	2014
Short-term salaries	1,021,343	1,239,743
Post-employment benefits	125,785	220,575
	1,147,128	**1,460,318**

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

33. Events After the Reporting Period

On February 17, 2016, the Group newly established Hyundai OCI Co., Ltd. The initial capital stock amounted to ₩20 billion and the Group acquired 51% of issued shares, and rest of shares will be acquired by OCI Corporation. Hyundai OCI Co., Ltd. plans to produce carbon black.

On February 25, 2016, the Group decided to participate in paid-in capital increase for Hyundai Cosmo Petrochemical Co., Ltd. as approved by the Board of Directors. In accordance with the plan of the Group, the capital increase for Hyundai Cosmo Petrochemical Co., Ltd. amounts to ₩50 billion of which ₩25 billion will be contributed by the Group and the rest of shares will be contributed by Cosmo Oil Co., Ltd.

GLOBAL NETWORK

Overseas

Hyundai Oilbank Singapore Pte. Ltd.
7 Temasek Boulevard #29-01, Suntec Tower One,
Singapore 038987
Tel: +65-6332-1400

Hyundai Oilbank Shanghai Co., Ltd.
Room 2305, North Tower, #528,
South Pudong Road Shanghai, China 200120
Tel: +86-21-6881-5058

Hyundai Oilbank Middle East Branch
2905, Indigo Icon Bldg, Cluster F,
Jumeirah Lakes Towers, Dubai, UAE 25321
Tel: +971-4-454-8708

Hyundai Oilbank Vietnam Branch
Suite 1908 Keangnam Landmark Tower, Plot E6,
Cau Giay Urban Area, Me Tri Commune, Tu Liem District,
Hanoi, Vietnam
Tel: +84-4-6252-5511

Hyundai Oilbank London Branch
2nd Fl. The Triangle, 5-17 Hammersmith Grove, London,
W6 0LG, UK
Tel: +44-(0)20-8600-7154

Domestic

Head Office
182 Pyeongsin 2-ro, Daesan-eup, Seosan,
Chungcheongnam-do, Korea
Tel: +82-41-660-5114

Seoul Metropolitan Support Team
20th Fl. Yonsei Foundation Bldg,
10 Tongil-ro, Jung-gu, Seoul, Korea
Tel: +82-2-2004-3856

Seoul Branch
20th Fl. Yonsei Foundation Bldg,
10 Tongil-ro, Jung-gu, Seoul, Korea
Tel: +82-2-2004-3874

North Gyeonggi Branch
15th Fl. Neo Tower Bldg, 31 Simin-ro,
Uijeongbu, Gyeonggi-do, Korea
Tel: +82-31-837-9155

South Gyeonggi Branch
16th Fl. Seyoung Bldg,
199 Gwonggwang-ro, Paldal-gu, Suwon,
Gyeonggi-do, Korea
Tel: +82-31-221-5189

Incheon Branch
585 Inju-daero (Citibank Korea,
Guwol-dong), Namdong-gu, Incheon, Korea
Tel: +82-32-566-5188

Yeongdong Branch
2nd Fl. Hyundai Motor Building,
2141 Gyeonggang-ro, Gangneung,
Gangwon-do, Korea
Tel: +82-33-655-6531

Yeongseo Branch
3rd Fl. LX Building, 2 Sicheong-ro,
Wonju, Gangwon-do, Korea
Tel: +82-33-744-4585

Chungcheong/Honam Support Team
75 Dunsanseo-ro, Seo-gu, Daejeon
Tel: 82-42-480-2248

Daejeon Branch
5th Fl. Hyundai Marine & Fire Insurance
Building, 75 Dunsanseo-ro (Dunsan-dong),
Seo-gu, Daejeon, Korea
Tel: +82-42-480-2128

Chungnam Branch
4th Fl. Daishin Securities Building,
252 Angyeon-ro (Dongmun-dong),
Seosan, Chungcheongnam-do, Korea
Tel: +82-41-664-8533

Chungbuk Branch
6th Fl. BYC Building, 1,037,
1 Sunhwan-ro (Bunpyeong-dong),
Heungdeok-gu, Cheongju,
Chungcheongbuk-do, Korea
Tel: +82-43-276-4367

Gwangju Branch
8th Fl. Hyundai Marine & Fire Insurance
Building, 72 Sicheong-ro (Chipyeong-dong),
Seo-gu, Gwangju, Korea
Tel: +82-62-602-5145

Jeonnam Branch
7th Fl. LG Building,
9 Yeonhyangjungangsangga-gil (Yeonhyang-dong), Suncheon,
Jeollanam-do, Korea
Tel: +82-61-725-5871~2

Jeonbuk Branch
Tire Bank Building, 751 Baekje-daero
(Inhu-dong 2-ga), Deokjin-gu, Jeonju,
Jeollabuk-do, Korea
Tel: +82-63-242-5151

Cheonan Mobile
18 Beodeul-ro (Munhwa-dong),
Dongnam-gu, Cheoan,
Chungcheongnam-do, Korea
Tel: 070-7403-6526

Mokpo Mobile
63-12 Sinhang-ro, Samho-eup,
Yeongnam-gun, Jeollanam-do, Korea
Tel: 070-7403-6090

Yeongnam Support Team
4th Fl. Busan Hyundai OB 107 Asiad-daero,
Yeonje-gu, Busan, Korea
Tel: 82-51-590-5117

Busan Branch
3rd Fl. Busan Hyundai OB, 107 Asiad-daero
(Geoje-dong), Yeonje-gu, Busan, Korea
Tel: +82-51-590-5128

Ulsan Branch
4th Fl. Daewoo Securities Bldg,
251 Samsan-ro (Dal-dong), Nam-gu,
Ulsan, Korea
Tel: +82-52-227-9180

Gyeongnam Branch
1st Fl. Korea Cadastral Survey Bldg,
532 Beon-gil 6, Changi-daero (Sinwol-dong),
Uichang-gu, Changwon,
Gyeongsangnam-do, Korea
Tel: +82-55-289-6722

Jinju Mobile
6th Fl. Allianz Life Insurance Bldg.
973 Jinju-daero, Jinju,
Gyeongsangnam-do, Korea
Tel: +82-55-761-5189

Daegu Branch
16th Fl. Yeongnam Tower,
441 Dongdaegu-ro, Dong-gu, Daegu, Korea
Tel: +82-53-603-6665

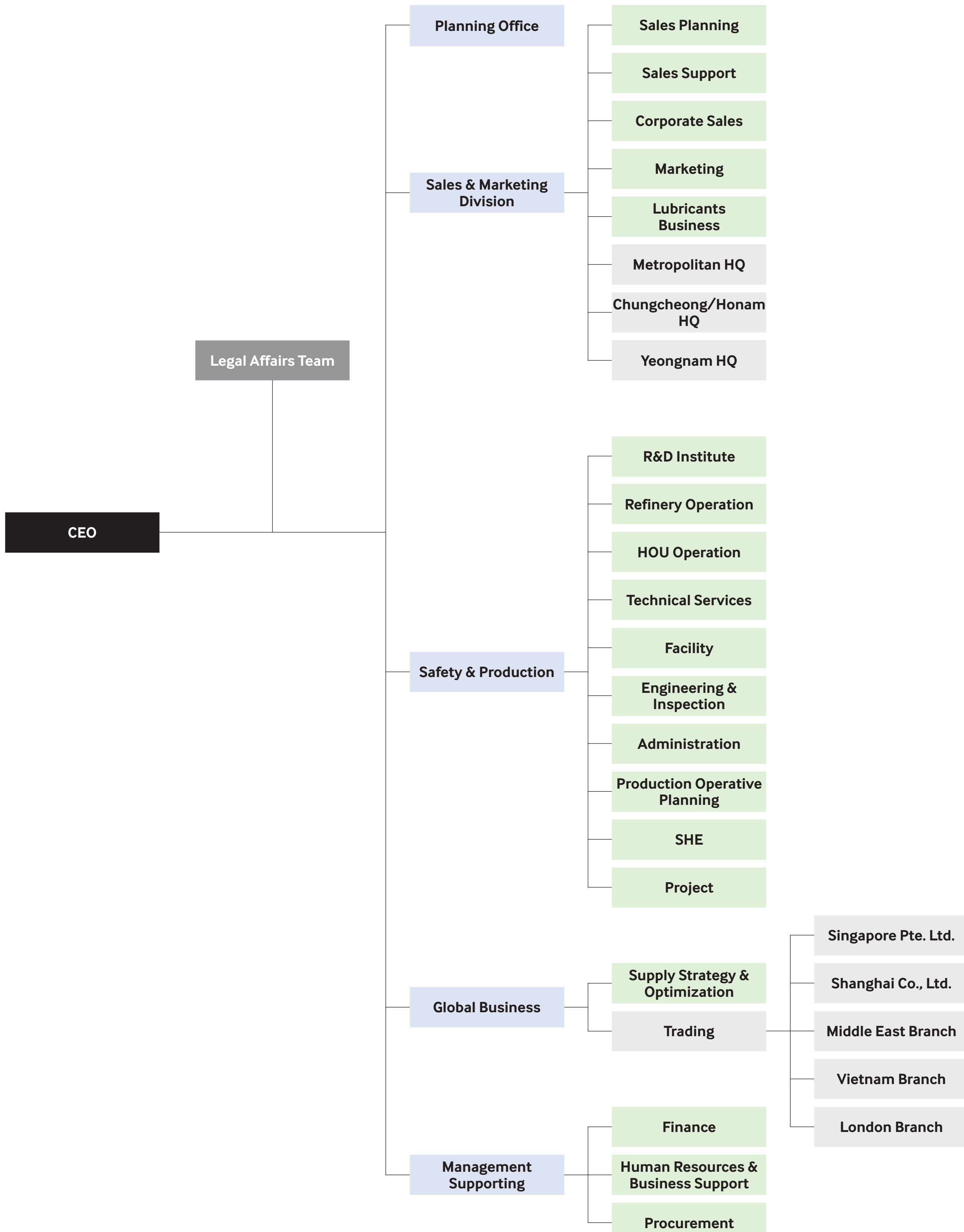
Gyeongbuk Branch
5th Fl. KT Bldg, 346 Posco-daero
(Daedo-dong), Nam-gu, Pohang,
Gyeongsangbuk-do, Korea
Tel: +82-54-281-8181

Andong Mobile
3rd Fl. KT Bldg, 86 Angicheon-ro
(Dangbuk-dong), Andong,
Gyeongsangbuk-do, Korea
Tel: +82-54-853-3598

Jeju Branch
5th Fl. Hyundai Motor Bldg,
83 Sammu-ro (Yeon-dong),
Jeju, Jeju-do, Korea
Tel: +82-64-712-5189

Hyundai Oilbank Central Technology R&D Institute
6th Fl. Solid Space Bldg,
220 Pangyoyeok-ro (Sampyeong-dong),
Bundang-gu, Seongnam,
Gyeonggi-do, Korea
Tel: +82-31-704-5145

ORGANIZATION



CONTACT INFORMATION

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Finance Team, Hyundai Oilbank

Kim Gyeong-il / Director

Sim Eui-seob / Deputy General Manager

Kim Ah-yeong / Assistant Manager

Lee Seon-min / Staff

E-mail: seonmin3626@oilbank.co.kr