

HYUNDAI STEEL ANNUAL REPORT

POWERING THE WAY INTO THE LEAD



Dreamful High Spirit,
Empowering Harmony,
and Sharing-driven Humanity
are at the core of the unique
H Spirit that has guided
Hyundai steel company's journey
over the past 60 years.

H Spirit enables us to dream of a
new and more magnificent future.
Hyundai Steel Company lives by
H Spirit through challenge,
innovation and creativity and vows to
become a world leader in the
steel industry and contributes to the
makings of a better society.



60th ANNIVERSARY

As a pioneer of the Korea's steel industry,
Hyundai Steel Company ushers in a new future
for the global steel industry



2001 Incorporated into the Hyundai
Motor Group



2000 Merged with Kangwon
Industries



Established as Korea's first steelmaker in 1953, Hyundai Steel Company celebrated its 60th anniversary in 2013. It is with an unbeatable spirit of optimism and creative innovation that we have taken our 60 year-long journey, which embodies a living history of the nation's steel industry and numerous meaningful achievements in the global steel industry. Now, Hyundai Steel Company open a new chapter in our history as we set our sights on becoming a century-old company and build on our standing as a world-class steelmaker and the world's first resource circulation business structure. Hyundai Steel Company's aim is to create even stronger capabilities in specialized automotive steels and to fully tap into the worldwide market as a top-tier leader. In the upcoming years, our 60-year aspiration of becoming the world's leading steelmaker will bear even greater fruit on the global stage.



1953 Established Korea Heavy Industry
Corporation



1978 Incorporated into the
Hyundai Group



1964 Established Incheon Iron & Steel
Company and merged with Incheon
Heavy Industry Company

2004 Acquired Hanbo Steel's
Dangjin plant



2006 Changed name into Hyundai Steel Company,
Held the ground-breaking ceremony to build
the Integrated Steel Mill

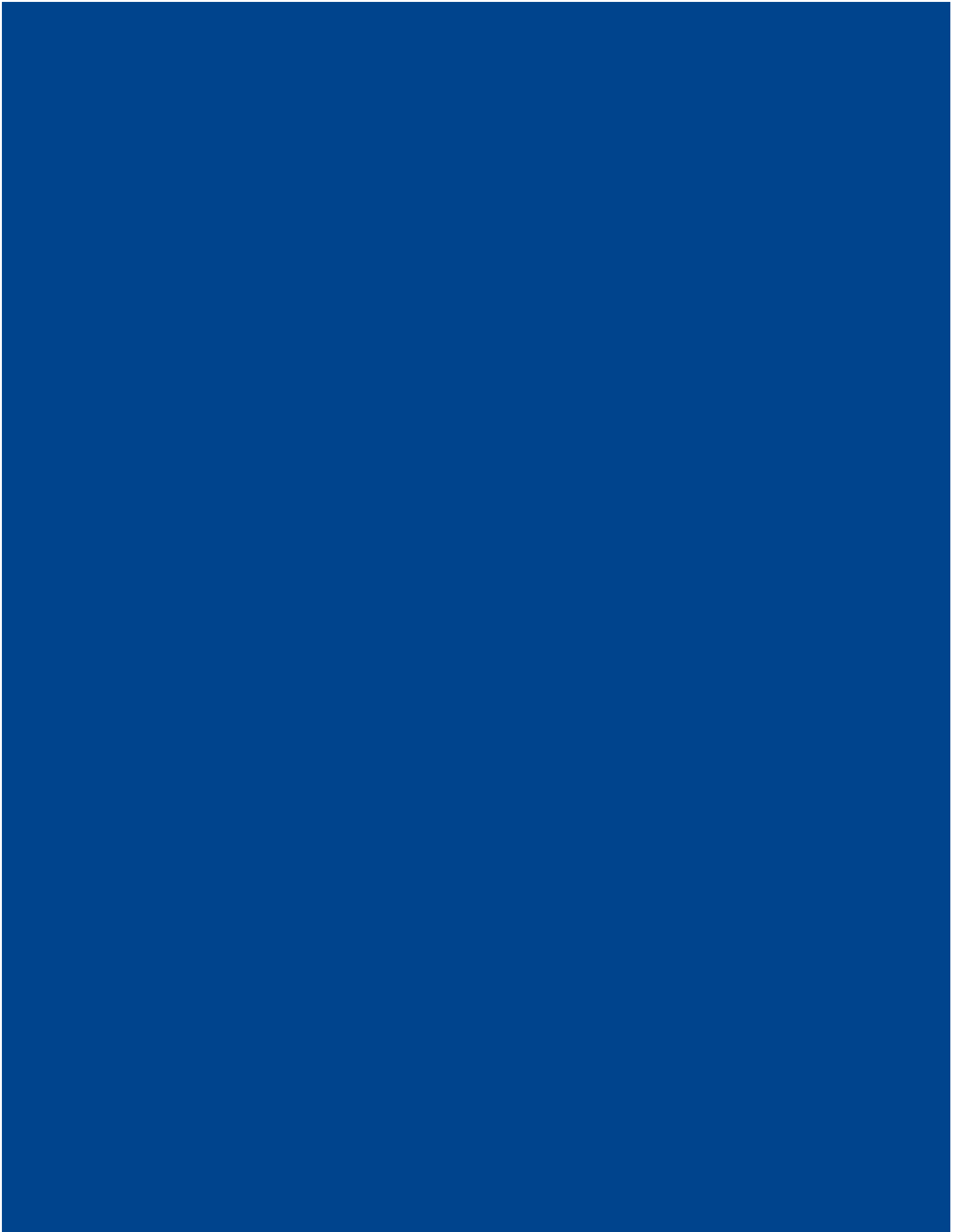
2009 Introduced the world's first enclosed
raw material processing system



2013 Completed the construction of Blast
Furnace No. 3 and merged with Hyundai
Hysco's cold-rolled coil operations



2010 Became the first private-sector
company to operate the Integrated
Steel Mill



Hyundai Steel Company Annual Report

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2013 At a glance

FINANCIAL HIGHLIGHTS

Annual Results

(Unit: KRW billion)	2011	2012	2013
Sales	15,260	14,893	13,533
Operating Income	1,275	889	763
%	8.4%	6.0%	5.6%

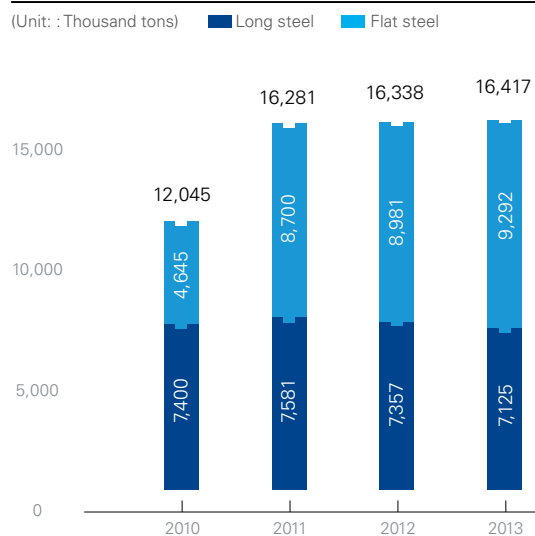
* Consolidated, K-IFRS based

Quarterly Results in 2013

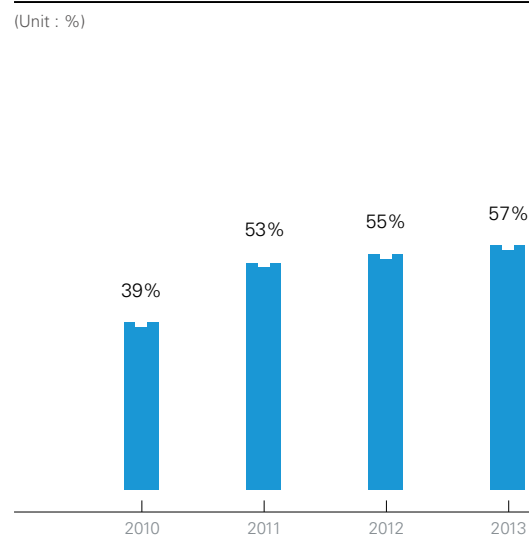
(Unit: KRW billion)	Q1	Q2	Q3	Q4
Sales	2,984	3,490	3,205	3,854
Operating Income	140	197	161	265
%	4.7%	5.6%	5.0%	6.9%
Net Income	25	99	323	263
%	0.8%	2.8%	10.1%	6.8%

* Consolidated, K-IFRS based

Annual Sales Volume



Ratio of Flat Steel



2013 At a glance

NEWS HIGHLIGHTS

13 Feb. Recognized for outstanding disclosure practices in 2012

Hyundai Steel Company introduced a system-ized process to verify the disclosure of approval documents in advance whenever working-level departments prepare such documents. Designed to prevent the omission of disclosure documents, this system was chosen as a best practice in disclosure performance by the Korea Exchange in 2012.



30 Mar. Hot-Rolling Mill B, setting a new record in monthly production

Hyundai Steel Company's Hot-Rolling Mill B of the Dangjin Works manufactures high-quality automotive steel sheets and other hot-rolled coil products. In March, the steel mill posted a production total of 289,761 tons, setting a new record in monthly production.



10 Apr. Signing an agreement with the local government to recycle food waste

Hyundai Steel Company signed the agreement on the 'supply and use of organic acid' with Dangjin City to turn food wastewater into useful resources. This agreement mandates the city to produce organic acid through the fermentation of food wastewater, which is then used to replace ethanol in treating wastewater at the Dangjin Works.



28 May Incheon Works, receiving an award in the environmental management segment of the 31st Chamber of Commerce & Industry Awards

Hyundai Steel Company's Incheon Works was honored with an environmental management award for its commitment to greener management at the 31st Incheon Chamber of Commerce & Industry Awards.



27 Jun. Pohang Works, becoming the 1st to ship mass-produced track shoe assemblies for 70-ton excavators

Hyundai Steel Company's Pohang Works became the first in the nation to ship mass-produced track shoe assemblies to be mounted on 70-ton excavators, the first of their kind. As one of our flagship products, the track shoe assemblies that we produce are widely recognized as World-Class Products for their exceptional quality and performance.



13 Sep. Blow-in Ceremony after the completion of Blast Furnace No. 3

After the blow-in ceremony, Hyundai Steel Company's Blast Furnace No. 3 successfully began its operation. The completion of a three blast furnaces-based production system put the company on the map as one of the top 10 global steelmakers with a production capacity of 24 million tons.



31 Dec. Merger with Hyundai Hysco's cold-rolled coil operations

At the 29 Nov. ad-hoc general shareholder meeting, the merger between Hyundai Steel Company and Hyundai Hysco was approved with 97.1% in favor. And the merger was completed on 31 Dec. This laid the foundation to integrate the manufacturing processes of hot and cold-rolled coils, improve on inefficiencies, and create synergy effects, thereby developing Hyundai Steel Company's corporate value even further.



CHAIRMAN'S MESSAGE

Hyundai Steel Company effectively responds to shifting business environments and makes preparations to embrace a new growth paradigm that ushers in a future of unified contentment for all.



The challenging business conditions of 2013 never restrained the Hyundai Motor Group from enjoying sustained growth and development. In fact, Hyundai and Kia Motors produced and sold a total of 7.56 million vehicles at 31 plants in 9 countries around the world, which further solidified their position as a leading global automotive maker. Specifically, their production at overseas plants exceeded the 4 million mark and their cumulative overseas production totaled 20 million.

The completion of Blast Furnace No. 3 brought our seven-year-long Integrated Steel Mill construction project to a successful fruition. In so doing, Hyundai Steel Company emerged as a global steelmaker with a production capacity of 24 million total tons.

Furthermore, Hyundai Engineering & Construction reached the \$100 billion mark in cumulative orders awarded overseas. This was achieved despite the challenging market conditions and opened a new chapter in the history of the nation's construction industry.

The prolonged low-growth rates of the global economy are driving an even more intense competition among businesses, while changes in the industrial landscape, caused by technological convergence, lead to even greater uncertainties. Thus, in 2014, the Hyundai Motor Group aims to reflect on its past growth trajectory and position itself for a period of new developments in the upcoming years.

Our top priority will be to build innovative management systems for enhanced organizational efficiency and dynamics. This

will afford us greater agility and flexibility in responding to shifting business conditions in Korea and overseas. Hyundai Steel Company also plans to further systemize our business structure and mid/long-term growth strategies and to focus our company-wide capabilities on developing more innovative products and leading technologies as a way to create new growth engines.

In the automobile industry, we will deliver enhanced fuel efficiency and more safety features, increase our investments in eco-friendly cars, smart cars made through the convergence of cutting-edge technologies and other innovative technology, and strive to hire even more talented R&D experts. In the steel industry, we will focus intently on developing lighter yet stronger new materials (high tensile steel and specialty steel) to gain a greater competitive edge in vehicle quality. In the construction industry, we will create new growth opportunities through the development of innovative new techniques and the procurement of stronger capabilities in terms of the environment and energy.

We vow to go the extra mile in undertaking stronger shared-growth initiatives with our suppliers and to play a leading role in giving back to society and caring for the less-fortunate. It is through such actions that we aspire to create a happier and harmonious society.

Chairman,
Hyundai Motor Group

Chung Mong-Koo

VICE-CHAIRMAN'S MESSAGE



With the 'Back to Basics' and 'Change Management' initiatives, we will build stronger fundamental competencies so as to emerge as a global, world-class steelmaker.

Dear shareholders and customers,

Fiscal 2013 was one of the most transformative years we have seen at Hyundai Steel Company along with the celebration of our 60th anniversary. The construction of Blast Furnace No. 3 positioned the company as one of the global top 10 steelmakers with annual production capacity of 24 million tons. We've also substantially boosted our business volume in part through merger with Hyundai Hysco's cold-rolled coil division, creating an unprecedented Integrated Steel Mill system that produces anything, from molten steel to cold-rolled coils.

All of this would not have been possible without our shareholders and I would like to take this opportunity to express my heartfelt gratitude for their never-ending interest in and support for our development, growth and realization of who we are today.

Let me also extend my sincere apologies to our dear shareholders for the unfortunate safety accidents that occurred during the construction and operation of our new steel mill facilities last year. We at Hyundai Steel Company vow to be fully committed to delivering safer working conditions, as well as world-class steel mill facilities and to making breakthroughs in the entire spectrum of safety management, from awareness-raising to programs and systems.

In 2014, Hyundai Steel Company intends to present a new-and-improved version of what we represent and further enhance its standing in society as a reputable company.

We acknowledge that global economy challenges persisted and business conditions surrounding our industry are far from being favorable. This year, however, we do expect a mild recovery in the construction, shipbuilding, automobile

and all the other steel-consuming industries. This can be attributed to the recovery in the domestic real economy, as well as the demand in advanced markets and growth in emerging markets. Still, it will be quite challenging to completely overcome the prolonged low-growth economic rates and competition is growing even fiercer, both domestically and internationally, due to oversupplies in the global steel market. Furthermore, the overall international landscape is plagued with uncertainties caused by the tapering of the quantitative easing in the U.S. and possible foreign exchange risks in emerging economies.

Thus, Hyundai Steel Company's top priorities for building the foundation for sustained growth in 2014 will be 'back to basics' and 'change management' approaches so that we can build stronger fundamentals as a way to proactively respond to shifting domestic and international conditions.

First, Hyundai Steel Company's growth will be driven by the 'back to basics' principle.

Hyundai Steel Company will carefully examine if there is anything that we have neglected or overlooked in pursuing quantitative growth. Along the entire spectrum of our operations ranging from safety, sales, and production to sourcing, we will 'go back to the basics and build stronger key capabilities. Based on our belief that our customers are our *raison d'être*, we will strive to deliver total solutions for our customers. More broadly, we will review our product quality and services from a customer perspective and place customer communication as our top priority in sales and new product development.

Second, Hyundai Steel Company will create a system that enables 'preemptive response to change'.

With accurate insights into shifting market conditions and appropriate responses to those conditions, Hyundai Steel Company will take the initiative in changing the way the company conducts business. To this end, stronger company-wide risk management capabilities will be developed and optimal work processes

will be established. Our top priority in pursuing change is to ensure communication. Each one of our business departments will share any pertinent information concerning customer needs, which will then be adequately reflected in product development to improve the market acceptance of our products. Our production, sourcing and R&D departments will share their own accumulated experience and knowledge to explore improved alternatives and build a stronger competitive edge.

Furthermore, Hyundai Steel Company will ensure that the merger of cold-rolled coil operations will produce expected synergy. Such endeavors will move us beyond a mere business merger, to organizational and cultural harmony, and finally to mutual transformation and a genuine unity. This will maximize the operational efficiency of our Integrated Steel Mill and pave the way for us to become a truly global, top-notch steelmaker.

At Hyundai Steel Company, we believe that these operational guidelines will enable us to reach 19.7 million tons in product sales and KRW 16.3 trillion in turnover in 2014, increasing by 20% and 27% respectively from the previous year.

Distinguished shareholders and customers,

The traces of our work we have left behind over the last decade are best defined as 'dynamic'. Together we dreamed and finally, we realized our dream. Now, it is time that we make this dream even more meaningful. Thus, we will take the lead to transform our determination and attitude anew and vow to emerge as an even stronger company, unshaken by any external conditions.

We thank you for your continued support as we strive to build upon our success in the year ahead. We wish each one of you the best of luck for your future and your loved ones peace, health, and happiness.

Thank you.

Vice-Chairman & CEO,
Hyundai Steel Company

Park Seung-ha

CORPORATE GOVERNANCE

Hyundai Steel Company will maximize its corporate value through sound corporate governance and transparent management. In addition, we will fulfill our obligations to all our shareholders and create the best value through responsible management, thereby growing into a respected company.

BOARD OF DIRECTORS (BOD)

As of 31 Mar. 2014

Our Board of Directors (BOD) consists of four executive directors and five outside directors. Our outside directors are Korea's top-notch experts in respective fields of taxation, environment, business administration, fair trade and law. They are responsible for providing expert insight on important matters concerning our basic operational guidelines and business conduct. Moreover, they are fully committed to increasing shareholder value over the long haul through transparent and sound business practices.

	Name	Position
Executive Directors	Chung, Eui-Sun	Vice-Chairman, Hyundai Motor Company
	Park, Seung-Ha	Vice-Chairman & CEO, Hyundai Steel Company
	Woo, Yu-Cheol	President & CEO, Hyundai Steel Company
	Kang, Hak-Seo	Vice-President & CFO, Hyundai Steel Company
Outside Directors	Chon, Hyong-Soo	Advisor to Kim & Chang law firm (Tax Theory)
	Kim, Seung-Do	Professor at Department of Environmental and Bio Engineering, Hallym University (Environment)
	Oh, Jeong-Seok	Professor at Business School, Seoul National University (Business Administration)
	Sung, Nak-Il	Professor at Department of Economics, University of Seoul (Industrial Organization)
	Chung, Ho-Yul	Professor at Law School, Sungkyunkwan University (Economic Law, Commercial Law)

BOD SUB-COMMITTEES

As of 31 Mar. 2014

The BOD operates several sub-committees to ensure an efficient decision-making process.

	Name	Audit Committee	Ethics Committee	Outside Director Candidate Recommendation Committee
Executive Directors	Chung, Eui-Sun			
	Park, Seung-Ha			◎
	Woo, Yu-Cheol			
	Kang, Hak-Seo			
Outside Directors	Chon, Hyong-Soo	◎	○	○
	Kim, Seung-Do	○	◎	○
	Oh, Jeong-Seok	○	○	
	Sung, Nak-Il	○	○	
	Chung, Ho-Yul		○	

◎ Chairman ○ Members

Audit Committee The Audit Committee is responsible for auditing the Company's businesses and property, reviewing the validity and appropriateness of important changes to its accounting standards, and appointing outside auditors.

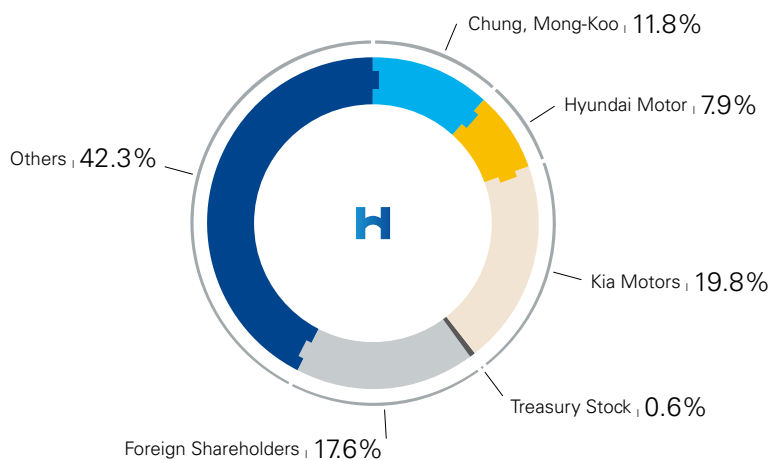
Ethics Committee The Ethics Committee makes decisions regarding the Company's ethics management. Its goal is to enable the Company to put into practice transparent management, and to develop an open and honest corporate culture.

Outside Director Candidate Recommendation Committee The Committee recommends candidates for outside directors.

SHAREHOLDER COMPOSITION

As of 31 Dec. 2013

The proportion of shares held by HMG Group has risen YoY as of 31 Dec. 2013

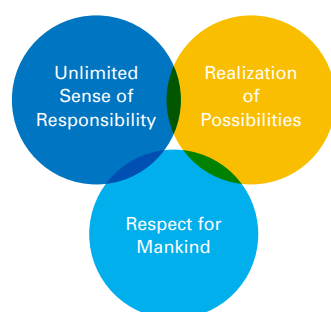


	No. of Shares	Ownership
Chung, Mong-Koo	13,805,299	11.8%
Hyundai Motor	9,173,595	7.9%
Kia Motors	23,049,159	19.8%
Treasury Stock	671,282	0.6%
Foreign Shareholders	20,536,190	17.6%
Others	49,314,259	42.3%
Total	116,549,784	100.0%

PHILOSOPHY & VISION

As a member of the Hyundai Motor Group, Hyundai Steel Company is fully committed to live by the Group's management philosophy in the entire business conduct. Furthermore, Hyundai Steel Company creates synergistic benefits with the steel, automotive and construction operations of the Group and in so doing, the company takes a step further towards its grand vision of leading the new era of steel.

KEY ELEMENTS OF MANAGEMENT PHILOSOPHY



Key Elements of Management Philosophy

Unlimited Sense of Responsibility It is with our sense of responsibility for our stakeholders that we become a successful business. Furthermore, in delivering the highest-possible quality for customers, we are driven to make progress.

Realization of Possibilities We refuse to remain relaxed or complacent in our success. Our unique challenging spirit lies at the core of our corporate DNA and is what compels us time and time again to make what was once impossible—possible. It is with our pioneering spirit and forthright sense of entrepreneurship, which was the very building block of our stunning success story, that we will continue to pursue shared growth and development with our employees, suppliers and local communities.

Respect for Mankind In conducting business, we aim to respect people as our business goal and highest value. We remain committed to improving the quality of life for all by delivering top-notch products and services to more people. Furthermore, we strive to become a company that proactively addresses environmental issues and gives back to the global community.

CORE VALUES OF THE HYUNDAI MOTOR GROUP



We move towards a brighter future with enthusiasm,
eager to meet any new challenge.

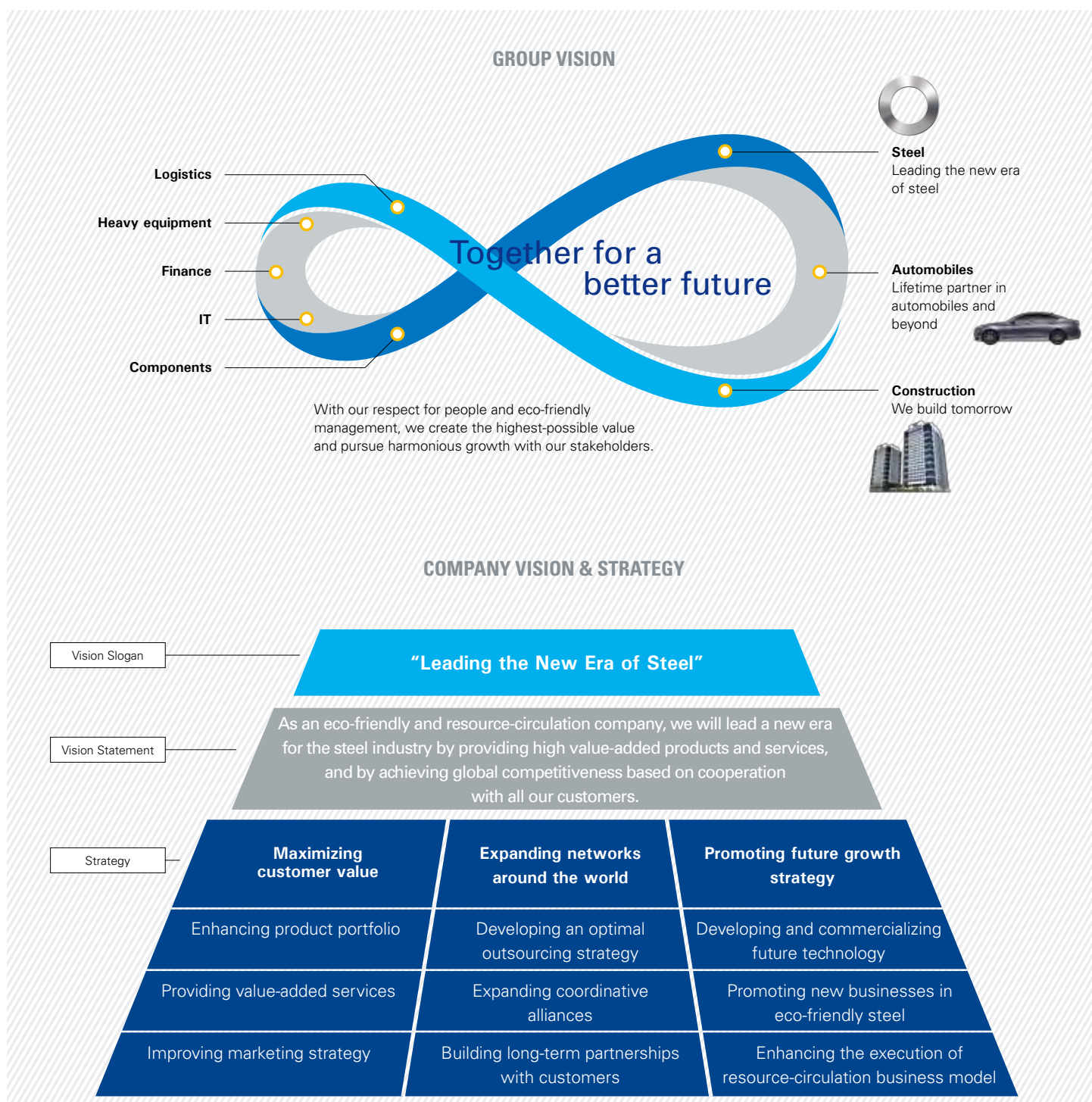
CHALLENGE We refuse to fall into the trap of complacency, we embrace each challenge as a welcome opportunity, and we are confident in achieving our goals with unwavering enthusiasm and an ingenious mindset.

COLLABORATION We create synergy through a sense of "togetherness" that is fostered by mutual communication and cooperation within the company and with our business partners.

CUSTOMER We promote a customer-driven corporate culture by providing the best quality and service for our customers.

GLOBALITY We respect the diversity of cultures and customs, aspire to be the world's best at what we do, and strive to become a respected global corporate citizen.

PEOPLE We believe the future of our organization lies in the hearts and capabilities of individual members, and we will do all we can to help these individuals develop their potential by creating a corporate culture that respects talent.



The background of the entire page is a grayscale image of a large steel coil, showing the characteristic spiral pattern of the metal sheets.

INNOVATION BASED ON *H SPIRIT*

With H Spirit, Hyundai Steel Company's
unique innovation begins to change the
future of the steel industry



BUSINESS INNOVATION

SUCCESSFUL COMPLETION OF
BLAST FURNACE NO. 3

1

**MANAGEMENT
INNOVATION**
MERGER OF THE
COLD-ROLLED COIL OPERATIONS

2



PROCESS INNOVATION

DEVELOPMENT OF A RESOURCE
CIRCULATION BUSINESS STRUCTURE

3



PRODUCT INNOVATION

HYUNDAI STEEL WITH THE LARGEST
NUMBER OF WORLD-CLASS PRODUCTS

4





BUSINESS INNOVATION

With the completion of Blast Furnace No. 3,
Hyundai Steel Company makes strides to become a
steelmaker dedicated to automotive steels

Production Capacity of 24 million tons

The successful completion of Blast Furnace No. 3
at the Dangjin Works enabled us to realize our
dream of building the Integrated Steel Mill with
three blast furnaces and to emerge as a world-class
steelmaker with a steel-making capacity of
24 million tons.

24



4 million tons

Blast furnace No. 3

30 months

The construction period

3.7 trillion KRW

CAPEX

Completion of the Integrated Steel Mill with Three Blast Furnaces

With the completion of Blast Furnace No. 3 in September 2013, Hyundai Steel Company's seven year-long investment in building the Integrated Steel Mill with three blast furnaces successfully came into fruition after the ground-breaking ceremony in October 2006. The operation of Blast Furnace No. 3 equipped the company with a total production capacity of 24 million tons (12 million tons through blast furnaces and 12 million tons through electric arc furnaces).

While No. 1 and No. 2 Blast Furnaces laid the foundation for Hyundai Steel Company to tap into the integrated steel mill segment, Blast Furnace No. 3 marked the initial step for the

company to pioneer new markets, secure a solid footing as a furnace operator and move towards a new and future-driven management paradigm that pursues sustainable growth.

It is based on our successful track records in building Blast Furnaces No. 1 and No. 2 that we completed Blast Furnace No. 3. Hyundai Steel Company invested a total of KRW 3.7 trillion in this 30 months-long construction project. Blast Furnace No. 3 is capable of producing 4 million tons a year: 2.3 million of hot-rolled coils and 1.7 million tons of heavy plates.

Blast Furnace No. 3 will not only enable Hyundai Steel Company to reach an economy of scale through quantitative expansion, but it will also bring about such benefits as increased capacity to produce high-grade steel, operational stability and production flexibility.



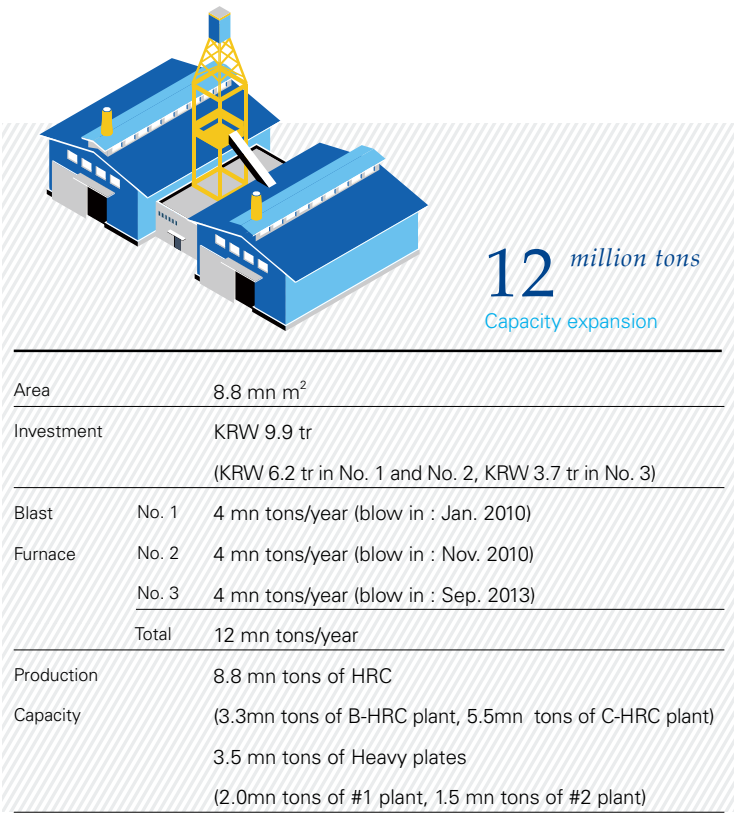
Economy of Scale Achieved through Increased Production Capacity

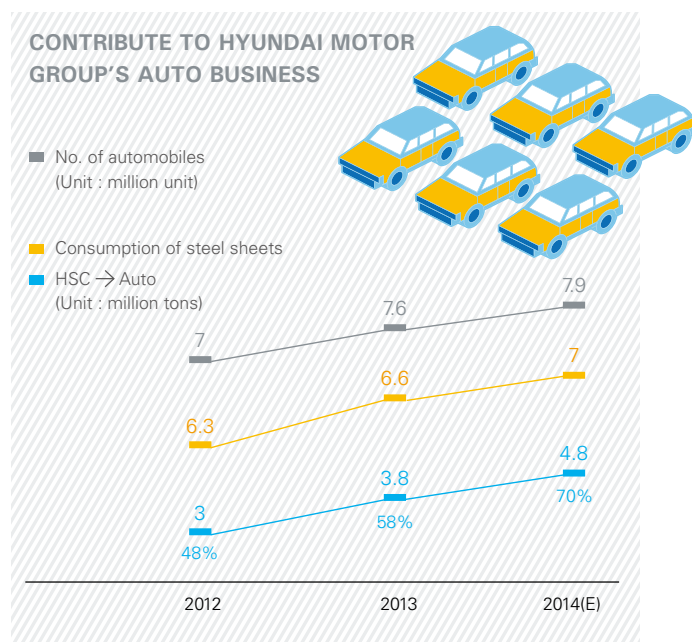
One of the greatest advantages brought by Blast Furnace No. 3 is that the economy of scale was achieved through expanded production capacity (by 12 million tons). Increasing production capacity by 50% while using the existing pier, railway and other infrastructure facilities and utilities will allow Hyundai Steel Company to improve production efficiency, and thus to reduce cost. In addition, Blast Furnace No. 3 will give the company a comparative advantage in negotiating the purchase of raw materials and thus a stronger price bargaining power in purchasing up to approx. 30 million tons of core materials.

Stable Production through the Operation of Three Blast Furnaces

Blast furnaces require general overhaul to repair both interior sections and exterior shells as well as the replacement of refractories every 10 to 15 years, regardless of their service life. Given that such large-scale maintenance takes three to six months to complete, having only two blast furnaces results in a significant burden in coordinating the utilization rate of the entire steel works. This can also lead to a tremendous limitation in responding to possible emergencies that may occur, other than general overhaul. Thus, world-leading steelmakers ensure they operate more than two blast furnaces. When three blast furnaces are running, the theoretical utilization rate of the entire steel mill can be at 67% or above, even during general overhaul or in emergency situations, and the rate may even increase to above 70% through a temporary boost in production at the blast furnaces that are not affected by unexpected situations.

Blast Furnace No. 3 will not only enable Hyundai Steel Company to reach an economy of scale through quantitative expansion, but it will also bring about such benefits as increased capacity to produce high-grade steel, operational stability and production flexibility.





The full operation of the three blast furnaces-based system led to a significant improvement in our automotive steel sheet production capacity. As our supply of automotive steel sheets as well as other types of steel sheets increases, this will further solidify our position as a steel maker specialized in automotive steels.

4.8 *million tons*

Expected Sales volume of Auto sheets in 2014





Reinforcing Our Position as a Steelmaker
Specialized in Automotive steels.

As Hyundai/Kia Motors increase their domestic and international production and Korean shipbuilding companies expect improvement in their business outcomes, the domestic consumption of flat steel is set to grow continuously and in a stable manner. Thus, in consideration of the current market conditions and future demand forecasts, the additional 4 million tons of molten iron to be produced by Blast Furnace No. 3 will be fully consumed by the market. Specifically, in 2014, when Blast Furnace No. 3 initiates its operation in full, Hyundai Steel Company plans to supply 4.8 million tons of automotive steel sheets, or Approx. 70% of the total annual purchase of Hyundai/Kia Motors.

Milestones Reached in Building the Integrated Steel Mill	
Oct. 27, 2006	Ground-breaking ceremony the build the Integrated Steel Mill
Jun. 25, 2007	Korea's largest pier constructed in Dangjin
Jul. 2, 2007	Ground-breaking ceremony to establish an enclosed raw material processing system
Oct. 28, 2007	Agreement signed with Canada for a long-term coal supply contract
Dec. 6, 2007	Technology cooperation agreement signed by TKS-HMC-HSC
Dec. 25, 2008	10,000 employees deployed for a day at the Integrated Steel Mill construction site
Feb. 20, 2009	Cooperation forged with Mechel in Russia to supply raw materials
Sep. 2, 2009	Completion of the enclosed raw material processing system
Dec. 27, 2009	Final blow-in test of Blast Furnace No. 1
Jan. 5, 2010	Blow-in ceremony of Blast Furnace No. 1
Jan. 7, 2010	First iron-tapping of Blast Furnace No. 1
Apr. 8, 2010	Completion of Blast Furnace No. 1
Nov. 23, 2010	Blow-in ceremony of Blast Furnace No. 2
Nov. 24, 2010	First iron-tapping of Blast Furnace No. 2
Apr. 12, 2011	Ground-breaking ceremony of Blast Furnace No. 3
Sep. 13, 2013	Blow-in ceremony of Blast Furnace No. 3



MANAGEMENT INNOVATION

With the merger of cold-rolling operations,
Hyundai Steel Company further boosted global competitive edge
with stronger product portfolio and profit structure

6 Million tons in CRC Capacity

In December of 2013, Hyundai Steel Company
merged with Hyundai Hysco's cold-rolling operations.
This merger will enable us to diversify product
portfolio, develop a stable profit-making structure,
broaden our domestic business network and build
stronger R&D capabilities.



6 million tons
CRC production capacity

31 %
Ratio of sales volume of CRC

Merger with Hyundai Hysco's Cold-Rolling Operations

On 17 Oct. 2013, it was decided at our BOD meeting to merge with Hyundai Hysco's cold-rolling operations at the stock swap ratio of 1 to 0.3894677 (Hyundai Steel Company to Hyundai Hysco) and the ad-hoc general shareholder's meeting held on 29 Nov. approved the merger with an overwhelming rate of 97.1% of the total attending shareholders. In so doing, Hyundai Steel Company's business operations expanded to include Cold Rolling Mill No. 1 and No. 2 with a 4 million ton capacity located within Hyundai Hysco's Dangjin Works as well as the 2 million ton-capacity cold rolling mill located within the company's Suncheon Works.

Through this merger, Hyundai Steel Company helped the Hyundai Motor Group realize its long-cherished aspiration to complete a truly

integrated steel mill that ranges 'from molten steel to cars'. Furthermore, this led to an improved brand value and reinforced our status as a global steelmaker.

Stronger Product Portfolio and Profit Structure

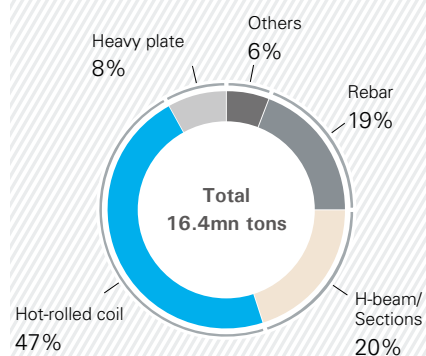
While Hyundai Steel Company's existing business structure focused primarily on the sales of hot-rolled steel products, the merger assisted the company in shifting into a diversified product portfolio with each product category accounting for 30% or less of the total sales. This serves as a buffer against any possible shifting conditions in the steel-consuming industries and results in a more stable profit structure.



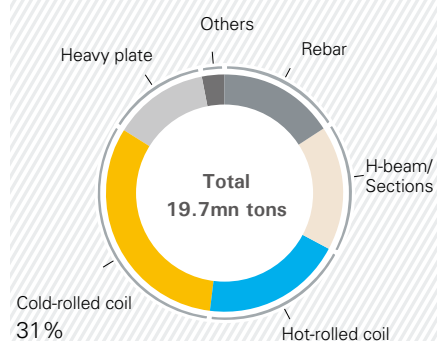


HOW HYUNDAI STEEL COMPANY PRODUCT PORTFOLIO HAS CHANGED

Completion of
Blast Furnace No. 3 in 2013



Merger of the
cold rolling operations in 2014



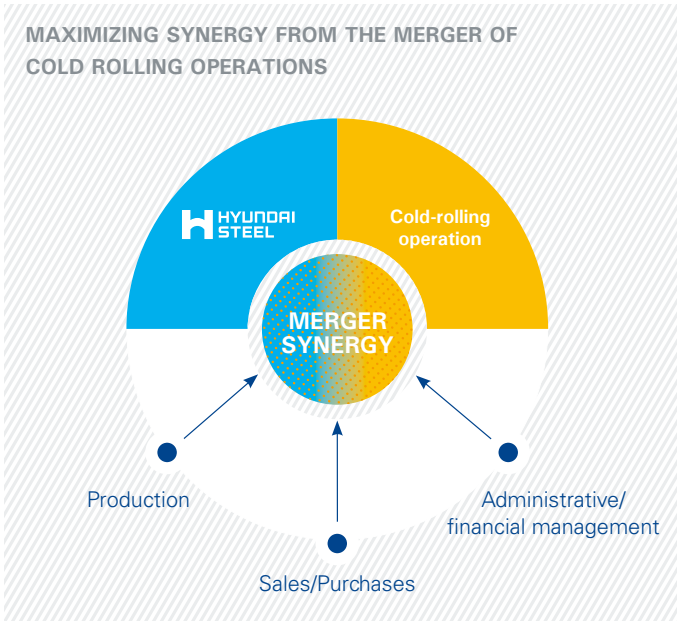


Broadened Domestic Network and
Integrated R&D Operations

The merger of Hyundai Hysco’s cold-rolling operations at the Suncheon Works allowed Hyundai Steel Company to broaden our business network across the nation - from the current Seoul metropolitan area, to the central, southeastern, and southwestern regions – and this further strengthened our capability to serve more domestic customers. In addition, the integration of the R&D operations of both companies in relation to automotive steel sheets gave an added boost to the development of high-tensile automotive steel sheets and other cutting-edge steel grades.

Commitment to Maximizing Synergy from
the Merger

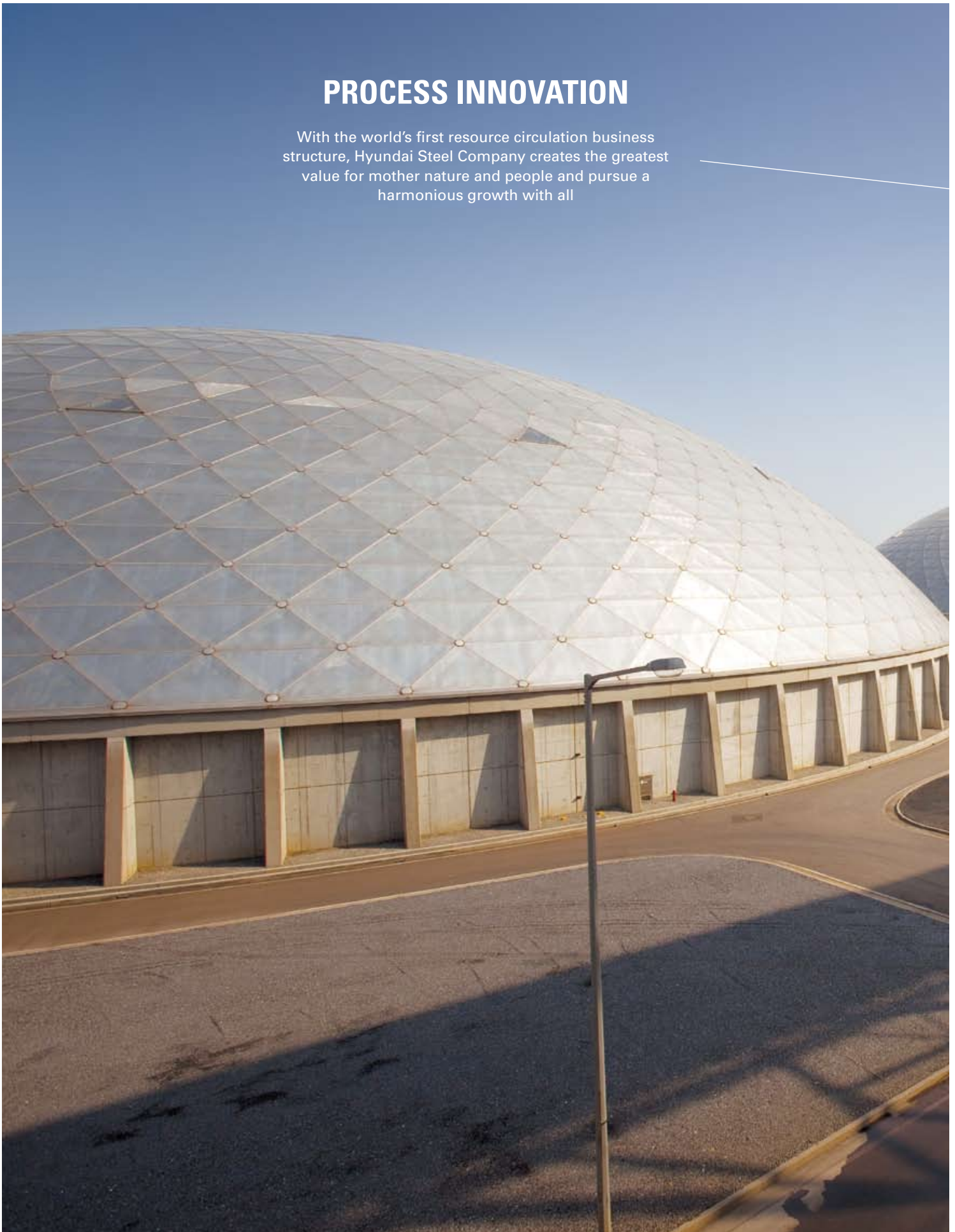
Hyundai Steel Company is committed to generating synergy from this merger. Since November 2013, company-wide merger task force team has been identifying ways to create synergy in the five areas of creating new demand, optimizing cold-rolling production, integrating purchasing practices, integrating organizations and building a low-cost production system. Such endeavors are expected to bring direct cost-savings in the short-term through the integration of sourcing, logistics and inventory management systems.





PROCESS INNOVATION

With the world's first resource circulation business structure, Hyundai Steel Company creates the greatest value for mother nature and people and pursue a harmonious growth with all



100% Recycling of Steel Resources

Hyundai Steel Company is the world's first to establish a resource circulation business structure in manufacturing steel products, from raw materials to finished products and recycled raw materials. Included in our differentiated green practices are the enclosed raw material processing system and the full recycling of byproducts and resources.

100%



World's First

Group of resource recycling
system

Eco-friendly, Resource Circulation Business Structure

Hyundai Steel Company and the Hyundai Motor Group became the world's first to establish a group-wide eco-friendly resource circulation business structure that ranges from iron ore in its natural state to cars as finished products and even to scrap metal as recyclable raw materials, through the successful operation of blast furnaces.

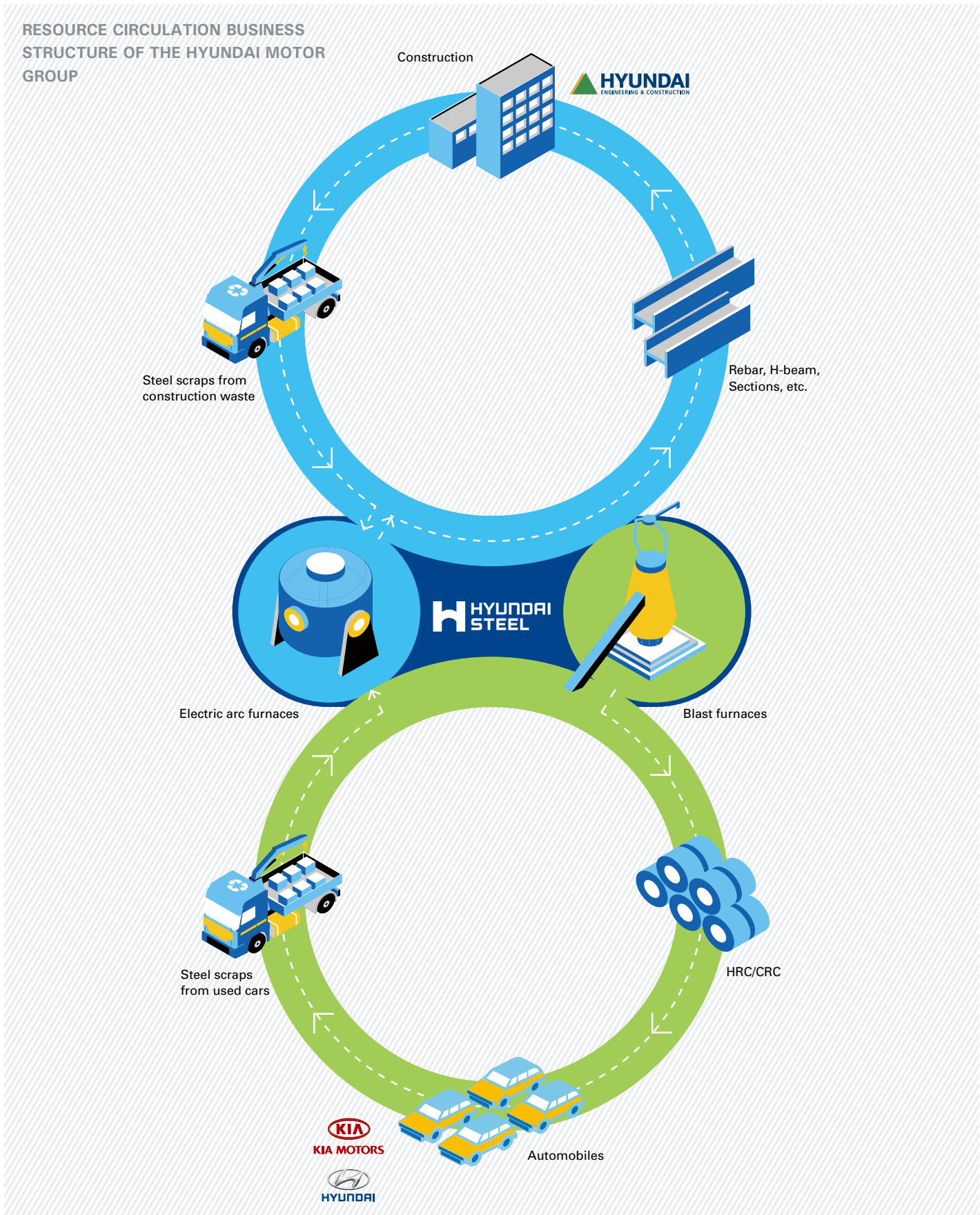
This blast furnace-driven loop of resource circulation starts with the production of crude steel and the manufacturing of hot-rolled/cold-rolled coils by Hyundai Steel Company to the production of cars by Hyundai-Kia Motors and to the disposal of used cars at the Automobile

Recycling Center. The scrap metal generated from this loop becomes raw materials for rebars and H-beams through our existing electric arc furnace-based resource circulation loop, which is then used for engineering and construction projects by Hyundai E&C and Hyundai Engineering. In turn, waste construction materials are once again recycled into scrap metal.

Such a mutually-beneficial circulation of resources delivers tremendous economic value while creating eco-friendly value through the multiple recycling of scrap metal, thereby creating an unbroken circle of life. As Korea's biggest recycler of steel resources, Hyundai Steel Company will build a stronger global competitive edge through this resource circulation business structure.



01. Iron ore
02. Coking Coal
03. Steel Scrap

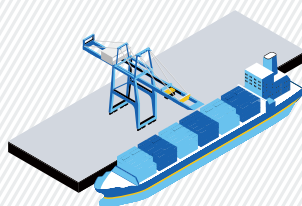




ENCLOSED RAW MATERIAL PROCESSING SYSTEM

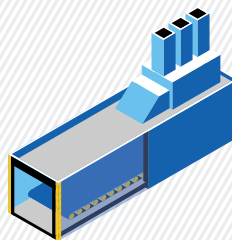
Enclosed Unloader Our continuous ship unloader (CSU) is highly efficient compared to its conventional counterparts. Enclosed buckets, which are inserted into the inside of the hold of the ship to unload raw materials, fundamentally prevent dust from scattering and iron ore from falling to the ground.

A

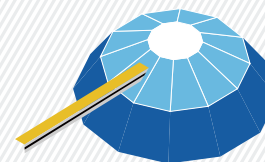


Enclosed Belt Conveyor It is through enclosed belt conveyers that unloaded raw materials are transported and fed into storage facilities, sintering, coke-making, casting processes and blast furnaces.

B

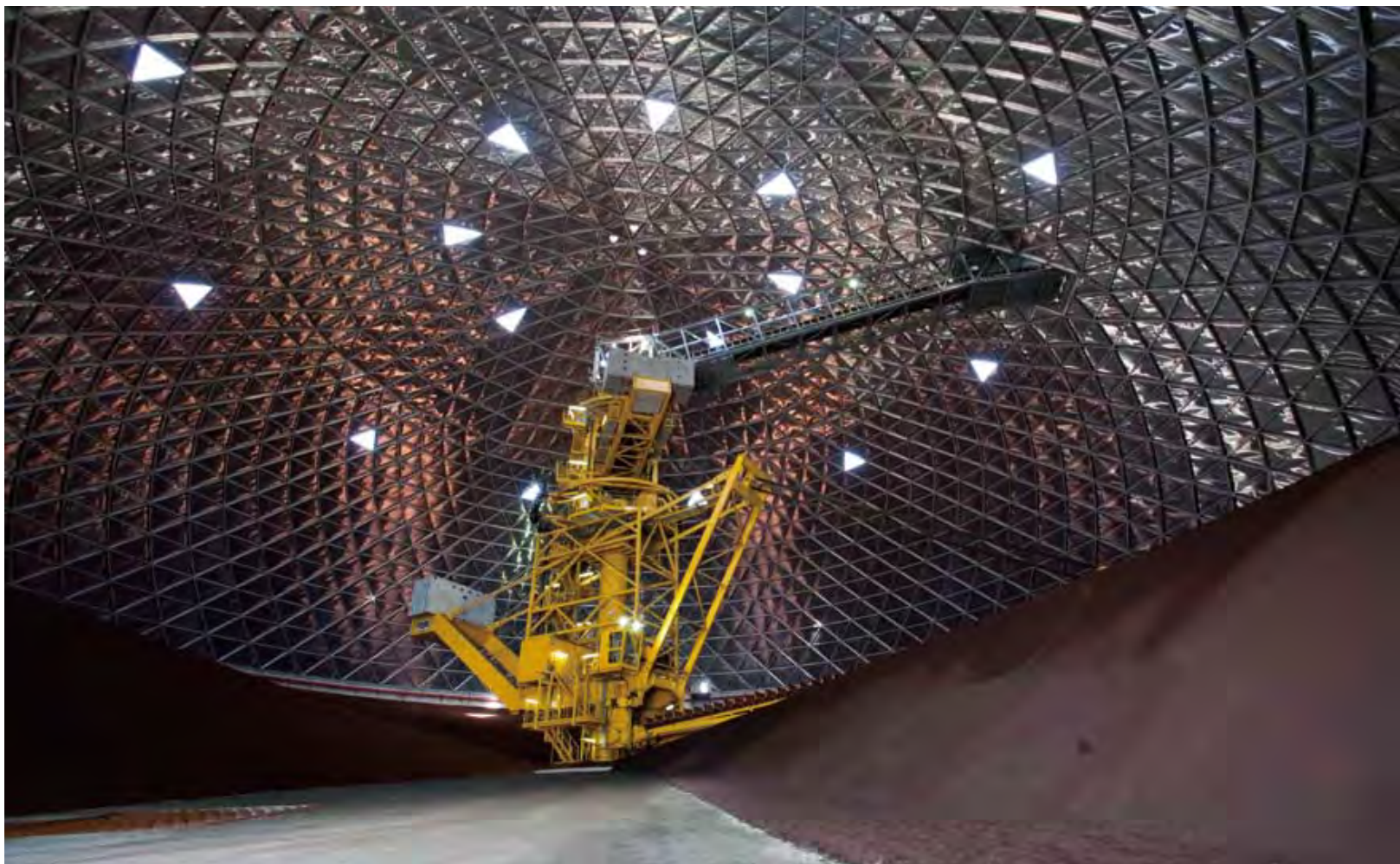


C



Enclosed Raw Material Storage Facility

All raw materials are stored at our circular and linear enclosed storage facilities. These facilities do not generate pollutants, allow for operation regardless of weather conditions and do not require separate facilities to treat waste/turbid water. In addition, their efficiency is more than double that of outdoor facilities and they do not incur wastewater treatment cost, which leads to increased savings on operational expenses.



The enclosed raw material processing system fundamentally prevents environmental pollution in the entire process ranging from unloading to storage and transportation of raw materials. This system is garnering attention from global steel makers as a best practice in establishing an eco-friendly steel mill.

Introduction of an Enclosed Raw Material Processing System

In storing and transporting iron ore and coal, which constitutes the first step of the resource circulation loop, Hyundai Steel became the world's first steelmaker to introduce an enclosed raw material processing system that contributes to the prevention of scattering dust generated from raw materials. In so doing, we are committed to building a top-notch eco-friendly

steel mill. This system, garnering attention as a benchmarking target across the globe, consists of enclosed unloaders, belt conveyers and raw material storage facilities.

Efficient Recycling of Byproducts and Resources

The high-temperature off-gas from Hyundai Steel Company's blast furnaces, cokes and steel-making facilities is supplied to Hyundai Green Power as feedstock to generate electricity. In addition, the slags generated at the Dangjin Works are fully recycled while 98% of the water consumed at the works is recycled, contributing both to cost reduction and environmental protection.



PRODUCT INNOVATION

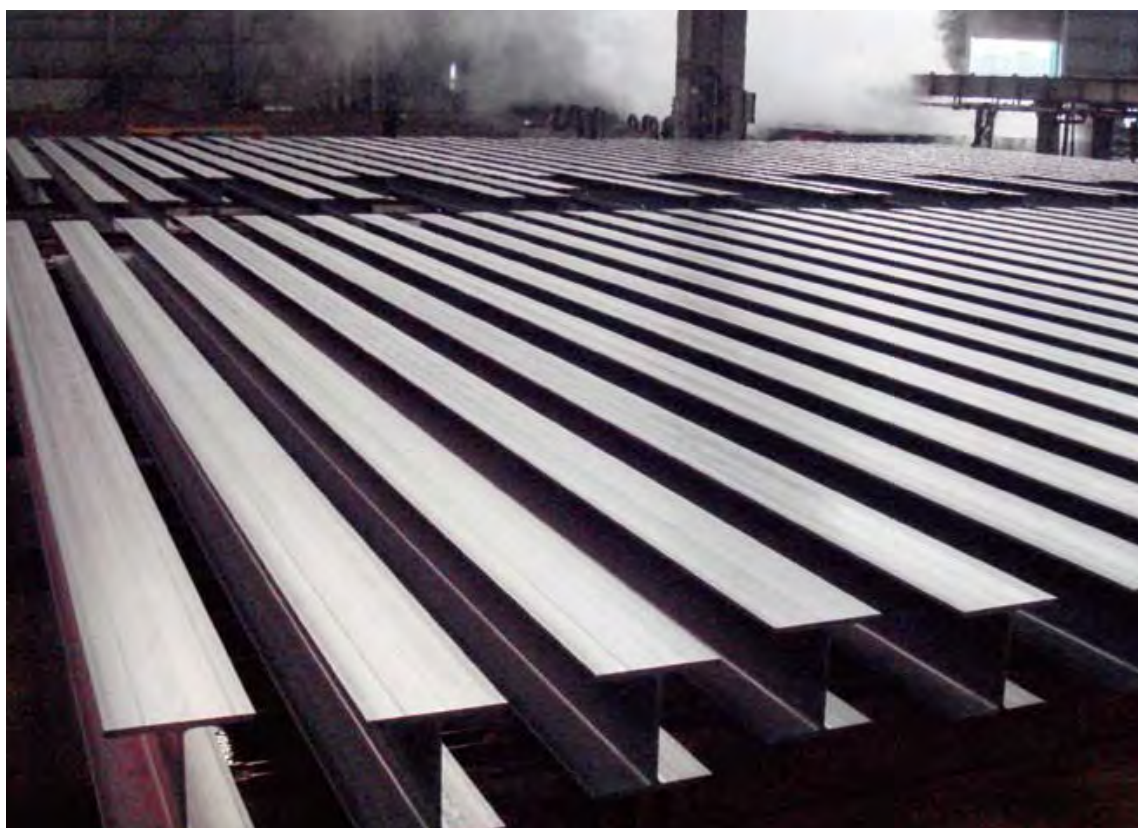
With the sustained technological development and quality improvement, we apply the highest standards to all products and advance into new market. Hyundai Steel Company will continue to identify world-class products recognized for technology and quality.

6 World-Class Products

Hyundai Steel Company has been honored with the 'Designation of World-Class Products and Producers' for eight consecutive years. Since six of the company's products were first designated as World-Class Products in 2005, Hyundai Steel Company has been continuously recognized over the last eight years as the steelmaker with the largest number of World-Class Products in Korea through sustained technological development and quality improvement as well as advancement into new markets.

6

1



2

World-Class Products

The World-Class Product designation is granted by the Ministry of Knowledge and Economy to those products that rank in the top five or account for more than 5% of the global market share. Their global market size should be more than \$50 million or double the size of the domestic market while their annual export volume should be over \$5 million. At Hyundai Steel Company, we have six World-Class Products – H-beams, HSS rolls, steel casting products for ship parts, inverted angles and sheet piles.

¹ H-Beam

Hyundai Steel Company is the Korea's first company to develop H-beams. They are used as beams or columns in constructing skyscrapers, factories and gyms and are noted for their outstanding strength and shock absorberency, an added convenience in welding process. They are also used as footing piles for apartment buildings, shopping centers, subway stations and bridges. The demand of H-beams is set to increasingly grow as buildings with improved earthquake resistance are required to prevent casualties in earthquake-prone areas.

² High Speed Steel Roll (HSS Roll)

High speed steel rolls (HSS rolls) are primarily used for rebars, small beams and steel casting products for ship parts. Since their initial development in 1993, we at Hyundai Steel Company has continued to develop technology and improve quality as a way to deliver HSS rolls with enhanced abrasion and heat resistance. Recently, high carbon steel rolls for plates have been under development. Hyundai Steel Company produces more than 20,000 tons of HSS rolls annually, 70% of which are supplied to the domestic market.

³ Steel Casting Products for Ship Part

Steel casting products for ship parts were designed for stern structures of large ships such as rudder horns and stern bosses that support rudders and propellers respectively. As they should be able to prevent corrosion, vibration and cavitation under the water, these steel products require special technology and near-perfect quality. Hyundai Steel Company's steel casting products for ship parts are leading the global market with 40% market share for their top-notch technology and quality.



4

Hyundai Steel Company's World-Class Products represent the essence of the company's full-fledged capabilities. Noted for their exceptional competitive edge domestically and internationally, these top-notch products deliver greater customer satisfaction and maintain their reputation as truly World-Class Products.

⁴Track Shoe Assemblies

Track shoe assemblies that constitute the undercarriage of excavators not only efficiently distribute the weight but also maintain an excellent grip in swamps and in sandy and gravelly terrain. Hyundai Steel Company has been delivering track shoe assemblies to major construction and machinery companies in Japan and Korea since 1985. Presently, we account for 22% of the global market and 75% of the domestic market. Specifically, our market share in the emerging market of India and the advanced market of Japan is 45% and 10% respectively.

⁵Inverted Angle

As vessels increasingly grow in size, inverted angles were developed as structural reinforcement to help minimize the actual tonnage of ships and distribute the impact of clashes. In 1982, Hyundai Steel Company became the world's second to develop inverted angles and recently, the company has been working intensively to develop high strength steel used for high value-added ships. Hyundai Steel Company's inverted angles are delivered to major global shipbuilders in Japan, China and the rest of the world, in addition to Korea.





5

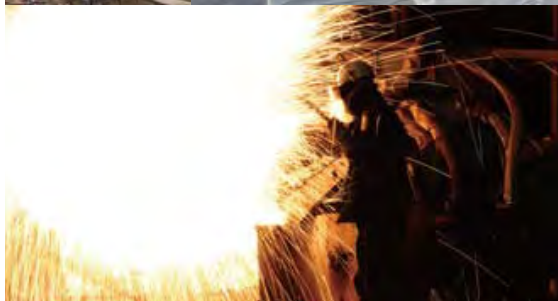
⁶ Sheet Pile

Sheet piles are used to bear horizontal or vertical loads generated by upper structures. Prior to the development of sheet piles, log piles were buried underground to prevent landslides but they lacked durability and could be used only for simple structures. Hyundai Steel Company's sheet piles were designed to remedy such weaknesses and are widely used for permanent, impervious, and temporary earth structures for their outstanding bearing capacity.

6







BUSINESS OVERVIEW

With the unrivaled competitive edge driven by cutting-edge production facilities, exceptional products and remarkable technological capabilities, Hyundai Steel Company develops hand-in-hand with customers as a global steelmaker specializing in automotive steels.

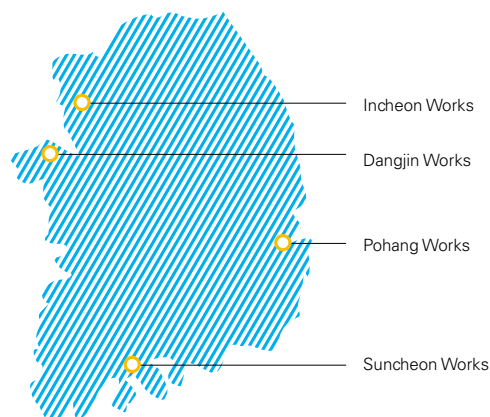
Hyundai Steel Company constructed Blast Furnace No. 1 and No. 2 in 2010 to establish the Integrated Steel Mill while completing Blast Furnace No. 3 and merging with Hyundai Hysco's cold-rolled coil operations in 2013. As a result, the company emerged as a truly global steelmaker specializing in automotive steels and capable of handling iron-making, steel-making, continuous casting and then producing hot-rolled and cold-rolled coils.

Hyundai Steel Company is globally competitive in production infrastructure, product portfolio and R&D. Our cutting-edge facilities in Korea and China produce wide-ranging high-quality steel products to serve in a multitude of industries domestically and internationally. The major focus of our R&D is to develop strategically important next-generation steel grades and we are constructing an automotive special steel mill, in addition to other investment initiatives geared toward a stronger competitive edge in the upcoming years. Hyundai Steel Company will create greater customer value and continue to grow through exceptional products and competitive services.

STEEL MILLS

24 million tons
Total production capacity

11 thousand employees
Total employees



Hyundai Steel Company operates steelmaking mills in Incheon, Pohang, Dangjin and Suncheon in Korea and in Qingdao, China, to produce high value-added steel products. Our sustained investment in facilities and equipment allows us to expand both production capacity and product portfolio and to gain a top-notch competitive edge.

Incheon Works: Cradle of the Korean Steel Industry The Incheon Works, an initiator of the Korean steel industry and the world's largest single electric arc furnace steel mill, is widely known for its eco-friendly and highly-efficient facilities. Its water treatment plant helps recycle domestic sewage into industrial water, while an iron pier at the North Incheon Port that has been used since 2007 and has two 50,000 ton berths, generated significant savings in logistics costs.

Pohang Works: High Value-added, Customized Manufacturing System The Pohang Works boasts a wide-ranging product portfolio, from H-beams and rebars, to round bars and heavy machinery. Specifically, it is the world's second to successfully develop magnetic levitation train rails and it is Korea's sole manufacturer of high-speed train rails. Furthermore, it manufactures HSS rolls, track shoe assemblies and other high value-added steel products that are recognized as World-Class Products.

Dangjin Works: Moving Towards Becoming the World's Best The Dangjin Works enabled us to become the first private steelmaker in Korea to operate blast furnaces in 2010, thereby rewriting the history of the nation's steel industry. Dangjin Works is divided into an electric arc furnace section and a blast furnace section: the former consists of a rebar mill that uses steel scraps or raw materials and an A-HRC mill, while the latter consists of B/C-HRC mills, a heavy plate mill and a 400 million-ton-capacity CRC mill, including a total of three blast furnaces. Its specialty steel mill is presently under expansion and will be completed in 2016.

Suncheon Works: A World-Class Cutting Edge Facility Located in the Yul-Chon Industrial Complex in the South Jeolla Province, the cutting-edge facilities of the Suncheon Works produce 2 million tons of cold-rolled coils a year. It ensures stable operations through the world's largest (as a single facility unit) 1.2 million ton-capacity CAL (continuous annealing

Works Operational Data (As of December 2013)

	Incheon Works	Pohang Works	Dangjin Works	Suncheon Works	Qingdao Works
Size	920,000 m ²	660,000 m ²	8,820,000 m ²	830,000 m ²	660,000 m ²
Steel-making Capacity	4.7 million tons	3.4 million tons	15.6 million tons	-	
Production Capacity	4.4 million tons	3.4 million tons	15.7 million tons	2.0 million tons	0.1 million tons
Major Products	STS Rebar, H-beam, Sections, Steel casting product, Stainless steel	H-beam, Rebar, Rails, Specialty steel, Roll, Track shoe assemblie	Rebar, Hot-rolled coil, Heavy plate, Cold-rolled coil	Cold-rolled coil	Track shoe assemblies for excavators, Roller

line), its automated production and logistics facilities and the CIM. It has obtained ISO, KS, JIS and other major Korean and international certifications as a way to produce top-notch quality products.

* CIM (Computer Integrated Manufacturing)

Qingdao Works: Beachhead to Tap the Global Market It is with our belief in the potential and unlimited possibilities of the Chinese market that we established our Qingdao Works in 2000. The Qingdao Works assembles and manufactures track shoe assembly components and was ranked 1st in the Chinese undercarriage (an excavator part) market just two years and three months after its operations had begun. In advancing into the Chinese market, our Qingdao Works assists us in tapping even wider into the global market.

- 01. Dangjin Works: Moving Towards Becoming the World's Best
- 02. Incheon Works: Cradle of the Korean Steel Industry
- 03. Pohang Works : High Value-added, Customized Manufacturing System
- 04. Suncheon Works: A World-Class Cutting Edge Facility
- 05. Qingdao Works: Beachhead to Tap the Global Market



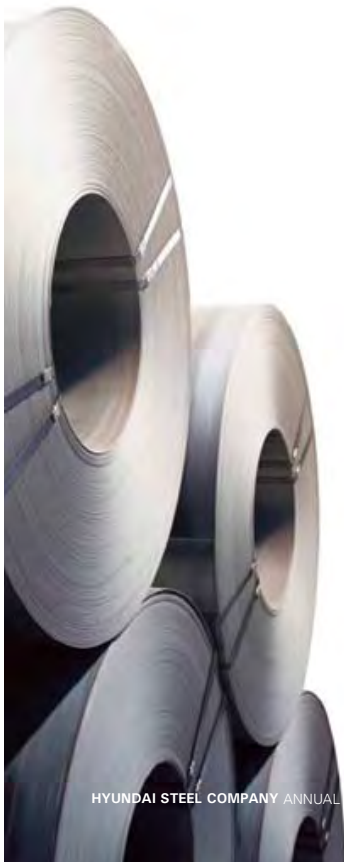
KEY PRODUCT

57%

Flat Products in 2013

43%

Long Products in 2013



HYUNDAI STEEL COMPANY ANNUAL REPORT 2013

The steel products that we produce at Hyundai Steel Company serves as key materials that contribute to industrial development and the improvement of human life. We manufacture wide-ranging high-quality steel products through our electric arc and blast furnaces to ensure a stable supply of these key materials to automobile, construction, shipbuilding and other major national and international industries.

Blast Furnace

Hot-rolled Coil When molten iron is processed into flat, semi-finished steel slabs, these slabs can be heated at high temperatures, pressed and thinned to finally produce hot-rolled coils. With our HRC production infrastructure, we have emerged as a major flat steel supplier in Korea. The Dangjin Works is equipped with fully automated facilities that contribute to enhanced precision and quality features to manufacture hot-rolled steel products that are used for automotive structures, home appliances, construction materials, high-pressure gas containers, mechanical structures, oil pipes and many other applications.

Cold-rolled Coil When hot-rolled coils are processed through acid cleaning, rolling, heat treatment, zinc plating or painting to become even in thickness, smooth-surfaced and glossy, they are called cold-rolled coils. These coils are broadly used as their surfaces are aesthetically-pleasing, tolerant against press processing and able to be processed in a long horizontal state. Specifically, these features make these coils perfect for automotive chassis, measurement instruments and electronics. Hyundai Steel Company has secured the production capacity of automotive steel sheets, which are coined “the cream-of-the-crop in the steel industry,” while strengthening strategic partnership with global steelmakers, thereby contributing to improving the competitive edge of the nation’s automobile industry.

Heavy Plate The construction of the Integrated Steel Mill assisted us in establishing a complete heavy plate production system, ranging from raw materials to components. Hyundai Steel Company also continues to build fully automated facilities to produce heavy plates that meet the needs of our customers. We have been approved by ship classification societies all around the world to manufacture general heavy plates for ships, as well as high tension steel. Furthermore, we deliver wide-ranging, high-quality, heavy plates for boilers & pressure vessels, general and welding structures, bridges, industrial machinery, oil pipes and plants.

Electric Arc Furnace

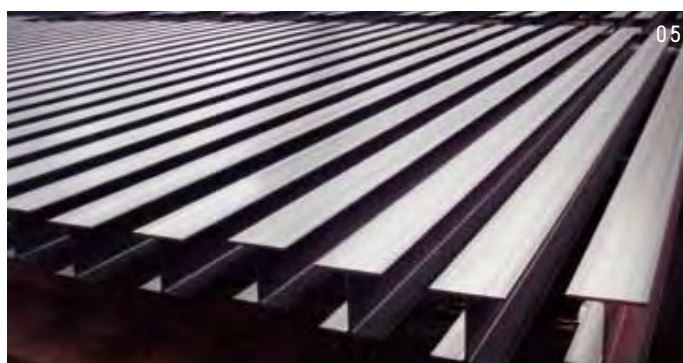
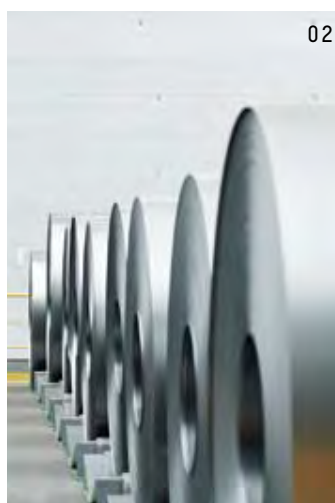
Rebar Our rebars produced at the Incheon, Pohang and Dangjin Works come in wide variety of sizes (from D10mm to D57mm), and are broadly used for reinforced concrete structures, nuclear plants and general buildings. At Hyundai Steel Company, our top priority is to develop diverse customized rebars so that we may bring greater cost savings to construction companies, who are our major customers. Specifically, the super bars that we developed back in 2001, with more than 25% increase in yield strength compared to conventional bars, have contrib-

uted tremendously to expanding usable building spaces, building high-rises and reducing construction costs.

H-Beam/Sections Hyundai Steel Company produces and supplies sections in various types and sizes. As our representative product that we developed for the first time in Korea, our H-beams are widely recognized by our domestic and international customers for their exceptional quality. Specifically, our slim beams-rolled asymmetric H-beams, extra-thickness/large-size H-beams, high strength H-beams and weather-proof H-beams require advanced technology and quality management. These high value-added products allow for narrower area-specific deviations compared to competitor products from developed nations and thus dominate the global market for their unbeatable quality. Other section products include angles, channels and I-beams and Hyundai Steel Company is the sole Korean developer and supplier of large-size angles, which require sophisticated design and rolling technology.

Steel Casting Product/Heavy Machinery Hyundai Steel Company produces and directly supplies steel casting products for stern structures, as well as ingots for forging applications to Korean and international shipbuilders. We also manufacture steel casting products for wide-ranging industrial applications. Furthermore, we are a widely-recognized supplier of rolls for various rolling applications and produce all types of casting rolls, from HHS rolls made of cutting-edge materials, to ADM rolls. In addition, we are the world's only steelmaker capable of producing finished heavy machinery products (track shoe assemblies for excavators) from raw materials, within a single steel mill.

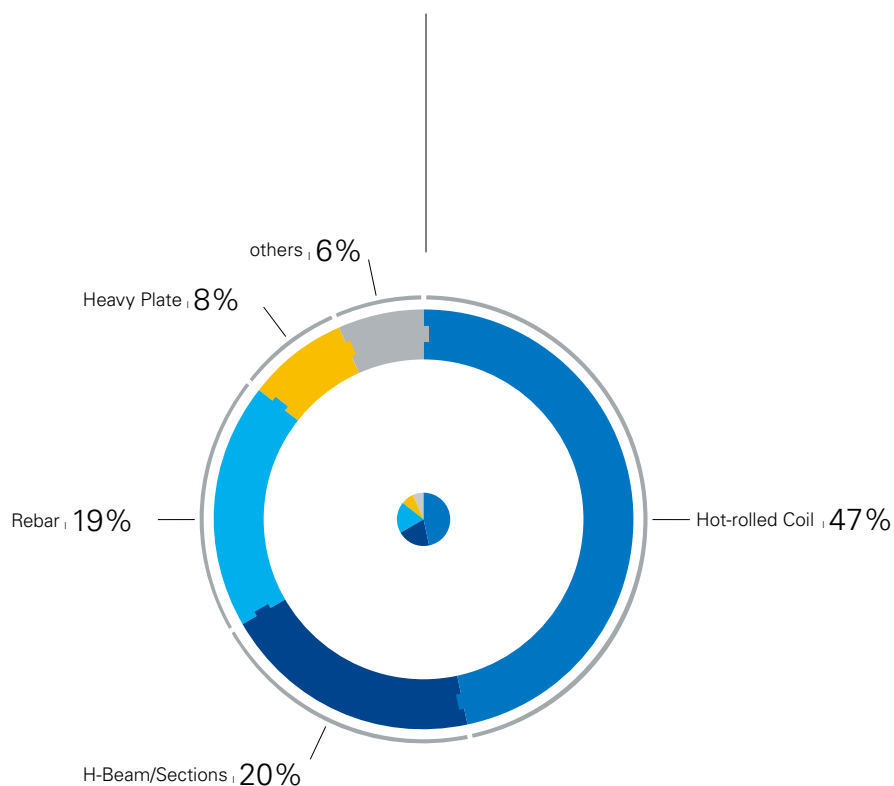
Stainless Steel Hyundai Steel Company, used for home appliances, transport devices and steel pipes, poses no harm to the human body, is fully recycled and blocks pollutants; thus, it is emerging as a next-generation eco-friendly material. Hyundai Steel has developed world-class technological capabilities in producing stainless steel and secured top-notch quality and production capacity that enable the company to meet customer needs in the low-nickel stainless steel market.



- 01 Hot-rolled Coil
- 02 Cold-rolled Coil
- 03 Heavy Plate
- 04 Rebar
- 05 H-Beam/Sections

PRODUCT PORTFOLIO & PERFORMANCE

PRODUCT PORTFOLIO IN 2013



Total Sales Volume in 2013
(Unit : Thousand tons)

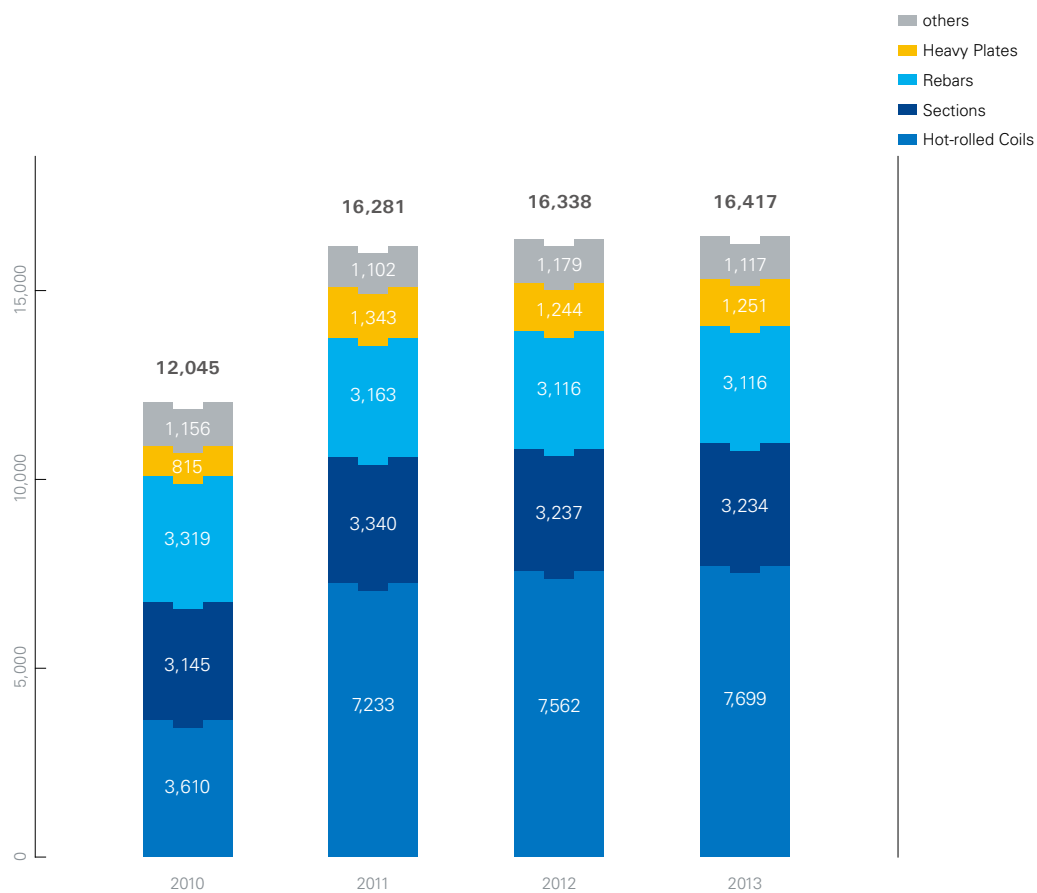
16,417

Hyundai Steel Company is a global producer and supplier of wide-ranging steel products - CRC, HRC, Heavy plate, Rebar, H-beam, Heavy machinery, STS and semi-finished steel products.

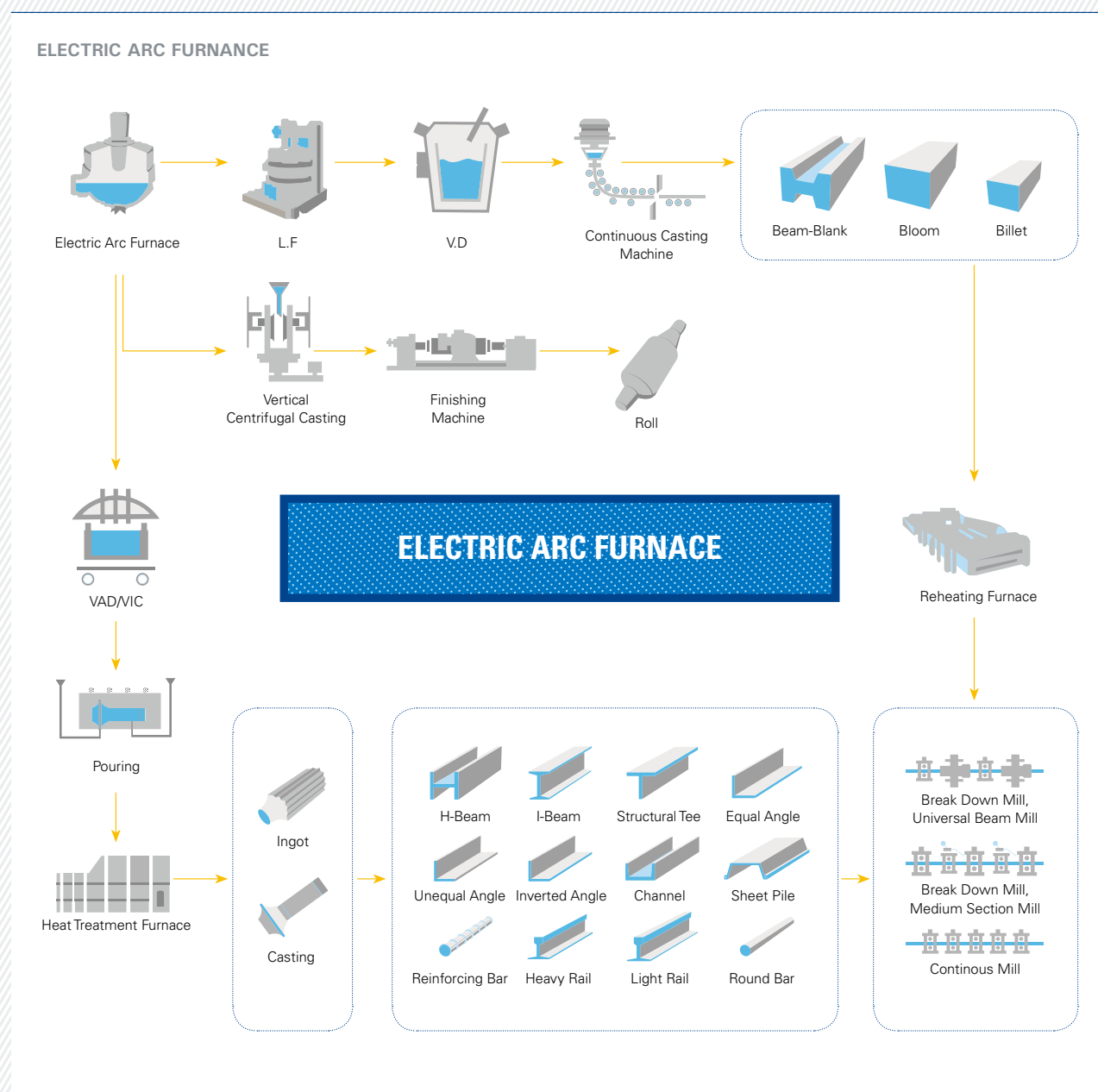
In 2013, Hyundai Steel Company raised the share of high value-added strategic products in total sales while diversifying Hyundai Steel's product portfolio through the completion of Blast Furnace No. 3.

ANNUAL SALES VOLUME BY PRODUCT

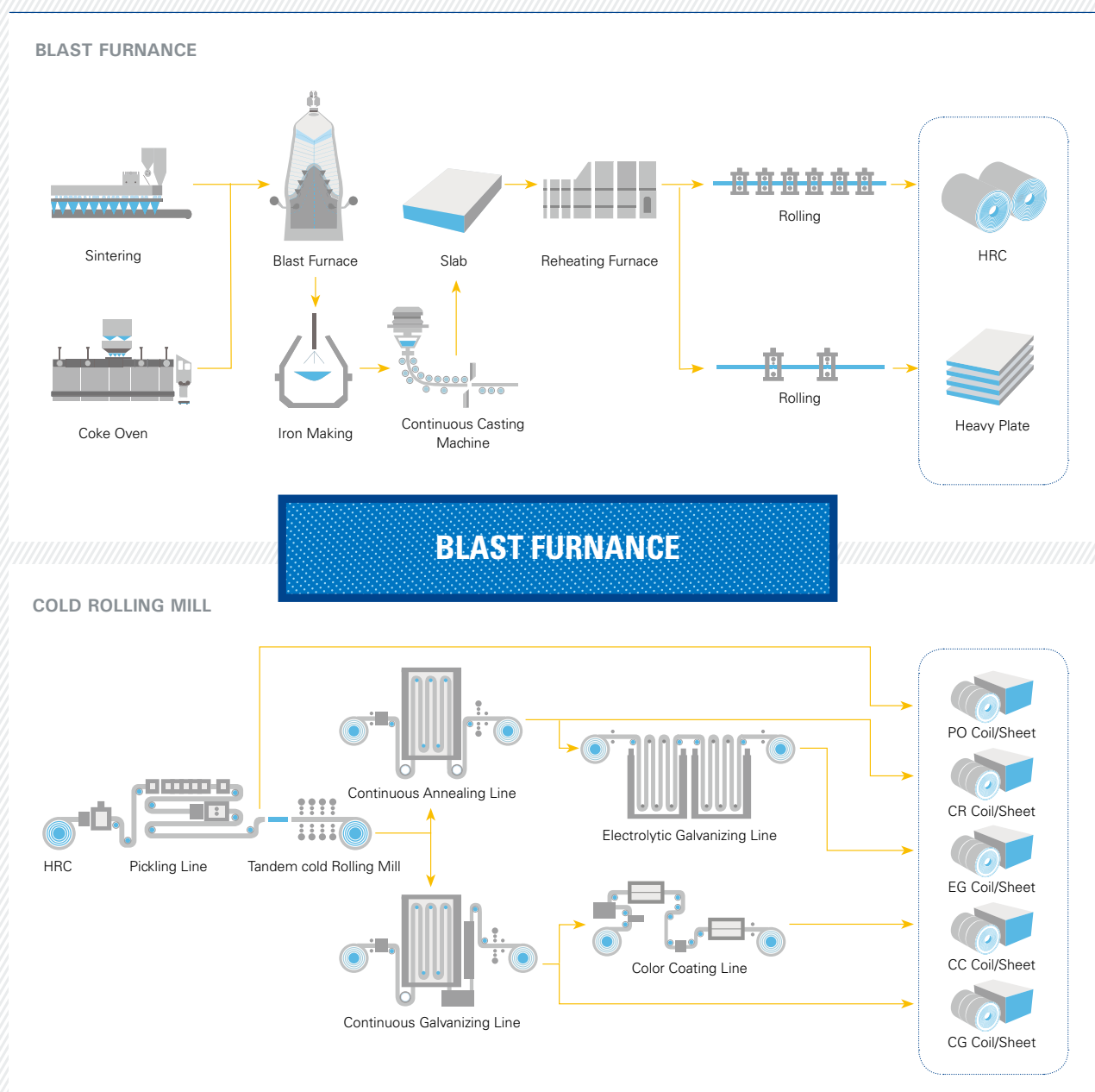
(Unit : Thousand tons)



MANUFACTURING PROCESS



At Hyundai Steel Company, we produce a wide range of steel products that are used as integral industrial materials through our electric arc and blast furnaces. Through the entire process—ranging from the usage of raw materials- to iron & steel-making and continuous casting and rolling, we deploy advanced and fully-automated facilities to produce high-quality products in a stable and eco-friendly manner.

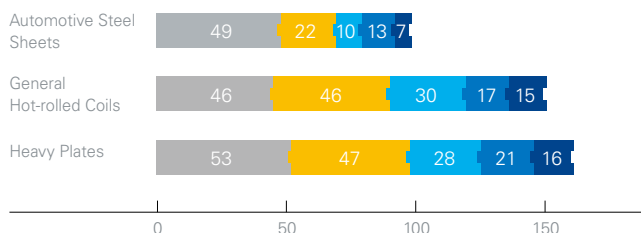


R&D

Development of Strategic Steel

(Unit: Steel types)

■ 2010 ■ 2011 ■ 2012 ■ 2013 ■ 2014 (to be planned)



Hyundai Steel Company's Commitment to Stronger Technological Capabilities



Hire professional individuals to expand the areas of technological development and reinforce functionalities



Develop technical training and educational programs to build stronger R&D capabilities



Forge technological cooperation with major companies and organizations to establish strategic partnership networks



Identify and secure key patents to build a stronger competitive edge in products.

Hyundai Steel Company leads the technological revolution in the steel industry through the proactive development of new and strategically-important steel grades. To ensure that our technological capabilities continuously advance, we will hire and promote talented professionals, expand areas of technological development, create a strategic partnership network through technological cooperation and identify and secure key patents.

Blast Furnace

The operation of the blast furnaces at the Dangjin Works positioned Hyundai Steel Company at the core of the Hyundai Motor Group's value chain. The completion of this value chain, through a timely supply of high-end hot-rolled coils, was one of the biggest motivations behind the construction of our blast furnaces. To this end, we created a steel research institute within Dangjin Works in 2007 (before the construction of the blast furnaces), while establishing a collaborative R&D system among the four companies of Hyundai Steel Company, Hyundai Hysco, Hyundai Motor and Kia Motors.

Included in the strategically-important next-generation steel grades that we at Hyundai Steel Company developed in 2013 are 13 grades of automotive steel sheets, 17 grades of general hot-rolled coils and 21 grades of heavy plates. Furthermore, we have been developing unique, high value-added steel grades since 2010 to swiftly deliver all the steel grades required by the market today. We remain fully committed to developing these strategically important, next-generation steel grades so as to build our competitive edge for the future and progress rapidly-changing product trends.

Electric Arc Furnace

High-Strength Rebar Hyundai Steel became the first steelmaker to commercialize SD600 in 2011 to promote mutually-beneficial development with the construction industry. Our SD600 improved its yield and strengthened by 20% against that of SD500 and allowed for wider spacing, which translated into 10~15% savings in construction costs. As earthquake-resistant building design requirements grow more stringent for increasingly larger and higher building structures, demand for high-strength rebars increase accordingly and their share in the market will continue to rise as a result.

High-Strength Rebars for Nuclear Plant Hyundai Steel led the development of high-strength rebars for nuclear plants to establish a supply system in the domestic nuclear plant industry and is developing technology for overseas nuclear plants. We are broadening the adoption of these rebars in designing nuclear plant structures through our technological cooperation with the Korea Concrete Institute, while regularly sharing technological expertise with the Korea Hydro & Nuclear Power Co. to improve their reliability. Our high-strength rebars for nuclear plants led to reduced rebar workloads and shortened construction periods, in addition to an approximate 20% reduction in rebar consumption.

Earthquake-Resistant Rebar The tragic earthquake that hit Japan in 2011 led to the enactment of regulations that make earthquake-resistant building designs mandatory, which resulted in an increasing demand for earthquake-resistant steel materials. Thus, Hyundai Steel developed such steel materials and launched a reinforced quality warranty scheme to promote their sales.

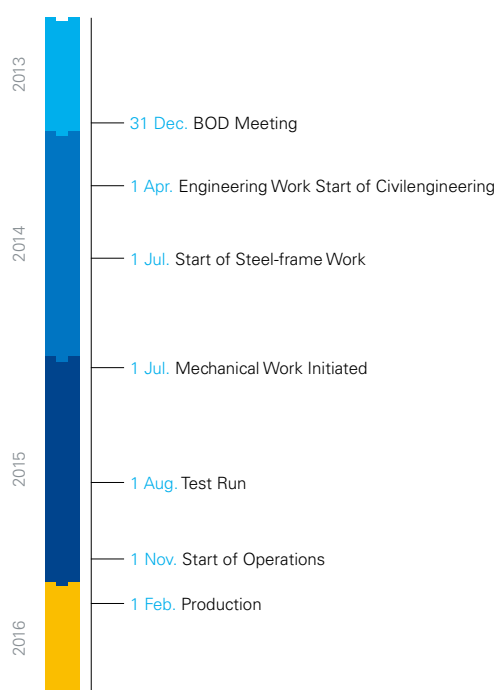
Sections for Off-Shore Structures A rising number of off-shore plants being constructed near the Arctic Ocean, a growing demand for lightweight steel due to floating facilities and increasing facility size, represent shifting trends of steel materials for off-shore plants. Thus, Hyundai Steel developed high-strength, cold shock-resistant products for these structures. The development of highly sophisticated section materials enabled us to supply both the sections and the heavy plates for each single project, which further boosted our competitive edge in securing contracts.

KEPIC Certification The Korea Electric Power Industry Code (KEPIC) was designed to certify qualified power generators, designers, manufacturers, constructors and material suppliers to assure the construction quality of electrical facilities and specifically, of nuclear power plants. As a KEPIC-certified steel maker, we expect to increase our supply of nuclear plant construction materials, lay the foundation to secure more power plant project contracts in Korea and overseas, enhance our corporate image through improved safety and reliability and to further boost our competitive edge in quality.



INVESTMENT

Construction Schedule



Following the success in completing the Integrated Steel Mill, large-scale investments will begin in manufacturing specialty steel for automotive uses from 2014. Once a specialty steel mill with an annual capacity of 1 million tons is constructed, Hyundai Steel Company's position as a steelmaker specializing in automotive materials will be firmly secured and the company will further boost its competitive edge in the upcoming years.

Construction of facilities to make next-generation specialty steel

Now that the seven-year-long grand journey to build the Integrated Steel Mill has come to an end, Hyundai Steel Company will take on yet another challenge and expand its portfolio, beyond automotive steel sheets, to specialty steel. The construction of a specialty steel mill, with annual capacity of one million tons within the Dangjin Works, will be initiated in April 2014 and completed by 2016.

Specialty steel is used as a major material for such essential automotive parts as engines and transmissions. Once this specialty steel mill is completed, Hyundai Steel Company's Integrated Steel Mill will extend its scope, from hot-rolled coils and cold-rolled coils as secondary processed products, to specialty steel for auto parts materials. This will not only increase our contributions to the Hyundai Motor Group as a material supplier, it will also further strengthen our status as a steel maker specializing in automotive materials. In the face of the prolonged domestic steel market recession, we are building unflinching growth engines through tapping into additional captive markets.

Investment Overview

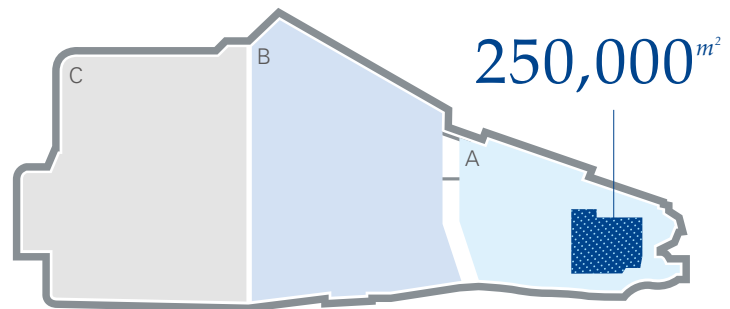
Name of Project	Construction of a next-generation specialty steel mill
Purpose	<ul style="list-style-type: none"> · Establish a stable automotive specialty steel supply system and our competitive edge in the future · Perfect our status as a steel maker specialized in automotive steels - Maximize the use of molten iron in operating blast furnaces, Secure competitive edge in cost
AREA	In front of the R&D center in Section A (Dangin integrated steel mill)
CAPACITY	1 million tons/year (0.6mn tons of round bars and 0.4mn tons of wire rods)
CAPEX	KRW 822 bn
Period	19 months in total (Apr. 2014 civil engineering~Oct. 2015 test run completed)

Integrated Steel Mill Site

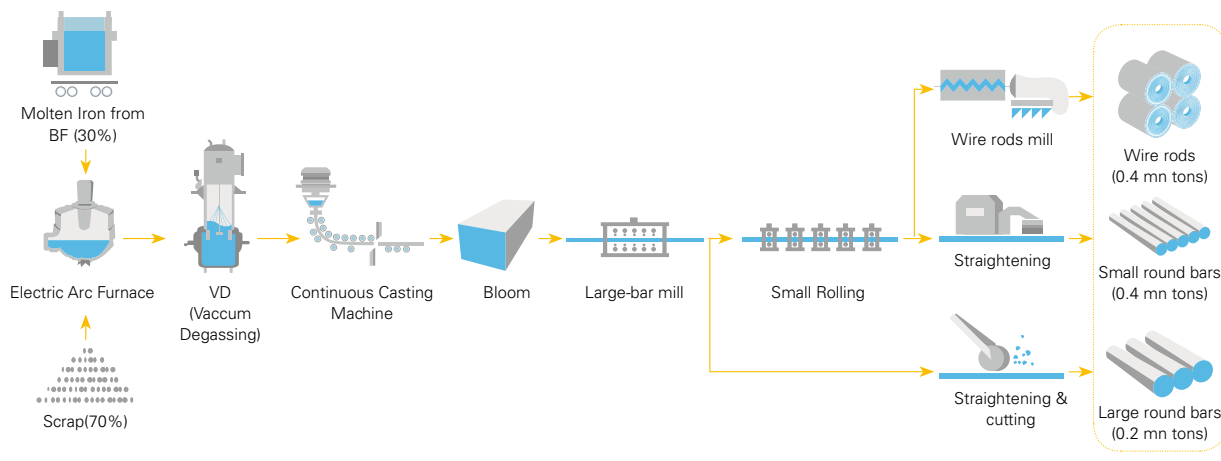
- Use an idle site within District A of the Works
- Supply of molten iron is possible/utility services are easier to access
- Use the existing steel mill infrastructure



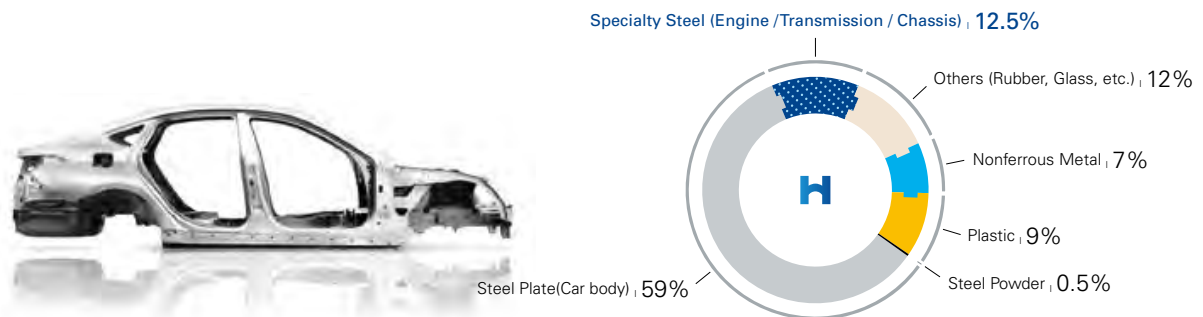
- Maximize the efficiency in using the site through a steel mill optimization design
- Create synergy with the existing steelmaking operations
- Establish a competitive edge in cost/quality



Specialty Steel Manufacturing Process



Materials used for Automotive



PRODUCTION & SALES PLAN

Top Business Priorities in 2014

Sustainable Growth



- Complete the three blast furnaces-enabled system and improve efficiency through the completion of Blast Furnace No. 3
- Emerge as a steelmaker specializing in automotive steels through the expansion of specialty steel operations
- Broaden the foundation for stable sales through the expansion of sales of high-strength steel sheets

Improvement productivity Maximization of Merger synergy



- Improve efficiency through the completion of investment in the Integrated Steel Mill and the integrated management of HRC and CRC operations
- Increase production and create new demand through the development of an optimized CRC production system
- Shorten delivery time and reduce inventory through the integration of production processes

Cost competitiveness



- Reduce cost through the establishment of a low-cost production system and the maximization of operational efficiency
- Optimize inventory assets and sales credit concerning HRC and CRC operations as a result of the merger of CRC operations
- Optimize inventory assets and sales credit concerning HRC and CRC operations as a result of the merger of CRC operations

Hyundai Steel Company expanded its blast furnace operations and added cold-rolled coil operations to its production portfolio so that the company could establish a diversified production structure and supply its products to a wide range of steel-consuming industries. Our exceptional products and competitive services satisfy our customers and will steadily drive the growth of our sales and profitability.

Production

In 2009, when our operations were centered on electric arc furnaces, our product portfolio consisted of 74% long steel and 25% flat steel. Specifically, the majority of the long steel and other products were supplied to construction companies, which meant a significant portion of our sales and profits/losses were aligned with business conditions in the construction industry.

As Blast Furnace No. 1 began its commercial production in April 2010, the ratio of flat steel rose to 38.5% and that of long steel fell to 61.5%. After the initiation of the commercial production of Blast Furnace No. 2 in January 2011, the production ratio of flat steel hit a 53% record-high, which marked the first transition from long steel to flat steel in the corporate sales composition.

When Blast Furnace No.3, completed in 2013, initiates its commercial production in 2014, the ratio of flat steel is set to rise to 60%. Also, our merger with Hyundai Hysco's CRC operations diversified our product portfolio, with each product category accounting for 30% or less of the total sales.

As a result, our customer base expanded to reach auto makers and shipbuilders and we expect significant improvements in our sales and profit/loss variability that is affected by fluctuations in steel-consuming industries. Moreover, the diversified product mix enables us to meet customer demand through a stronger product portfolio. We are committed to maximizing efficiency and creating synergy in our electric arc and blast furnace operations and this will bring positive benefits in improving our profitability over the long haul.

Sales Plan for 2014

As Blast Furnaces No. 1, 2 and 3 went into full operation (in addition to the existing electric arc furnaces), we became capable of producing 24 million tons of steel per year. With the completion of Blast Furnace No. 3, our sales are set to rise in 2014. Also, the incorporation of CRC operations will decrease the external sales of hot-rolled coils while increasing our CRC sales.

Our sales plan for 2014 is to reach 19.7 million tons in sales volume and KRW 16.3 trillion in turnover. We aim to raise our sales of automotive steel sheets, continually increase large consumptive sales and expand the ratio of large construction companies in our sales. Specifically, the completion of Blast furnace No. 3 and the Cold Rolling Mill #2 and the expansion of the Hot Rolling Mill C will boost our sales of automotive steel sheets and strengthen our position as a steelmaker specialized in automotive steels.







SUSTAINABLE MANAGEMENT

Hyundai Steel Company protects and cares for the environment in its business conduct and undertakes warm-hearted sharing initiatives to give hope to the local communities where the company is based, so as to move towards a happier and sustainable society.

It is based on our resource circulation business structure that we operate world-class, eco-friendly steel mills as a way to fulfill our social responsibility to the environment. This means that we at Hyundai Steel develop comprehensive environmental management guidelines and systematically advance environmental management from the sourcing and management of raw materials to production, sales, distribution, disposal and recycling. Furthermore, we minimize the discharge of pollutants, help reduce GHG emissions, save energy and address climate change to fully respond to global environmental issues.

At Hyundai Steel Company our commitment to corporate social responsibility extends to various social contribution initiatives to give hope to our communities. Included in our wide-ranging social-giving initiatives are: 'Home Repairs for Hope' to help enhance housing energy efficiency, 'Green Guardians' to nurture children into environmental guardians, 'Happy-Yes University Volunteer Corps' to enthusiastically spread warm-hearted caring initiatives and other employee volunteer programs. Our aim is to become a company beloved by its neighbors and communities through social contribution initiatives that reflect its business characteristics, employee engagement and the needs of local communities.

ENVIRONMENTAL MANAGEMENT

ISO 14001

Environmental Management System

ISO 50001

Energy Management System



Hyundai Steel sincerely advances environmental management in its entire business conduct through comprehensive and systematized environmental management systems. With our full commitment to environmental management, we will create the world's greenest steel mill and bring forward a greener future where people and the environment flourish harmoniously.

Our Policy and Organizational Structure for Environmental Management

Environmental Management Policy Hyundai Steel advances environmental management in a systemic manner. We set comprehensive policies concerning the management of internal/external environments, respond to climate change, and keep an open communication channel with local communities while defining phase/sector-specific action plans. We chose the development of a circulation-driven resource management system, facilitation of communication with local communities, response to climate change, minimization of pollutant discharge, and the establishment of an environmental management system as the key components of our strategy. This was followed by the development of action plans for each key component. Furthermore, our environmental management is practiced in a phased-in manner, from laying the foundation, supplementation and expansion, to reinforcing it, while detailed targets are set in each phase and actions are taken to reach these targets.

To establish a company-wide environmental management system, Hyundai Steel integrated its environmental management system certification (ISO 14001) in 2010, which was previously separated among the Incheon, Pohang and Dangjin Works and the company became the first Korean steelmaker to obtain a pilot certification for its energy management system (ISO 50001) in 2011. Our goal for 2014 is to re-integrate our certification on a company-wide level in consideration of the cold-rolled coil operations merger at the end of 2013. Furthermore, the scope of our environmental management will extend to include local governments: our Dangjin Works decided to use food wastewater from Dangjin City as wastewater treatment liquid.

Organizational Structure for Environmental and Energy Management To ensure more efficient and systemic operations, our environmental management is undertaken by responsible divisions at each of our sites and the Seoul Office and all of these divisions cooperate closely. The Planning Division sets and implements business plans and policy directions in relation to environmental and energy management, while each site focuses on legal compliance and facility maintenance. Our Hyundai Steel R&D Center also contributes to reducing the generation of pollutants through technology development.



Our Response to Environmental and Energy Issues

To build a global-level competitive edge in energy cost, we at Hyundai Steel set a goal of reducing 1.5% per year in energy intensity and are saving energy, recycling more waste energy during the manufacturing process and undertaking other diverse initiatives. Our energy-saving task force teams are operating at each site to reach this target and they are committed to making sustained progress through the sharing of reduction technologies and improvements made among respective sites.

Response to Climate Change

Internal Response System In response to the Korean government's GHG(Green House GAS) and Energy Target Management system, we operate a GHG inventory system while estimating potential reductions for each manufacturing process and reflecting them in our action plans to reach reduction targets. Furthermore, each of our sites has completed the analyses of GHG emissions reduction areas and potential reductions, as a way to reduce our GHG emissions in the mid/long-term and to develop energy saving technology. These analyses outcomes served as the basis in developing the mid/long-term GHG emissions reduction roadmap.

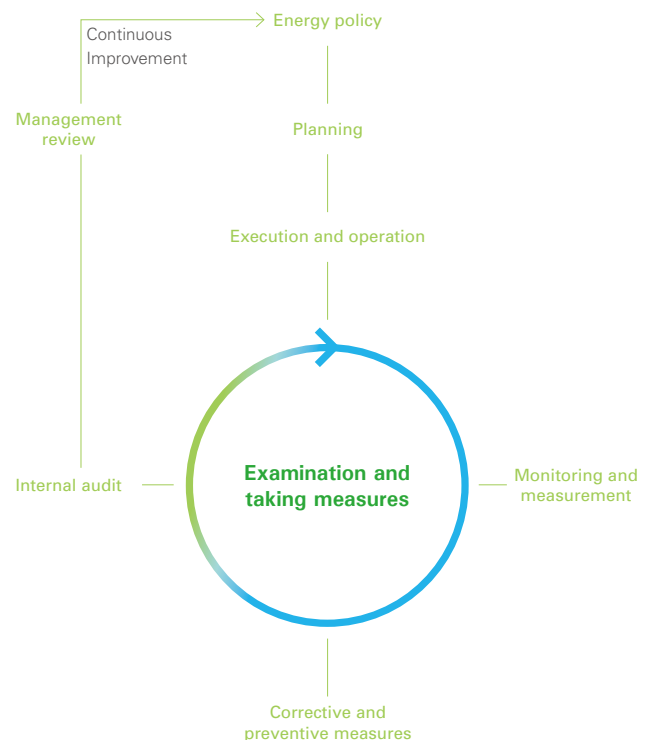
Voluntary Carbon Standard Project At Hyundai Steel, we have undertaken a VCS (Verified Carbon Standard) project on the off gas power plant of Hyundai Green Power located within the Dangjin Works, in conjunction with Korea Midland Power. This project was designed to replace fossil fuels with off gas generated from the Integrated Steel Mill in generating power. We aim to recycle more waste energy, and thus contribute to reducing GHG emissions, while identifying possible reduction areas both internally and externally.

Chosen as the CDP (Carbon Disclosure Project) Sector Leader As a member of the global Carbon Disclosure Project (CDP), we were honored with the Sector Leader Award in the raw materials sector at the 'Climate Change Response Best Practice Awards' hosted by CDP Korea in November 2013. We were previously awarded with the Excellence Award in the new member sector in the first year of our joining CDP.

Reduction of GHG Emissions and Energy Consumption We have been persistently committed to reducing GHG emissions and energy consumption through the company-wide operation of GHG/energy task force teams. As part of this commitment, we became Korea's first to register a VCS project, which is also the world's 3rd largest in size, while becoming the first steelmaker in Korea to be certified with ISO 50001 (energy management system). Through our sustained endeavors to operate company-wide GHG and energy task force teams, improve on the energy management system, lay the basis for a GHG emissions trading scheme and undertake wide-ranging GHG emissions reduction and energy-saving initiatives, we will save energy-related operational expenses and enhance our preparedness for climate change and GHG-related regulations.



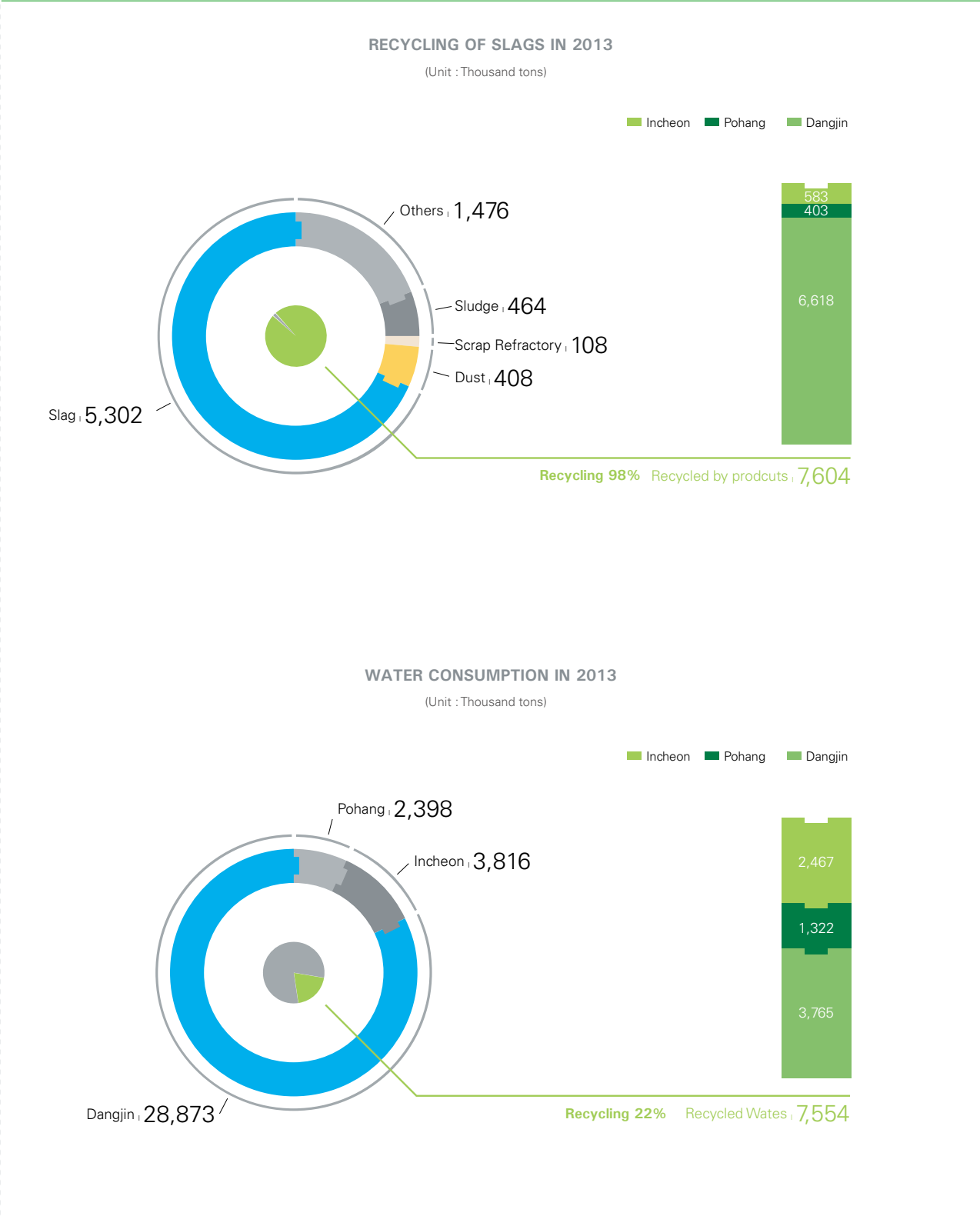
ISO 50001 Process



What is ISO 50001?

Unlike conventional energy management systems, ISO 50001 (Energy Management System) is a management innovation activity that manages at a company-wide level in a systematic and continuous manner.

ISO 50001 enables a company to reduce energy costs, enhance energy efficiency and productivity by reducing loss, optimize energy use, and reduce GHG emissions.



SOCIAL RESPONSIBILITY



10,143^{KRW million}
Social Contributions Investment

90%
Employee Volunteer Participate Rate



At Hyundai Steel, our focus areas in undertaking diverse social contribution initiatives are: contribution to local communities, sharing-driven corporate culture, environmental practices, and talent fostering. Our aim is to instill the local communities where we are based with even greater hope, through warm-hearted sharing and sincere engagement.

Key Performance Review

Home Repairs for Hope Hyundai Steel Company carries out a 'Home Repairs for Hope-Housing Energy Efficiency Enhancement' program. It improves the living conditions of low-income families, reduces CO2 emissions, and creates jobs. In 2013, our Home Repairs for the Hope initiative helped 130 households reduce 0.9 tons in CO2 emissions and up to KRW 357,000 on average in monthly energy costs per household.

Environmental Classes for Children Hyundai Steel Company offered classes on global warming and climate change to 500 children from Incheon, Dangjin, and Pohang. They included camps, quizzes, and environmental projects. These "Green Guardians," who practice environmental preservation and protection in their daily lives, go on to learn about the importance of the environment through personal experience and lectures.

Donations on New Year's Day and Chuseok (Korean Thanksgiving) On New Year's Day and Chuseok, Hyundai Steel Company employees delivered 3,000 gift sets to underprivileged families in the community. They included articles for the celebration of ancestral rites. The company also purchased KRW 65 million worth of traditional market gift certificates, and donated them to local charities.

Blood Donation Campaign The company participates in an annual blood drive campaign. It offers healthcare products to every employee who participates, as a gesture of appreciation.

Sustainability Management Awards In 2013, Hyundai Steel was listed on the Dow Jones Sustainability Index (DJSI) Asia Pacific for five consecutive years. The DJSI, which has a total of 40 Korean companies on its list, highly recognized our performance in shared growth, talent fostering and environmental policy adherence and ranked us in the top 20% among 600 companies evaluated in the Asian Pacific region. In addition, Hyundai Steel placed among the top 30% of the DJSI Korea, which listed a total of 53 companies based on Korea's 200 highest market capitalizations. Such achievements helped us improve our corporate image and we established a number of Socially Responsible Investment funds.

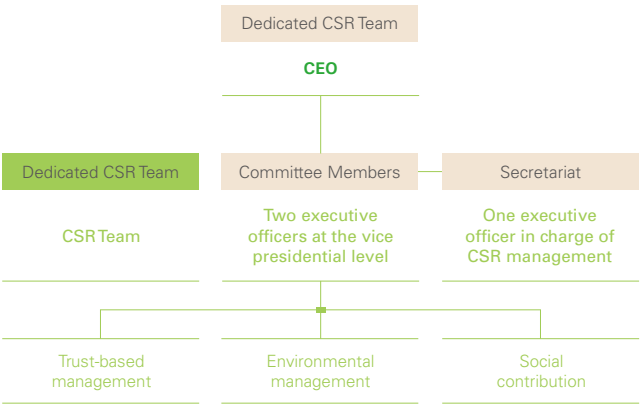


CSR Committee

Hyundai Steel Company formed a Corporate Social Responsibility (CSR) Committee in April 2008. It plays a leading role in the company's growth by ensuring that it carries out all its legal, ethical, and social responsibilities.

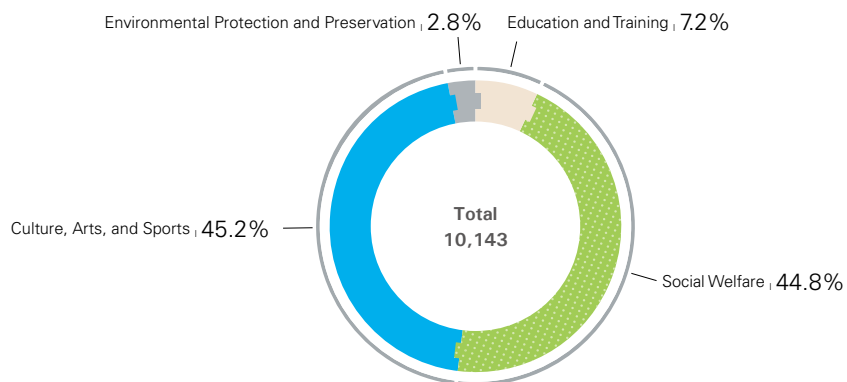
Social Contributions Investments In the face of the challenging business conditions of 2013, we at Hyundai Steel strove even further to share more. We were fully committed to our social contribution agenda in social welfare, culture, arts, sports, environmental protection & preservation and education & training. Our CSR investment amounted to KRW 10,143 million.

Employee Volunteer Performance At Hyundai Steel, we assist our employees in joining a variety of volunteer activities and reflect these activities in assessing their work performance. In 2013, a whopping 90% of our employees joined our social contribution initiatives and their total volunteer work amounted to 112,536 hours.



SOCIAL CONTRIBUTION INVESTMENT BY SECTOR

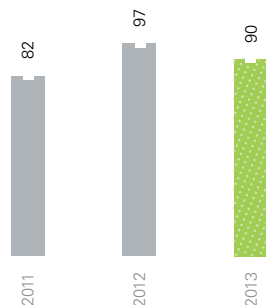
(Unit: KRW millions)



	2011	2012	2013
Social Welfare	6,925	24,465	4,547
Culture, Arts, and Sports	3,675	5,341	4,586
Environmental Protection and Preservation	252	306	283
Education and Training	1,364	1,194	727
Total	12,217	31,306	10,143

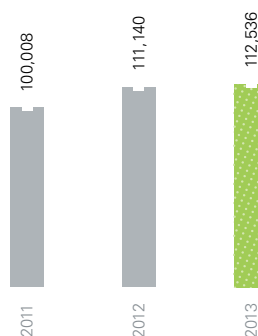
Participation Rate

(Unit: %)



Volunteer Hours

(Unit: Hours)



Financial Review

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BASED ON A REPORT ORIGINALLY ISSUED IN KOREAN

Independent Auditors' Report

The Board of Directors and Stockholders Hyundai Steel Company:

We have audited the accompanying consolidated statements of financial position of Hyundai Steel Company and its subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the carrying amounts of assets and liabilities of the cold-rolled product manufacture and sale business component, which were merged by the Group on December 31, 2013. This component's assets and liabilities before the adjustments upon the merger reflect 13.1% of consolidated total assets (before elimination of inter-component transaction) and 15.0% of consolidated total liabilities (before elimination of inter-component transaction) as of December 31, 2013. Other auditors audited those assets and liabilities and our report, insofar as it relates to this component's assets and liabilities before the adjustments on the merger (see Note 37), is based solely on the report of other auditors. The accompanying consolidated statement of financial position of the Group as of January 1, 2012, excluding the adjustments described in Note 2 to the consolidated financial statements, was derived from the Group's consolidated financial statements as of and for the year ended December 31, 2011, which were audited by another auditor, whose report thereon dated March 7, 2012, expressed an unqualified opinion.

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

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

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

- 1) The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those knowledgeable about Korean auditing standards and their application in practice.
- 2) As discussed in Note 2 to the consolidated financial statements, the Group adopted Korean International Financial Reporting Standards No.1110 ("K-IFRS 1110") and re-assessed the control relationships for its investees. The Group applied this change in accounting policies retrospectively, and accordingly restated the comparative the consolidated financial statements as of and for the year ended December 31, 2012. In addition, K-IFRS 1110 also required disclosure of the statement of financial position as of January 1, 2012. We have not performed audit, review or any other attestation to the consolidated statement of financial position of the Group as of January 1, 2012.
- 3) As discussed in Note 37 to the consolidated financial statements, the Group merged the cold-rolled product manufacture and sale business which was spun off from HYUNDAI HYSKO CO., LTD on December 31, 2013. As a result, the total assets and total liabilities of the Group increased by W5,439,100 million (including Goodwill amounting to W736,241 million) and W2,743,493 million, respectively as of December 31, 2013.

KPMG Sanjong Accounting Corp.

Seoul, Korea
February 28, 2014

This report is effective as of February 28, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2013 and 2012 and January 1, 2012

(In millions of won)

	Note	December 31, 2013	December 31, 2012	January 1, 2012
Assets				
Cash and cash equivalents	2,435,37	₩ 765,366	924,565	1,028,064
Short-term financial instruments	4,21,35	142,415	175,601	446,577
Trade and other receivables	2,535,36,37	2,168,656	2,175,237	2,685,588
Inventories	6,37	3,199,562	2,453,124	2,709,435
Available-for-sale financial assets	9,21,35	300	-	1,973
Current derivative financial assets	22,35	1,683	3,255	-
Other current financial assets	7,35	11,105	6,400	4,959
Other current assets	8	70,265	62,763	73,754
Assets held for sale	12	4,000	-	-
Total current assets		6,363,352	5,800,945	6,950,350
Non-current trade and other receivables	5,35	854	-	-
Available-for-sale financial assets	9,21,35	1,706,493	1,799,684	1,819,778
Investments in associates	10,36	112,607	113,619	86,617
Investment property, net	11,38	220,679	220,302	220,017
Property, plant and equipment, net	2,12,21,37,38	19,604,847	15,226,880	12,932,898
Intangible assets, net	2,13,14,37,38	1,350,321	156,871	130,700
Non-current derivative financial assets	22,35	1,358	829	9,707
Other non-current financial assets	4,7,21,35	148,768	133,778	129,755
Deferred tax assets	31	10,221	13,149	13,766
Other non-current assets	8	775	272	328
Total non-current assets		23,156,923	17,665,384	15,343,566
Total assets		₩ 29,520,275	23,466,329	22,293,916

See accompanying notes to the consolidated financial statements

Total assets

(Unit : KRW billion)

2013	29,520
2012	23,466
2011	22,294

As of December 31, 2013 and 2012 and January 1, 2012

(In millions of won)

	Note	December 31, 2013	December 31, 2012	January 1, 2012
Liabilities				
Trade and other payables	15,35,36,37	₩ 2,251,457	2,157,156	1,934,347
Short-term borrowings	4,5,16,20,21,35,37	2,711,512	2,287,379	3,251,537
Current portion of bonds	16,35,37	679,773	791,830	369,952
Current portion of long-term borrowings	16,20,21,35,37	608,712	957,277	911,800
Income taxes payable		118,129	94,002	77,610
Current derivative financial liabilities	22,35	2,294	1,211	-
Other current liabilities	17	124,228	71,646	41,127
Total current liabilities		6,496,105	6,360,501	6,586,373
Bonds	16,35,37,39	4,675,355	3,209,760	3,000,171
Long-term borrowings	4,16,20,21,35,37	4,311,920	3,340,332	2,902,906
Non-current derivative financial liabilities	22,35	11,309	16,430	20,921
Other non-current financial liabilities	18,35	2,224	2,358	2,871
Defined benefit liabilities	19	45,924	76,511	16,630
Deferred tax liabilities	31	589,540	472,250	493,385
Other non-current liabilities		23,215	-	-
Total non-current liabilities		9,659,487	7,117,641	6,436,884
Total liabilities		16,155,592	13,478,142	13,023,257
Equity				
Share capital	1,23	582,749	426,572	426,572
Share premium	23	2,869,623	310,812	310,812
Retained earnings	24	8,520,651	7,871,054	7,141,276
Accumulated other comprehensive income	26	1,229,267	1,239,676	1,257,390
Treasury stock		(12,595)	(17,188)	(17,188)
Equity attributable to owners of the Parent Company		13,189,695	9,830,926	9,118,862
Non-controlling interests	2	174,988	157,261	151,797
Total equity		13,364,683	9,988,187	9,270,659
Total liabilities and equity		₩ 29,520,275	23,466,329	22,293,916

See accompanying notes to the consolidated financial statements

Total equity

(Unit : KRW billion)

2013	13,365
2012	9,988
2011	9,271

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(In millions of won, except earnings per share information)

	Note	2013	2012
Sales	2,36,38	₩ 13,532,755	14,893,422
Cost of sales	2,32,36	(12,184,029)	(13,430,068)
Gross profit		1,348,726	1,463,354
Selling, general and administrative expenses	2,28,32	(586,123)	(574,087)
Operating income	2,38	762,603	889,267
Finance income	2,29,35	299,381	447,585
Finance costs	2,29,35	(312,819)	(406,341)
Share of profit of associates	2,10	7,117	13,486
Other income	2,30	131,097	89,340
Other expenses	2,30	(105,010)	(92,062)
Profit before income taxes	2	782,369	941,275
Income tax expense	2,31	(72,970)	(138,150)
Profit for the year	2	₩ 709,399	803,125
Other comprehensive income(loss)			
Items that are or may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets	26,35	(18,147)	(19,926)
Change in retained earnings of equity method investments	10,26	(33)	-
Change in capital adjustments of equity method accounted investments	10,26	10	(91)
Effective portion of changes in fair value of cash flow hedges	26,35	7,450	3,651
Foreign currency translation difference for foreign operations	26	395	(1,805)
Items that will never reclassified to profit or loss:			
Remeasurements of defined benefit plan	19	(16)	(25,283)
Other comprehensive loss for the year, net of income tax		(10,341)	(43,454)
Total comprehensive income for the year	2	₩ 699,058	759,671
Profit attributable to:			
Owners of the Parent Company		₩ 691,912	796,397
Non-controlling interests	2	17,487	6,728
Total comprehensive income attributable to:			
Owners of the Parent Company		681,331	754,207
Non-controlling interests	2	17,727	5,464
Earnings per share	27		
Basic earnings per share in won		₩ 8,193	9,449

See accompanying notes to the consolidated financial statements

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(In millions of won)

	Note	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Treasury stock	Non- controlling interests	Total
Balance at January 1, 2012		₩426,572	310,812	714,276	1,257,390	(17,188)	151,797	9,270,659
Total comprehensive income for the year								
Profit for the year		-	-	796,397	-	-	6,728	803,125
Change in fair value of available-for-sale financial assets		-	-	-	(19,426)	-	(500)	(19,926)
Change in capital adjustments of equity method accounted investments		-	-	-	(91)	-	-	(91)
Effective portion of changes in fair value of cash flow hedges		-	-	-	3,422	-	229	3,651
Foreign currency translation difference for foreign operations		-	-	-	(1,619)	-	(186)	(1,805)
Remeasurements of defined benefit plan		-	-	(24,476)	-	-	(807)	(25,283)
Transactions with owners of the Parent Company, recognized directly in equity								
Dividends		-	-	(42,143)	-	-	-	(42,143)
Balance at December 31, 2012		₩426,572	310,812	7,871,054	1,239,676	(17,188)	157,261	9,988,187
Balance at January 1, 2013		₩426,572	310,812	7,871,054	1,239,676	(17,188)	157,261	9,988,187
Total comprehensive income for the year								
Profit for the year		-	-	691,912	-	-	17,487	709,399
Change in fair value of available-for-sale financial assets		-	-	-	(18,015)	-	(132)	(18,147)
Change in retained earnings of equity method investment		-	-	(33)	-	-	-	(33)
Change in capital adjustments of equity method accounted investments		-	-	-	4	-	6	10
Effective portion of changes in fair value of cash flow hedges		-	-	-	7,283	-	167	7,450
Foreign currency translation difference for foreign operations		-	-	-	319	-	76	395
Remeasurements of defined benefit plan		-	-	(139)	-	-	123	(16)
Transactions with owners of the Parent Company, recognized directly in equity								
Dividends		-	-	(42,143)	-	(1,542)	-	(42,143)
Acquisition of treasury stock		-	-	-	-	7,243	-	(1,542)
Proceeds from sale of treasury stock		-	19,380	-	-	(1,108)	-	26,623
Effect of merger	37	156,177	2,539,431	-	-	-	-	2,694,500
Balance at December 31, 2013		₩582,749	2,869,623	8,520,651	1,229,267	(12,595)	174,988	13,364,683

See accompanying notes to the consolidated financial statements

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In millions of won)

	Note	2013	2012
Cash flows from operating activities	2,33		
Profit for the year	₩	709,399	803,125
Additions of expenses and others not involving cash outflows	33	1,167,951	1,295,100
Deduction of income and others not involving cash inflows	33	(282,862)	(349,124)
Changes in assets and liabilities:			
Trade and other receivables		(514,527)	539,194
Inventories		(151,393)	240,637
Other current financial assets		6,301	(1,441)
Other current assets		(7,454)	10,248
Other non-current financial assets		(16,590)	(11,954)
Other non-current assets		(210)	16
Trade and other payables		243,959	(207,779)
Other current liabilities		51,936	30,366
Other non-current financial liabilities		27	(363)
Payment of severance benefit		(36,312)	(11,851)
Plan assets		(38,916)	(11,700)
Transference between affiliates		35	-
Derivative financial assets and liabilities		3,299	5,238
Cash generated from operations		1,134,643	2,329,712
Interest received		34,109	65,812
Dividends received		18,680	20,976
Interest paid		(434,575)	(480,326)
Income taxes paid		(108,900)	(127,579)
Net cash provided by operating activities	₩	643,957	1,808,595

See accompanying notes to the consolidated financial statements

For the years ended December 31, 2013 and 2012

(In millions of won)

	Note	2013	2012
Cash flows from investing activities	2,33		
Decrease in short-term financial instruments	₩	883,262	1,850,035
Proceeds from sale of available-for-sale financial assets		176,585	3,022
Decrease in other current financial assets		204	1,142
Proceeds from disposal of investment property		-	8
Proceeds from disposal of property, plant and equipment		29,015	17,648
Proceeds from disposal of intangible assets		1,559	1,823
Decrease in other non-current financial assets		6,695	37,499
Cash inflows from merger	37	540,248	-
Increase in short-term financial instruments		(850,309)	(1,578,715)
Acquisition of available-for-sale financial assets		(1,871)	(7,328)
Acquisition of investments in associates		-	(24,650)
Increase in other current financial assets		(161)	(33)
Acquisition of investment property		(19)	(391)
Acquisition of property, plant and equipment		(2,674,170)	(2,503,058)
Acquisition of intangible assets		(51,558)	(41,859)
Increase in other non-current financial assets		(6,180)	(30,755)
Net cash used in investing activities		(1,946,700)	(2,275,612)
Cash flows from financing activities	2		
Proceeds from short-term borrowings		3,061,733	3,990,080
Proceeds from bonds		1,285,031	1,040,870
Proceeds from long-term borrowings		1,332,452	1,566,314
Repayment of short-term borrowings		(2,721,547)	(4,848,703)
Repayment of current portion of bonds		(791,879)	(370,000)
Repayment of current portion of long-term borrowings		(957,401)	(912,042)
Repayment of bond		(15,000)	(170)
Repayment of long-term borrowings		(5,934)	(60,000)
Dividends paid		(42,143)	(42,143)
Acquisition of treasury stock		(1,542)	-
Net cash provided by financing activities		1,143,770	364,206
Effect of exchange rate fluctuations on cash held	2	(226)	(688)
Net decrease in cash and cash equivalents	2	(159,199)	(103,499)
Cash and cash equivalents at January 1		924,565	1,028,064
Cash and cash equivalents at December 31	₩	765,366	924,565

See accompanying notes to the consolidated financial statements

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

1. General Description of the Parent Company and Subsidiaries

(1) Organization and description of business of the Parent Company

Hyundai Steel Company (the "Parent Company") was incorporated in September 1964, under the laws of the Republic of Korea, to manufacture and sell steel and other industrial metal products. The Parent Company owns and operates four factories located in Incheon, Pohang, Dangjin and Suncheon, Korea.

In May 1987, the Parent Company was listed on the Korea Exchange. Also, the Global Depositary Receipts issued by the Parent Company was listed on the Luxembourg Stock Exchange in July 2002 and October 2003. As a result of the multiple capital increases and decreases, the par value of common stock of the Parent Company is ₩ 582,749 million as of December 31, 2013

As of December 31, 2013, the Parent Company's shareholders are as follows:

(In millions of won, except number of shares)

Shareholders	Number of shares	Percentage of ownership	Share capital
Kia Motors Corporation	23,049,159	19.8%	₩ 115,246
Mong-Koo Chung	13,805,299	11.8%	69,026
Hyundai Motor Company	9,173,595	7.9%	45,868
Hyundai Hysco Co., Ltd.	2,667,762	2.3%	13,339
Treasury stock	671,282	0.6%	3,356
Others	67,182,687	57.6%	335,914
	116,549,784	100.0%	₩ 582,749

These consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

(2)Subsidiaries

1) Details of subsidiaries as of December 31, 2013 are summarized as follows:

Company	Country	Percentage of ownership
Qingdao Hyundai Machinery Co., Ltd.	China	100.00%
Hyundai BNG Steel Co., Ltd. (*)	Korea	40.83%

(*) Although the Parent Company does not hold more than half of the voting power of the entity, it is determined that the Parent Company controls the entity as the Group has control power over the entity, on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

Due to liquidation, Hyundai Steel 1st Asset Securitization Specialty Co., Ltd., Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd. and BNG STEEL JAPAN Corp. were excluded from the Group during the year ended December 31, 2013.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

2) Details of subsidiaries as of December 31, 2012 are summarized as follows:

Company	Country	Percentage of ownership
Qingdao Hyundai Machinery Co., Ltd.	China	100.00%
Hyundai BNG Steel Co., Ltd. (*1)	Korea	40.83%
Hyundai Steel 1st Asset Securitization Specialty Co., Ltd. (*2)	Korea	-
Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd. (*2)	Korea	-
BNG STEEL JAPAN Corp. (*3)	Japan	40.83%

(*1) Although the Parent Company does not hold more than half of the voting power of the entity, it is determined that the Parent Company controls the entity as the Group has control power over the entity, on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

(*2) The Parent Company does not hold any ownership interests in two structured entities. However, the Parent Company has the current ability to direct the entities' activities that most significantly affect the returns (losses).

(*3) Hyundai BNG Steel Co., Ltd. owns 100.00% of ownership.

Financial information of subsidiaries (before eliminating intra-group transaction) as of and for the years ended December 31, 2013 and 2012 are summarized as follows:

1) Financial information as of and for the year ended December 31, 2013:

(In millions of won)

Company		Assets	Liabilities	Sales	Net income (loss)
Qingdao Hyundai Machinery Co., Ltd.	₩	66,121	42,477	67,471	(1,947)
Hyundai BNG Steel Co., Ltd.		625,654	300,834	696,026	29,544
BNG STEEL JAPAN Corp.		-	-	4,751	(42)

2) Financial information as of and for the year ended December 31, 2012:

(In millions of won)

Company		Assets	Liabilities	Sales	Net income (loss)
Qingdao Hyundai Machinery Co., Ltd.	₩	67,031	41,808	58,467	(5,060)
Hyundai BNG Steel Co., Ltd.		620,733	355,721	745,924	11,226
Hyundai Steel 1st Asset Securitization Specialty Co., Ltd.		10	-	-	-
Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd.		200,035	200,025	-	-
BNG STEEL JAPAN Corp.		3,613	2,264	13,297	(95)

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

2. Basis of Preparation

(1) Statement of compliance

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

(2) Basis of measurement

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

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Liabilities for defined benefit plans are recognized at the net of total present value of defined benefit obligations less the fair value of plan assets.

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

(5) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

1) Changes in accounting policies

① Presentation of items of other comprehensive income

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

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

② Post-employment defined benefit plans

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

Under K-IFRS No.1019, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. Change in interest income rate does not affect prior consolidated financial statements.

③ Offsetting of financial assets and financial liabilities

As a result of the amendments to K-IFRS No.1107, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities (see Note 35).

④ Subsidiaries

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

The Group re-assessed the control conclusion for its investees at January 1, 2013. As a consequence, the Group changed its control conclusion in respect of its investment in the following entities.

		Company name
Newly included subsidiaries		Hyundai BNG Steel Co., Ltd. with 1 subsidiary

(*) Hyundai BNG Steel Co., Ltd. was accounted for as investment in associate prior to adoption of K-IFRS No. 1110.

⑤ Fair value measurement

K-IFRS No.1113 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other K-IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other K-IFRSs, including K-IFRS No.1107. As a result, the Group has included additional disclosures in this regard (see Notes 35).

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

2) Impact of change in accounting policy

The changes upon adoption of K-IFRS 1110 were applied retrospectively, and the Group restated prior period financial statements accordingly. The following table summarises the adjustments made to the Group's statement of financial position at December 31, 2012.

(In millions of won)

		As previously reported	Adjustments	As restated
Cash and cash equivalents	₩	878,851	45,714	924,565
Trade and other receivables		2,026,858	148,379	2,175,237
Property, plant and equipment, net		14,981,995	244,885	15,226,880
Intangible assets, net		140,757	16,114	156,871
Others		4,922,925	59,851	4,982,776
Total assets	₩	22,951,386	514,943	23,466,329
Financial liabilities	₩	12,428,567	335,166	12,763,733
Others		691,893	22,516	714,409
Total liabilities	₩	13,120,460	357,682	13,478,142
Non-controlling interests		-	157,261	157,261
Total equity	₩	9,830,926	157,261	9,988,187

The following table summarizes the adjustments made to the Group's statement of financial position at January 1, 2012.

(In millions of won)

		As previously reported	Adjustments	As restated
Cash and cash equivalents		987,040	41,024	1,028,064
Trade and other receivables		2,541,264	144,324	2,685,588
Property, plant and equipment, net		12,705,873	227,025	12,932,898
Intangible assets, net		116,758	13,942	130,700
Others		5,425,773	90,893	5,516,666
Total assets		21,776,708	517,208	22,293,916
Financial liabilities		12,047,454	347,051	12,394,505
Others		610,392	18,360	628,752
Total liabilities		12,657,846	365,411	13,023,257
Non-controlling interests		-	151,797	151,797
Total equity		9,118,862	151,797	9,270,659

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

The following table summarizes the adjustments made to the Group's statement of comprehensive income for the year ended December 31, 2012.

(In millions of won)

		As previously reported	Adjustments	As restated
Sales	₩	14,146,369	747,503	14,893,422
Cost of sales		(12,729,923)	(700,145)	(13,430,068)
Selling, general and administrative expenses		(544,630)	(29,457)	(574,087)
Operating income		871,816	17,451	889,267
Net finance income		45,134	(3,890)	41,244
Share of profits of associates		18,047	(4,561)	13,486
Net other income		(4,346)	1,624	(2,722)
Profit before income taxes		930,651	10,624	941,275
Income tax expense		(134,254)	(3,896)	(138,150)
Profit for the year		796,397	6,728	803,125
Total comprehensive income for the period	₩	754,208	5,463	759,671
Profit attributable to non-controlling interests		-	6,728	6,728
Total comprehensive income attributable to non-controlling interests		-	5,464	5,464

The following table summarizes the adjustments made to the Group's statement of cash flows for the year ended December 31, 2012.

(In millions of won)

		As previously reported	Reclassifications (*)	Adjustments	As restated
Net cash provided by operating activities	₩	2,168,301	(412,949)	53,243	1,808,595
Net cash used in investing activities		(2,650,648)	412,949	(37,913)	(2,275,612)
Net cash provided by financing activities		374,709	-	(10,503)	364,206
Effect of exchange rate fluctuations on cash held		(551)	-	(137)	(688)
Net decrease in cash and cash equivalents	₩	(108,189)	-	4,690	(103,499)

(*) This amount is the effect of the correction of cash flow presentation as explained in Note 33.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 2.

(1) Basis of consolidation

Subsidiaries

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

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Special Purpose Entities

The Group has established a number of special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

Intra-group transactions

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

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Non-controlling interests in a subsidiary are accounted for separately from the parent's company's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the Group and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

Changes in the Parent Company's ownership interest in a subsidiary

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Parent Company.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(2) Associates

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

(3) Cash and cash equivalents

Cash and cash equivalents comprised of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(4) Inventories

The cost of inventories is based on the specific identification method for rolls and materials-in-transit, and moving-average method or weighted-average method for all other inventories, and includes expenditure for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

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(5) Non-derivative financial assets

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

De-recognition of financial assets

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

Offsetting between financial assets and financial liabilities

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

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

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(6) Non-derivative financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

(7) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below

1) Hedge accounting

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

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

Cash flow hedge

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

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

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2) Other derivative financial instruments

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

(8) Impairment of financial assets

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

Financial assets measured at amortized cost

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

Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Available-for-sale financial assets

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

(9) Property, plant and equipment

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

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

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

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

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

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

	Useful lives (years)
Buildings	15 – 50
Structures	5 – 50
Machinery	10 – 30
Vehicles	5 – 20
Others	5 – 15

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

(10) Borrowing costs

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

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

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(11) Intangible assets

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

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

The estimated useful lives of the Group's intangible assets for the current and comparative periods are as follows:

	Useful lives (years)
Side track usage rights	25
Wharf usage rights(*1)	42
Industrial property rights	5 – 10
Goodwill	Indefinite
Development costs	(*2)
Membership	Indefinite
Other intangible assets	5 – 10
Customer relationships, Patent technology	16

(*1) Certain wharf usage rights are amortized over the usable and profitable period.

(*2) Capitalized development costs are amortized over the estimated product life.

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

Research and development

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

Subsequent expenditures

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

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(12) Investment property

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

(13) Impairment of non-financial assets

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

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

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

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

(14) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received. Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Other government grants which are intended to compensate the Group for expenses incurred shall be are recognized as a deduction to the related expense in profit or loss over the periods in which the Group recognizes the related costs as expenses. Government grants which are intended to give immediate financial support to the Group with no future related costs are recognized as non-operating income in profit or loss.

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(15) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(16) Employee benefits

Short-term employee benefits

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

Retirement benefits: defined benefit plans

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

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

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

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

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(17) Provisions

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

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

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

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

(18) Foreign currencies

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Also, foreign currency differences arising on settlement of monetary assets and liabilities are recognized in profit or loss.

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

(19) Equity capital

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

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

(20) Revenue

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

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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(21) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and losses on hedging instruments that are recognized in profit or loss. Interest expense of borrowings is recognized as it accrues in profit or loss, using the effective interest method.

(22) Income taxes

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

Current tax

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

Deferred tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

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

(23) Earnings per share

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

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(24) Business combination

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

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

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

(25) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has one reportable segment as described in note 38.

(26) New standards and interpretations not yet adopted

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

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

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

4. Cash and Cash Equivalents and Restricted Financial Instruments

(1) Cash and cash equivalents as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)		
	2013	2012
Cash on hand	₩ 48	34
Bank deposits	765,318	924,531
	₩ 765,366	924,565

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(2) Financial instruments which are restricted in use for as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012	Description
Short-term financial instruments	₩ 98,984	82,741	Guarantee for borrowings
Long-term financial instruments	35	35	Guarantee deposits
	₩ 99,019	82,776	

5. Trade and Other Receivables

(1) Trade and other receivables are presented net of allowances for impairment. The gross amount of trade and other receivables and related allowances for impairment as of December 31, 2013 and 2012 are as follows:

(In millions of won)

	2013			2012		
	Gross amount	Allowances for impairment	Carrying amount	Gross amount	Allowances for impairment	Carrying amount
Current assets :						
Trade receivables	₩ 2,134,835	(1,209)	2,133,626	2,109,049	(773)	2,108,276
Non-trade receivables	32,190	(796)	31,394	61,177	(33)	61,144
Accrued income	3,636	-	3,636	5,817	-	5,817
	<u>2,170,661</u>	<u>(2,005)</u>	<u>2,168,656</u>	<u>2,176,043</u>	<u>(806)</u>	<u>2,175,237</u>
Non-current assets :						
Non-current trade receivables	1,082	(228)	854	-	-	-
	<u>1,082</u>	<u>(228)</u>	<u>854</u>	<u>-</u>	<u>-</u>	<u>-</u>
	₩ <u>2,171,743</u>	<u>(2,233)</u>	<u>2,169,510</u>	<u>2,176,043</u>	<u>(806)</u>	<u>2,175,237</u>

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(2) Transfer of receivables which do not qualify the de-recognition criteria for financial assets as of December 31, 2013 and 2012 are as follows:

(In millions of won)

		2013	2012
Asset-backed securitization (*1)	Trade receivables	₩ -	200,000
	Current portion of long-term borrowings	-	200,000
Trade financing, etc. (*2)	Trade receivables	142,786	42,790
	Short-term borrowings	142,786	42,790

(*1) The Group bears the obligation of collateral for trust assets when the assets are not qualified for the eligibility of trust assets. The amount of ₩ 871,285 million are pledged as collateral as of December 31, 2012. As the asset-backed securitization transaction was completed during the year 2013, there are no pledged assets as of December 31, 2013.

(*2) Represents note receivables and D/A, D/P receivables transferred before its maturities and unsettled balance among the negotiated amount by letter of credit(L/C) at sight.

The trade receivables transfer, for which the de-recognition conditions were not met are recorded as short-term borrowings in the consolidated statements of financial position.

6. Inventories

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

(In millions of won)

	2013			2012		
	Acquisition cost	Provision for loss on valuation	Carrying amount	Acquisition cost	Provision for loss on valuation	Carrying amount
Finished goods	₩ 756,371	(1,161)	755,210	497,019	(1,176)	495,843
By-product	10,902	-	10,902	3,282	-	3,282
Merchandise	6,333	(12)	6,321	2,242	-	2,242
Semi-finished goods	570,966	-	570,966	267,304	-	267,304
Work-in-progress	284,110	(1,042)	283,068	233,096	(621)	232,475
Raw materials	653,964	(1,503)	652,461	521,751	(1,373)	520,378
Supplies	461,428	(1,068)	460,360	390,414	(112)	390,302
Materials-in-transit	460,274	-	460,274	541,298	-	541,298
	₩ 3,204,348	(4,786)	3,199,562	2,456,406	(3,282)	2,453,124

(2) Loss on valuation of inventories for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Loss on valuation of inventories	₩ 1,054	1,454

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7. Other Financial Assets

(1) Other current financial assets as of December 31, 2013 and 2012 are summarized as follows:

	(In millions of won)	
	2013	2012
Short-term loans	₩ 11,061	6,359
Deposits paid	44	41
	₩ 11,105	6,400

(2) Other non-current financial assets as of December 31, 2013 and 2012 are summarized as follows:

	(In millions of won)	
	2013	2012
Long-term financial instruments	₩ 35	35
Long-term loans	85,011	75,852
Deposits(*)	63,722	57,891
	₩ 148,768	133,778

(*) The amount is net of allowance for impairment of ₩310 million as of December 31, 2013.

8. Other Assets

(1) Other current assets as of December 31, 2013 and 2012 are summarized as follows:

	(In millions of won)	
	2013	2012
Advance payments	₩ 23,160	34,079
Prepaid expenses	1,030	469
Prepaid value added tax	46,075	28,215
	₩ 70,265	62,763

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(2) Other non-current assets as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)			
	2013		2012
Long-term prepaid expenses	₩	467	262
Others		308	10
	₩	775	272

9. Available-for-Sale Financial Assets

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

(In millions of won)				
	2013		2012	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Marketable equity securities	₩ 42,521	1,626,356	42,547	1,595,338
Non-marketable equity securities(*)	34,820	79,167	104,369	202,781
Debt securities	1,270	1,270	1,565	1,565
	₩ 78,611	1,706,793	148,481	1,799,684

(*) Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at cost. Non-marketable equity securities of ₩ 4,775 million and ₩ 3,267 million are stated at acquisition cost as of December 31, 2013 and 2012, respectively.

The Group sold all of its investment in Hyundai Card Co., Ltd. to Hyundai Motor Company during the year ended December 31, 2013 as explained in Note 36 (3).

10. Investments in Associates

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

(In millions of won)				
	2013		2012	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Hyundai Green Power Co., Ltd.	29.00%	₩ 110,157	29.00%	₩ 111,029
Adstainless Co., Ltd.(*)	14.29%	2,450	14.29%	2,590
		₩ 112,607		₩ 113,619

(*) Considering the impact from exercisable warrants, the Group holds more than 20% of the voting power of the investee, therefore it has significant influence to participate in the financial and operating policy decisions, it is considered as an associate of the Group.

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For the years ended December 31, 2013 and 2012

(2) Changes in carrying amount of investments in associates for the year ended December 31, 2013 are summarized as follows

(In millions of won)

Company		Beginning balance	Dividends	Share of profit	Other capital changes	Others	Ending balance
Hyundai Green Power Co., Ltd.	₩	111,029	(8,107)	7,268	-	(33)	110,157
Adstainless Co., Ltd.		2,590	-	(151)	11	-	2,450
	₩	113,619	(8,107)	7,117	11	(33)	112,607

(3) Changes in carrying amount of investments in associates for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

Company		Beginning balance	Acquisition	Dividends	Share of profit	Other capital changes	Ending balance
Hyundai Green Power Co., Ltd.	₩	84,109	24,650	(11,014)	13,404	(120)	111,029
Adstainless Co., Ltd.		2,508	-	-	82	-	2,590
	₩	86,617	24,650	(11,014)	13,486	(120)	113,619

(4) Financial information of associates as of and for the year ended December 31, 2013 is as follows:

(In millions of won)

Company		Assets	Liabilities	Sales	Operating income	Net income (loss)
Hyundai Green Power Co., Ltd.	₩	1,217,192	837,339	339,567	58,454	29,580
Adstainless Co., Ltd.		88,309	71,169	148,626	2,679	(798)

(5) Financial information of associates as of and for the year ended December 31, 2012 is as follows:

(In millions of won)

Company		Assets	Liabilities	Sales	Operating income	Net income (loss)
Hyundai Green Power Co., Ltd.	₩	960,229	577,373	283,539	71,093	46,210
Adstainless Co., Ltd.		83,248	65,385	177,126	2,751	717

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(6) Financial information of associates based on a percentage of ownership as of December 31, 2013 is summarized as follows:

(In millions of won)

Company	Net assets	Percentage of ownership	Share of the net assets of the group	others	Book value
Hyundai Green Power Co., Ltd.	₩ 379,853	29.00%	110,157	-	110,157
Adstainless Co., Ltd.	17,140	14.29%	2,449	1	2,450
	₩ 396,993		112,606	1	112,607

11. Investment Property

(1) Details of investment property as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013			2012		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩ 207,937	-	207,937	207,931	-	207,931
Buildings	17,594	(4,857)	12,737	16,855	(4,490)	12,365
Structures	530	(525)	5	530	(524)	6
	₩ 226,061	(5,382)	220,679	225,316	(5,014)	220,302

(2) Changes in carrying amount of investment property for the year ended December 31, 2013 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposition	Depreciation	Transfer	others	Ending balance
Land	₩ 207,931	6	-	-	-	-	207,937
Buildings	12,365	13	(35)	(511)	897	8	12,737
Structures	6	-	-	(1)	-	-	5
	₩ 220,302	19	(35)	(512)	897	8	220,679

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(3) Changes in carrying amount of investment property for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

		Beginning balance	Acquisition	Disposition	Depreciation	Transfer	others	Ending balance
Land	₩	207,802	129	-	-	-	-	207,931
Buildings		12,208	262	(8)	(485)	423	(35)	12,365
Structures		7	-	-	(1)	-	-	6
	₩	220,017	391	(8)	(486)	423	(35)	220,302

(4) Fair value of investment property as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Land	₩	248,248	244,648
Buildings		12,736	12,364
Structures		5	6
	₩	260,989	257,018

(5) The amount recognized in income or expense from investment property for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Rental income	₩	4,464	4,365
Operating expense		910	958

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12. Property, Plant and Equipment

(1) Details of property, plant and equipment as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013			2012		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩ 2,660,940	-	2,660,940	2,206,560	-	2,206,560
Buildings	2,612,213	(599,168)	2,013,045	1,891,718	(419,528)	1,472,190
Structures	1,333,045	(260,462)	1,072,583	1,129,649	(174,320)	955,329
Machinery	12,922,822	(5,523,219)	7,399,603	9,806,067	(3,601,547)	6,204,520
Vehicles	72,045	(25,019)	47,026	68,736	(20,385)	48,351
Others	469,383	(295,597)	173,786	295,204	(189,667)	105,537
Construction-in-progress	6,237,864	-	6,237,864	4,234,393	-	4,234,393
	₩ 26,308,312	(6,703,465)	19,604,847	19,632,327	(4,405,447)	15,226,880

(2) Changes in carrying amount of property, plant and equipment for the year ended December 31, 2013 are as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposition	Depreciation	Increase due to merger	Transfers(*)	Others	Ending balance
Land	₩ 2,206,560	2,401	(24,730)	-	475,826	883	-	2,660,940
Buildings	1,472,190	29,254	(1,701)	(66,071)	550,541	28,791	41	2,013,045
Structures	955,329	12,351	-	(43,734)	130,026	18,598	13	1,072,583
Machinery	6,204,520	206,752	(1,751)	(540,745)	1,366,503	164,299	25	7,399,603
Vehicles	48,351	2,158	(36)	(4,371)	404	519	1	47,026
Others	105,537	17,450	(10)	(36,836)	69,848	17,794	3	173,786
Construction-in-progress	4,234,393	2,209,937	-	-	26,225	(232,890)	199	6,237,864
	₩15,226,880	2,480,303	(28,228)	(691,757)	2,619,373	(2,006)	282	19,604,847

(*) Amounts transferred to other account such as inventories, etc.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(3) Changes in carrying amount of property, plant and equipment for the year ended December 31, 2012 are as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposition	Depreciation	Transfers(*)	others	Ending balance
Land	₩ 2,167,034	50,132	(11,949)	-	1,343	-	2,206,560
Buildings	1,493,800	36,733	(88)	(66,546)	8,629	(338)	1,472,190
Structures	984,524	10,616	-	(42,632)	2,878	(57)	955,329
Machinery	6,530,682	213,194	(2,010)	(575,002)	38,111	(455)	6,204,520
Vehicles	51,384	1,302	(147)	(4,193)	9	(4)	48,351
Others	125,735	16,780	(17)	(37,681)	733	(13)	105,537
Construction-in-progress	1,579,739	2,707,042	-	-	(52,172)	(216)	4,234,393
	₩ 12,932,898	3,035,799	(14,211)	(726,054)	(469)	(1,083)	15,226,880

(*) Amounts transferred to other accounts such as inventories, etc.

(4) Capitalized borrowing costs for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Capitalized borrowing costs	₩ 172,885	119,792
Capitalization rate	4.37%	4.93%

(5) A part of machinery within cold-rolled product manufacture and sale business component is reclassified as assets held for sale. Negotiation with customer about selling the held for sale is in progress as of December 31, 2013.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

13. Intangible Assets

(1) Details of intangible assets as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013			2012		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Wharf usage rights	₩ 49,350	(11,116)	38,234	36,934	(5,375)	31,559
Industrial property rights	686	(686)	-	686	(669)	17
Development costs	122,857	(33,638)	89,219	70,417	(11,743)	58,674
Goodwill	740,199	-	740,199	3,958	-	3,958
Membership	73,538	-	73,538	54,100	-	54,100
Patents	69,565	-	69,565	-	-	-
Customer relationship	331,863	-	331,863	-	-	-
Other intangible assets	12,269	(4,566)	7,703	15,019	(6,456)	8,563
	₩ 1,400,327	(50,006)	1,350,321	181,114	(24,243)	156,871

(2) Changes in carrying amount of intangible assets for the year ended December 31, 2013 are as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposition	Amortization	Increase due to merger	others	Ending balance
Wharf usage rights	₩ 31,559	-	-	(895)	7,570	-	38,234
Industrial property rights	17	-	-	(17)	-	-	-
Development costs	58,674	50,354	-	(19,809)	-	-	89,219
Goodwill	3,958	-	-	-	736,241	-	740,199
Membership	54,100	573	(1,791)	-	20,656	-	73,538
Patents	-	-	-	-	69,565	-	69,565
Customer relationship	-	-	-	-	331,863	-	331,863
Other intangible assets	8,563	631	(3)	(1,491)	-	3	7,703
	₩ 156,871	51,558	(1,794)	(22,212)	1,165,895	3	1,350,321

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(3) Changes in carrying amount of intangible assets for the year ended December 31, 2012 are as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposition	Amortization	others	Ending balance
Wharf usage rights	₩ 32,454	-	-	(895)	-	31,559
Industrial property rights	44	-	-	(27)	-	17
Development costs	36,656	33,140	-	(11,122)	-	58,674
Goodwill	-	3,958	-	-	-	3,958
Membership	51,563	4,678	(2,141)	-	-	54,100
Other intangible assets	9,983	83	-	(1,489)	(14)	8,563
	₩ 130,700	41,859	(2,141)	(13,533)	(14)	156,871

(4) Details of research and development expenses for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Manufacturing costs	₩ 6,167	5,589
Selling, general and administrative expenses	24,263	14,863
	₩ 30,430	20,452

14. Private Investment Business

(1) Under the Act on Public-private Partnerships in Infrastructure and Enforcement Decree of the Act, master plan of private investment of 2000 and master plan of private investment for the wharf with two vessel capacity at Incheon north port, the Group entered into agreement with the Ministry of Oceans and Fisheries in August 2001.

Under the aforementioned agreement, the Group completed the construction of the wharf at Incheon north port in January 2007 and transferred it to government. In return, the Group acquired the right of operation for 41 years and 8 months from the completion date. The Group accounted for the balance of ₩36,934 million as intangible asset (Wharf usage rights), which is total construction costs net of construction funds provided by government.

The Group has rights to collect fees from the third party users of the above facilities, while the Group is responsible to maintain, repair, manage, and to operate the business of transportation and other related service in harbors, and other authorized business by the Ministry of Oceans and Fisheries.

(2) Under Enforcement Decree of the Industrial Sites and Development Act, the Group entered into agreement with the Ministry of Oceans and Fisheries for private investment in the appropriated wharf at Suncheon Plant. The Group completes the construction of the appropriated wharf at Suncheon Plant in 2005 and transferred it to government. In return, the Group acquired rights to use the wharf free of charge from the completion date of construction to the last date of offsetting the wharfage with the total costs incurred for the construction. The Group accounted for the balance of ₩12,416 million as intangible asset (Wharf usage rights), which is total construction costs.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

15. Trade and Other Payables

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

			(In millions of won)	
			2013	2012
Trade payables	₩	875,466		683,724
Non-trade payables		1,172,367		1,290,540
Accrued expenses		203,624		182,892
	₩	2,251,457		2,157,156

16. Borrowings and Bonds

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

			(In millions of won)	
			2013	2012
Short-term borrowings for imports	Kookmin Bank, etc.	Interest rate (per annum) 6~12M Libor + 0.4% ~1.5%	₩ 1,183,439	2,011,284
Trade financing, etc.	Citibank Korea, etc.	3M Libor + 0.6% ~ 1.77%	142,786	42,790
Bridge loans, etc.	Bank of Tokyo-Mitsubishi UFJ, etc.	3M Libor + 0.55% ~ 1.00%	1,137,445	173,383
Operating loans, etc.	Woori bank, etc.	3.55% ~ 4.20%	247,842	59,922
			₩ 2,711,512	2,287,379

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

			(In millions of won)	
			2013	2012
Syndicated loan, etc.	Korea Development Bank, etc.	Interest rate (per annum) 3 year treasury note yield – 2.75% ~ 7.15%	₩ 3,454,063	2,664,936
Export Credit Agency (ECA) loan, etc.	SOCIETE GENERALE, etc.	6M LIBOR + 0.15% ~ 5.05%	1,466,569	1,432,673
Loan collateralized by Asset Backed Securities (ABS)	Korea Development Bank		-	200,000
			4,920,632	4,297,609
Less: Current portion			(608,712)	(957,277)
			₩ 4,311,920	3,340,332

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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

(In millions of won)

	Maturity	Interest rate (per annum)		2013	2012
Unsecured public offered bonds	2014.01.20 ~ 2020.09.04	2.82 % ~ 7.51 %	₩	4,817,650	4,012,683
Unsecured private offered bonds	2018.03.21 ~ 2018.06.21	1.44 % ~ 3.70 %		551,659	-
				5,369,309	4,012,683
Less: Discount on bonds				(14,181)	(11,093)
Less: Current portion				(679,773)	(791,830)
			₩	4,675,355	3,209,760

17. Other Current Liabilities

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

(In millions of won)

		2013	2012
Withholdings	₩	82,469	46,258
Advance received		41,759	25,363
Unearned income		-	25
	₩	124,228	71,646

18. Other Non-Current Financial Liabilities

Other non-current financial liabilities as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Deposits received	₩	2,186	2,347
Financial guarantee contract liabilities		38	11
	₩	2,224	2,358

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

19. Employee Benefits

(1) Details of defined benefit liabilities as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Present value of defined benefit obligations	₩	412,243	350,128
Fair value of plan assets		(366,319)	(273,617)
	₩	45,924	76,511

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

(In millions of won)

		2013	2012
Beginning balance	₩	350,128	267,330
Current service costs		60,445	49,844
Interest expenses		12,414	11,533
Remeasurements (*)		(20,173)	33,316
Increase due to transference between affiliates		35	-
Benefits paid		(36,312)	(11,851)
Others		(22)	(44)
Increase due to merger		45,728	-
Ending balance	₩	412,243	350,128

(*) Details of remeasurements are summarized as follows :

(In millions of won)

		2013	2012
Effect of financial assumptions change	₩	(21,591)	17,884
Effect of demographic assumptions change		(8,753)	323
Others		10,171	15,109
	₩	(20,173)	33,316

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(3) Movement in plan assets for the years ended December 31, 2013 and 2012 are summarized as follows:

			(In millions of won)
		2013	2012
Beginning balance	₩	273,617	250,700
Interest income		9,308	11,408
Remeasurements		346	(191)
Contributions paid into the plan		65,000	15,000
Benefits paid by the plan		(26,084)	(3,300)
Increase due to merger		44,132	-
Ending balance	₩	366,319	273,617

(4) The detailed items of plan assets as of December 31, 2013 and 2012 are summarized as follows:

			(In millions of won)
		2013	2012
Time deposits and others	₩	366,319	273,617

(5) The components of retirement benefit costs for the years ended December 31, 2013 and 2012 are summarized as follows:

			(In millions of won)
		2013	2012
Current service costs	₩	60,445	49,844
Net interest costs		3,106	125
	₩	63,551	49,969

(6) The principal actuarial assumptions used as of December 31, 2013 and 2012 are summarized as follows:

			(In millions of won)
		2013	2012
Discount rate		4.21% ~ 4.47%	3.68% ~ 3.96%
Salary growth rate		4.62% ~ 5.00%	4.68% ~ 5.00%

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(7) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2013 is as follows:

(In millions of won)

		2013	
		1% Up	1% Down
Discount rate	₩	(37,876)	45,468
Salary growth rate		40,439	(34,524)

20. Commitments and Contingencies

(1) Guarantees provided by other companies to the Group as of December 31, 2013 and 2012 are as follows:

(In millions of won)

Guarantor	Remarks	2013		2012	
		Guaranteed amounts	Limits	Guaranteed amounts	Limits
Euler Hermes S.A., etc.	Guarantee for ECA borrowings	₩ 893,642	986,867	819,262	1,065,280
Korea Exim Bank	Guarantee for facility loans	270,971	301,398	347,483	434,130
		₩ 1,164,613	1,288,265	1,166,745	1,499,410

(2) As of December 31, 2013, the Group provides payment guarantees in the amount of ₩46,487 million to Dongyang Recycle and others. Details of the guarantee provided to related parties by the Group are explained in Note 36(5).

(3) As of December 31, 2013, the Group has over-draft agreements with Hana Bank and others with a limit of ₩34 billion and there is no outstanding balance as of December 31, 2013.

(4) As of December 31, 2013, 20 claims for alleged damages against the Group were filed with the claim amount of ₩55,877 million. The Group management is of the opinion that the foregoing lawsuit and claims will not have material adverse effects on the consolidated financial statements.

As of December 31, 2013, there were pending law suits brought against the Group related with ordinary wage from the Group's management cannot reliably estimate the potential impacts, if any, on the Group's financial position, financial performance and cash flows.

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

21. Pledged assets

Pledged assets provided as collateral for the Group's borrowings and guarantees as of December 31, 2013 are as follows:

(In millions of won)

	Carrying amount	Collateral amount	Type	Bank
Short-term financial instruments	₩ 98,984	98,984	Guarantee for borrowings	Standard Chartered Bank Korea Ltd, etc.
Available-for-sale financial assets	50,804	37,510	Supply contract guarantee	Korea Rail Network Authority, etc.
Property, plant and equipment, net	3,213,907	4,307,070	Guarantee for borrowings	Korea Development Bank, etc.
Long-term financial instruments	35	-	Guarantee deposits	Hana Bank, etc.
	₩ 3,363,730	4,443,564		

In addition to above assets, equity stake of Hyundai BNG Steel Co., Ltd. has provided as collateral amounting to ₩2,464 million to Dangjin country of fice and others.

22. Derivative Financial Instruments and Hedge Accounting

(1) Details of derivative financial instrument contracts as of December 31, 2013 are summarized as follows:

(In millions of won and thousands of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency forwards	Foreign exchange rate	JPY 2,674,727	2013.02.04 ~ 2013.02.06	2014.04.28 ~ 2016.10.28
Interest rate swaps	Interest rate	USD 163,720	2009.06.17 ~ 2012.08.22	2014.05.09 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 350,000	2009.04.08 ~ 2012.11.08	2014.08.17 ~ 2019.05.17
<Trading purpose>				
Currency forwards	Foreign exchange rate	USD 24,000	2013.07.15	2014.12.02
		EUR 1,000	2013.12.09	2014.09.26
		USD 1,370		
Currency options		USD 24,000	2013.11.29	2014.11.28

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(2) Details of derivative financial instrument contracts as of December 31, 2021 are summarized as follows:

(In millions of won and thousand of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency swaps	Foreign exchange rate and interest rate	USD25,000	2008.01.17	2013.01.24
Interest rate swaps	Interest rate	USD 293,487	2009.03.19 ~ 2012.08.22	2013.05.30 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 410,000	2009.04.08 ~ 2012.11.08	2014.08.18 ~ 2019.05.17
		USD 30,000	2010.07.14	2013.07.14
		<Trading purpose>		
Currency forwards	Foreign exchange rate	USD 3,900	2011.07.29	2013.07.29

23.Share Capital and Share Premium

(1) Share capital as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won except shares and par value)

		2013	2012
The number of shares to issue	₩	300,000,000	300,000,000
The par value of a share		5,000	5,000
The number of shares issued		116,549,784	85,314,475
Share capital	₩	582,749	426,572

(2) Share premium as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Additional paid-in capital	₩	2,659,653	120,223
Other capital surplus		209,970	190,589
Share premium	₩	2,869,623	310,812

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

21. Pledged assets

Pledged assets provided as collateral for the Group's borrowings and guarantees as of December 31, 2013 are as follows:

(In millions of won)

	Carrying amount	Collateral amount	Type	Bank
Short-term financial instruments	₩ 98,984	98,984	Guarantee for borrowings	Standard Chartered Bank Korea Ltd, etc.
Available-for-sale financial assets	50,804	37,510	Supply contract guarantee	Korea Rail Network Authority, etc.
Property, plant and equipment, net	3,213,907	4,307,070	Guarantee for borrowings	Korea Development Bank, etc.
Long-term financial instruments	35	-	Guarantee deposits	Hana Bank, etc.
	₩ 3,363,730	4,443,564		

In addition to above assets, equity stake of Hyundai BNG Steel Co., Ltd. has provided as collateral amounting to ₩2,464 million to Dangjin country of fice and others.

22. Derivative Financial Instruments and Hedge Accounting

(1) Details of derivative financial instrument contracts as of December 31, 2013 are summarized as follows:

(In millions of won and thousands of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency forwards	Foreign exchange rate	JPY 2,674,727	2013.02.04 ~ 2013.02.06	2014.04.28 ~ 2016.10.28
Interest rate swaps	Interest rate	USD 163,720	2009.06.17 ~ 2012.08.22	2014.05.09 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 350,000	2009.04.08 ~ 2012.11.08	2014.08.17 ~ 2019.05.17
<Trading purpose>				
Currency forwards	Foreign exchange rate	USD 24,000	2013.07.15	2014.12.02
		EUR 1,000	2013.12.09	2014.09.26
		USD 1,370		
Currency options		USD 24,000	2013.11.29	2014.11.28

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

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For the years ended December 31, 2013 and 2012

(2) Details of derivative financial instrument contracts as of December 31, 2021 are summarized as follows:

(In millions of won and thousand of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency swaps	Foreign exchange rate and interest rate	USD25,000	2008.01.17	2013.01.24
Interest rate swaps	Interest rate	USD 293,487	2009.03.19 ~ 2012.08.22	2013.05.30 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 410,000	2009.04.08 ~ 2012.11.08	2014.08.18 ~ 2019.05.17
		USD 30,000	2010.07.14	2013.07.14
		<Trading purpose>		
Currency forwards	Foreign exchange rate	USD 3,900	2011.07.29	2013.07.29

23.Share Capital and Share Premium

(1) Share capital as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won except shares and par value)

	2013	2012
The number of shares to issue	₩ 300,000,000	300,000,000
The par value of a share	5,000	5,000
The number of shares issued	116,549,784	85,314,475
Share capital	₩ 582,749	426,572

(2) Share premium as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Additional paid-in capital	₩ 2,659,653	120,223
Other capital surplus	209,970	190,589
Share premium	₩ 2,869,623	310,812

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

21. Pledged assets

Pledged assets provided as collateral for the Group's borrowings and guarantees as of December 31, 2013 are as follows:

(In millions of won)

	Carrying amount	Collateral amount	Type	Bank
Short-term financial instruments	₩ 98,984	98,984	Guarantee for borrowings	Standard Chartered Bank Korea Ltd, etc.
Available-for-sale financial assets	50,804	37,510	Supply contract guarantee	Korea Rail Network Authority, etc.
Property, plant and equipment, net	3,213,907	4,307,070	Guarantee for borrowings	Korea Development Bank, etc.
Long-term financial instruments	35	-	Guarantee deposits	Hana Bank, etc.
	₩ 3,363,730	4,443,564		

In addition to above assets, equity stake of Hyundai BNG Steel Co., Ltd. has provided as collateral amounting to ₩2,464 million to Dangjin country of fice and others.

22. Derivative Financial Instruments and Hedge Accounting

(1) Details of derivative financial instrument contracts as of December 31, 2013 are summarized as follows:

(In millions of won and thousands of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency forwards	Foreign exchange rate	JPY 2,674,727	2013.02.04 ~ 2013.02.06	2014.04.28 ~ 2016.10.28
Interest rate swaps	Interest rate	USD 163,720	2009.06.17 ~ 2012.08.22	2014.05.09 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 350,000	2009.04.08 ~ 2012.11.08	2014.08.17 ~ 2019.05.17
<Trading purpose>				
Currency forwards	Foreign exchange rate	USD 24,000	2013.07.15	2014.12.02
		EUR 1,000	2013.12.09	2014.09.26
		USD 1,370		
Currency options		USD 24,000	2013.11.29	2014.11.28

HYUNDAI STEEL COMPANY AND SUBSIDIARIES

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For the years ended December 31, 2013 and 2012

(2) Details of derivative financial instrument contracts as of December 31, 2021 are summarized as follows:

(In millions of won and thousand of USD, EUR, JPY)

Description	Hedged risk	Contract amount	Contract date	Maturity
<Cash flow hedge>				
Currency swaps	Foreign exchange rate and interest rate	USD25,000	2008.01.17	2013.01.24
Interest rate swaps	Interest rate	USD 293,487	2009.03.19 ~ 2012.08.22	2013.05.30 ~ 2019.05.31
		EUR 45,724	2012.10.23	2016.11.30
		₩ 410,000	2009.04.08 ~ 2012.11.08	2014.08.18 ~ 2019.05.17
		USD 30,000	2010.07.14	2013.07.14
		<Trading purpose>		
Currency forwards	Foreign exchange rate	USD 3,900	2011.07.29	2013.07.29

23.Share Capital and Share Premium

(1) Share capital as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won except shares and par value)

		2013	2012
The number of shares to issue	₩	300,000,000	300,000,000
The par value of a share		5,000	5,000
The number of shares issued		116,549,784	85,314,475
Share capital	₩	582,749	426,572

(2) Share premium as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Additional paid-in capital	₩	2,659,653	120,223
Other capital surplus		209,970	190,589
Share premium	₩	2,869,623	310,812

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28. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2013 and 2012 are summarized as follows:

	(In millions of won)	
	2013	2012
Salaries	₩ 86,319	79,352
Retirement benefit costs	9,942	7,578
Employee welfare	22,504	20,041
Travel	6,184	6,451
Communication	1,454	1,588
Bad debt expenses	167	33
Commissions and fees	56,429	44,191
Taxes and dues	5,619	4,823
Rental	4,351	3,716
Training expense	1,983	2,337
Depreciation	9,875	10,713
Depreciation of investment property	512	486
Amortization of intangible assets	735	765
Entertainment	2,745	2,803
Advertising	12,148	12,416
Overseas operation	4,144	4,963
Transportation	219,026	210,086
Export expense	135,266	155,884
Others	6,720	5,861
	₩ 586,123	574,087

29. Finance Income and Costs

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

	(In millions of won)	
	2013	2012
Interest income	₩ 31,924	58,204
Dividend income	10,573	9,962
Gains on foreign currency transactions	32,042	119,573
Gains on foreign currency translation	118,662	255,951
Gains on sale of available-for-sale financial assets	104,320	23
Gains on transaction of financial derivatives	1,860	3,872
	₩ 299,381	447,585

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(2) Finance costs for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

		2013	2012
Interest expense	₩	252,552	358,763
Losses on foreign currency transactions		36,693	21,985
Losses on foreign currency translation		18,860	911
Losses on sale of available-for-sale financial assets		41	56
Losses on transaction of financial derivatives		4,673	22,571
Losses on valuation of financial derivatives		-	2,055
	₩	312,819	406,341

30. Other Income and Expenses

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

(In millions of won)

		2013	2012
Gains on foreign currency transactions	₩	80,905	46,163
Gains on foreign currency translation		5,999	5,950
Gains on transaction of financial derivatives		9,559	1,862
Gains on valuation of financial derivatives		1,683	105
Gains on disposal of property, plant and equipment		2,256	5,217
Gains on disposal of intangible assets		262	-
Miscellaneous gains		30,433	30,043
	₩	131,097	89,340

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(2) Other expenses for the years ended December 31, 2013 and 2012 are summarized as follows:

			(In millions of won)
		2013	2012
Losses on foreign currency transactions	₩	77,480	53,331
Losses on foreign currency translation		2,105	1,371
Losses on valuation of financial derivatives		237	-
Losses on disposal of investment property		35	-
Losses on disposal of property, plant and equipment		1,469	1,780
Losses on disposal of intangible assets		497	318
Losses on disposal of trade receivable		6,105	-
Donation		4,772	25,419
Miscellaneous losses		12,310	9,843
	₩	105,010	92,062

31. Income Taxes

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

			(In millions of won)
		2013	2012
Current tax expense	₩	133,108	144,554
Origination and reversal of temporary differences		120,218	(20,518)
Income tax recognized in other comprehensive income		(2,938)	14,114
Effect of merger		(177,418)	-
Total income tax expense	₩	72,970	138,150

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

(In millions of won)		
	2013	2012
Current tax:		
Remeasurements of defined benefit plan	₩ (18)	8,089
Gain on sale of treasury stock	(6,187)	-
	(6,205)	8,089
Deferred income tax:		
Change in fair value of available-for-sale financial assets	5,796	6,356
Losses (Gains) on investment in subsidiaries and associates	(147)	821
Effective portion of changes in fair value of cash flow hedges	(2,382)	(1,152)
	3,267	6,025
Income tax recognized directly in other comprehensive income	(2,938)	14,114

Income tax related to gain on sale of treasury stock was recognized directly in other equity and income tax related to remeasurement of defined benefit plan, gains/losses on valuation of available-for-sale financial assets, gains/losses on valuation of derivative instruments and gains/losses on investment in subsidiaries and associates were recognized in other comprehensive income.

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

(In millions of won)		
	2013	2012
Profit before income taxes	₩ 782,369	941,275
Income tax using the Parent Company's statutory tax rate	190,888	228,226
Adjustment for:		
Non-taxable income	(1,235)	(1,397)
Non-deductible expense	1,923	1,632
Tax credits	(118,665)	(91,428)
Others	59	1,117
Income tax expenses	₩ 72,970	138,150
Effective tax rate	9.3%	14.7%

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(4) Tax effects due to temporary differences were measured by applying expected tax rate of the fiscal year in which the temporary differences are expected to be realized.

(5) Details of changes in deferred tax assets (liabilities) for the year ended December 31, 2013 are as follows:

(In millions of won)

	Beginning balance	Profit or loss	Other comprehensive income	Effect in merger	Ending balance
Trade and other receivables	₩ (1,407)	529	-	-	(878)
Available-for-sale financial assets	(399,585)	-	5,796	-	(393,789)
Investments in subsidiaries and associates	(20,509)	(2,603)	(147)	-	(23,259)
Property, plant and equipment	(295,756)	(22,510)	-	(80,752)	(399,018)
Intangible assets	-	135	-	(96,963)	(96,828)
Derivative financial assets and liabilities	2,561	786	(2,382)	-	965
Trade and other payables	4,266	98	-	261	4,625
Other current financial liabilities	1,706	(166)	-	143	1,683
Other non-current financial liabilities	3	6	-	-	9
Employee benefits	6,089	(1,891)	-	(150)	4,048
Gains/losses on foreign currency translation	(14,024)	5,632	-	-	(8,392)
Carryforwards of unused tax credits	304,376	72,969	-	-	377,345
Others	(46,821)	948	-	43	(45,830)
	₩ (459,101)	53,933	3,267	(177,418)	(579,319)

(6) Details of changes in deferred tax assets (liabilities) for the year ended December 31, 2012 are as follows:

(In millions of won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Trade and other receivables	₩ (1,995)	588	-	(1,407)
Available-for-sale financial assets	(405,941)	-	6,356	(399,585)
Investments in subsidiaries and associates	(20,201)	(1,129)	821	(20,509)
Property, plant and equipment	(281,826)	(13,930)	-	(295,756)
Derivative financial assets and liabilities	2,446	1,267	(1,152)	2,561
Trade and other payables	3,969	297	-	4,266
Other current financial liabilities	1,083	623	-	1,706
Other non-current financial liabilities	113	(110)	-	3
Employee benefits	1,694	4,395	-	6,089
Gains/losses on foreign currency translation	(15,711)	1,687	-	(14,024)
Carryforwards of unused tax credits	283,041	21,335	-	304,376
Others	(46,291)	(530)	-	(46,821)
	₩ (479,619)	(14,493)	(6,025)	(459,101)

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(7) As of December 31, 2013 and 2012 the amount of total taxable temporary differences related to investments of subsidiaries and associates are ₩ 24,320 million and ₩ 22,530 million, respectively, for which deferred tax liabilities were not recognized.

32. Classification of Expenses by Nature

Details of nature of expenses for the years ended December 31, 2013 and 2012 are as follows:

(In millions of won)		
	2013	2012
Change in inventories	₩ 8,205,294	9,775,938
Employee benefits expense	855,994	777,343
Depreciation and amortization	714,481	740,073
Electricity and fuel expenses	1,577,851	1,356,942
Others	1,416,532	1,353,859
	₩ 12,770,152	14,004,155

These expenses are included in cost of sales and selling, general and administrative expenses.

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33. Cash Flows Information

(1) Details of additions of expenses and others not involving cash outflows for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Salaries	₩ 32,810	-
Retirement benefit costs	63,551	49,969
Bad debt expenses	167	33
Depreciation of investment property	512	486
Depreciation	691,757	726,054
Amortization of intangible assets	22,212	13,533
Losses on foreign currency translation	20,965	2,282
Losses on sale of available-for-sale financial assets	41	56
Losses on disposal of investment property	35	-
Losses on disposal of property, plant and equipment	1,469	1,780
Losses on disposal of intangible assets	497	318
Losses on valuation of financial derivatives	237	2,055
Loss on valuation of inventories	1,504	1,454
Losses on disposal of trade receivable	6,105	-
Interest expense	252,552	358,763
Income tax expenses	72,970	138,150
Miscellaneous losses	567	167
	₩ 1,167,951	1,295,100

(2) Details of deduction of income and others not involving cash inflows for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013	2012
Gains on foreign currency translation	₩ 124,661	261,901
Gains on disposal of property, plant and equipment	2,256	5,217
Gains on disposal of intangible assets	262	-
Interest income	31,924	58,204
Dividend income	10,573	9,962
Gains on sale of available-for-sale financial assets	104,320	23
Gains on valuation of financial derivatives	1,683	105
Gains on valuation of equity method investments	7,117	13,486
Miscellaneous gains	66	226
	₩ 282,862	349,124

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(3) The Group excluded the non-cash effects from changes in non-trade payables related to acquisition of property, plant and equipment from cash flows in investing activities and made corresponding adjustments on the changes in operating assets and liabilities. The consolidated statement of cash flows for the year ended December 31, 2012 has been restated accordingly.

As a result, cash flows from operating activities for the year ended December 31, 2012 decreased by W412,949 million with a corresponding increase in cash flows from investing activities.

(4) Investing and financing activities of non-cash transactions for the years ended December 31, 2013 and December 31, 2012 are as follows:

(In millions of won)

	2013	2012
Change in non-trade payables upon the acquisition of property, plant and equipment	₩ (366,752)	412,949
Change due to merger	2,695,607	-

34. Financial Risk Management

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (comprised of foreign exchange risk and interest rate risk). The Group monitors and manages the financial risk arising from the Group's underlying operations in accordance with the risk management policies and procedures.

(1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has transacted with customers after evaluating on their credit rating and obtains collaterals to control risks for customers on default.

(2) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management believes the Group maintains adequate sources of liquidity to settle short-term financial liabilities. In addition, based on periodic analysis of expected cash outflows, the Group also considers other alternatives, including seeking additional external financing or disposition of financial instruments for investment purpose, to mitigate liquidity risk.

(3) Market risk

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while manage and control on exposure to market risk within acceptable limits.

1) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from high proportion of export in sales amount, which is denominated in foreign currencies. The Group's primary exposure is to the US dollar and Euro and the Group manages to minimize financial risk on fluctuations in foreign exchange in order to stabilize operating activities. The Group consistently evaluates on various foreign exchange risk according to the Group's own guideline for foreign exchange and transaction policy. If necessarily, the Group may enter into foreign currency forwards contracts to hedge its foreign currency risk and strictly manage speculative transaction.

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2) Interest rate risk

The Group's asset and liability are exposed to interest rate risk on deposits and loans. In order to minimize actual interest cost, the Group continuously monitors current status of market interest rate, makes a prediction on market data and reviews on method for borrowing and joining financial instruments on deposit. Also, the Group's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

3) Other market price risk

Equity price risk arises from equity securities held. The Group holds equity securities for strategic purpose and not for selling and buying.

(4) Management of capital risk

The fundamental goal of capital management is to maintain on financial structure. As for this to be maintained, the Group uses debt ratio as indicator of capital management. The debt ratio is calculated as total liability divided by total equity.

35. Financial Instruments

(1) Credit and counterparty risk

1) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as of December 31, 2013 and 2012 are as follows:

(In millions of won)

	2013	2012
Cash and cash equivalents (*)	₩ 765,318	924,531
Short-term financial instruments	142,415	175,601
Trade and other receivables	2,168,656	2,175,237
Derivative financial assets	3,041	4,084
Available-for-sale financial assets	1,706,793	1,799,684
Other financial assets	159,873	140,178
Non-current trade and other receivables	854	-
	₩ 4,946,950	₩ 5,219,315

(*) Cash on hand is excluded.

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2) Loss on impairment

The carrying amount of trade and other receivable divided by maturity as of December 31, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Trade receivable	Other receivable	Trade receivable	Other receivable
Not overdue	₩ 2,108,387	35,793	2,077,471	66,961
Past due less than 6 month	12,824	-	19,624	-
Past due 6~ 36 month	10,604	33	6,975	33
Past due over 36 month	4,102	-	4,979	-
	₩ 2,135,917	35,826	2,109,049	66,994

Changes in allowance for doubtful trade and other receivable for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013		2012	
	Trade receivable	Other receivable	Trade receivable	Other receivable
Balance at January 1	₩ 773	33	990	-
Bad debt expenses	167	-	-	33
Write-off	-	-	(217)	-
Effect in merger	497	763	-	-
Balance at December 31	₩ 1,437	796	773	33

3) The Group is provided collateral and guarantees of ₩1,312,315 million in mitigating the credit risk related to trade receivables.

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(2) Liquidity risk

1) The followings are the contractual maturities of financial liabilities as of December 31, 2013, including estimated interest payments and excluding the impact of netting agreements.

(In millions of won)

	Carrying amount	Contractual cash flows	1 year or less	1-5 years-	More than 5 years
Trade and other payables	₩ 2,251,457	2,251,457	2,251,457	-	-
Short-term borrowings	2,711,512	2,721,459	2,721,459	-	-
Bonds	5,355,128	5,959,441	875,762	4,473,513	610,166
Long-term borrowings	4,920,632	5,500,771	773,738	3,896,746	830,287
Derivative financial liabilities	13,603	13,603	2,294	11,309	-
Other financial liabilities	2,224	2,224	-	2,224	-
	₩ 15,254,556	16,448,955	6,624,710	8,383,792	1,440,453

2) The followings are the contractual maturities of financial liabilities as of December 31, 2012, including estimated interest payments and excluding the impact of netting agreements

(In millions of won)

	Carrying amount	Contractual cash flows	1 year or less	1-5 years-	More than 5 years
Trade and other payables	₩ 2,157,156	2,157,156	2,157,156	-	-
Short-term borrowings	2,287,379	2,328,084	2,328,084	-	-
Bonds	4,001,590	4,515,436	961,582	3,214,819	339,035
Long-term borrowings	4,297,609	4,827,100	1,114,900	2,871,724	840,476
Derivative financial liabilities	17,641	17,641	1,212	16,429	-
Other financial liabilities	2,358	2,358	-	2,358	-
	₩ 12,763,733	13,847,775	6,562,934	6,105,330	1,179,511

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(3) Foreign exchange risk

The Group's capital and income (loss) would have been increased or decreased, if the foreign exchange rate against USD, EUR and JPY were changed. The Group assumes that foreign exchange rate fluctuates 10% at the end of the year. Also, the Group assumes that others variables such as interest rate are remain constant in the sensitive analysis. The Group analyzed by the same method as used for last year and details for the effect on income before taxes are summarized as follows:

(In millions of won)

	2013		2012	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (292,381)	292,381	(286,843)	286,843
EUR	(79,346)	79,346	(69,647)	69,647
JPY	(36,542)	36,542	(40,349)	40,349

(4) Interest rate risk

Sensitivity analysis of interest expenses and interest income for the year from changes of interest rate for the years ended December 31, 2013 and 2012 are as summarized as follows:

(In millions of won)

	2013		2012	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest income	₩ 6,264	(6,264)	6,802	(6,802)
Interest expenses	(46,968)	46,968	(43,516)	43,516

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(5) Fair value

1) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets:				
Available-for-sale financial assets	1,706,793	1,706,793	1,799,684	1,799,684
Derivative financial assets:				
Currency swaps	-	-	3,140	3,140
Interest rate swaps	1,358	1,358	828	828
Currency forwards	1,683	1,683	116	116
	₩ 3,041	3,041	4,084	4,084
Loans and receivables:				
Cash and cash equivalents	₩ 765,366	765,366	924,565	924,565
Short-term financial instruments	142,415	142,415	175,601	175,601
Trade and other receivables	2,168,656	2,168,656	2,175,237	2,175,237
Other current financial assets	11,105	11,105	6,400	6,400
Other non-current financial assets	148,768	148,768	133,778	133,778
Non-current trade and other receivables	854	854	-	-
	₩ 3,237,164	3,237,164	3,415,581	3,415,581
Derivative financial liabilities:				
Interest rate swaps	₩ 8,354	8,354	17,641	17,641
Currency forwards	5,109	5,109	-	-
Currency options	140	140	-	-
	13,603	13,603	17,641	17,641
Liabilities recognized by amortized cost:				
Bonds and long-term borrowings	₩ 8,987,275	9,039,306	6,550,092	6,550,092
Short-term borrowings and current portion of long-term borrowings and bonds	3,999,997	3,949,144	4,036,486	4,036,486
Trade and other payables	2,251,457	2,251,457	2,157,156	2,157,156
Other non-current financial liabilities	2,186	2,186	2,347	2,347
	₩ 15,240,915	15,242,093	12,746,081	12,746,081

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The Group measured the fair value of financial instruments as follows:

- The fair value of available-for-sale financial assets traded within the market is measured at the closing bid price quoted at the end of the year.
- The fair value of the derivatives is the present value of the difference between contractual forward price and future forward price discounted during the remaining period of the contract, from present to contractual maturity.

The fair value of current trade receivables is close to their carrying amounts. In addition, the fair value of other financial instruments is determined as the present value of estimated future cash flows discounted at the current market interest rate. As of December 31, 2013, there is not any significant business climate and economic environment changes affecting the fair value of financial assets and liabilities.

2) Fair value hierarchy

Financial assets and liabilities carried at fair value by each valuation method are defined as follows:

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

Fair values classified by fair value hierarchy as of December 31, 2013 and 2012 are summarized as follows:

(In millions of won)					
		Level 1	Level 2	Level 3(*)	Total
As of December 31, 2013					
Available-for-sale financial assets	₩	1,626,356	471	73,921	1,700,748
Derivative financial assets		-	3,041	-	3,041
Derivative financial liabilities		-	13,603	-	13,603
As of December 31, 2012					
Available-for-sale financial assets	₩	1,595,338	761	198,753	1,794,852
Derivative financial assets		-	4,084	-	4,084
Derivative financial liabilities		-	17,641	-	17,641

(*) The valuation methods used to evaluate fair values of each non-marketable security in Level 3 financial assets as of December 31, 2013 and 2012 are as follows:

		Hyundai Oil Refinery Co., Ltd.
Valuation approaches		Income approach/market approach
Valuation techniques		Discounted free cash flow model / imputed market value model
Discounted interest rate		Weighted-average cost of capital

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(6) Income and expenses by financial instruments category for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013			2012		
	Finance income	Finance costs	Other comprehensive income	Finance income	Finance costs	Other comprehensive income
Loans and receivables	₩ 40,537	(7,520)	-	67,761	(18,504)	-
Available-for-sale financial assets	114,928	(41)	(18,147)	10,023	(56)	(19,926)
Liabilities recognized by amortized cost	142,056	(292,429)	-	365,929	(353,728)	-
Derivative financial instruments	1,860	(12,829)	7,450	3,872	(34,053)	3,651
	₩ 299,381	(312,819)	(10,697)	447,585	(406,341)	(16,275)

(7) Offsetting financial instruments

1) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2013 are summarized as follows:

(In millions of won)

				Related amounts not set off		
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off	Net amounts of financial instruments	Financial instruments	Cash collateral received	Net amount
<Financial assets>						
Derivative financial assets	₩ 3,281	(240)	3,041	(140)	-	2,901
<Financial liabilities>						
Derivative financial liabilities	13,843	(240)	13,603	(140)	-	13,463
Short-term borrowings	142,786	-	142,786	(142,786)	-	

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For the years ended December 31, 2013 and 2012

2) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2012 are summarized as follows:

(In millions of won)

				Related amounts not set off		
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off	Net amounts of financial instruments	Financial instruments	Cash collateral received	Net amount
<Financial assets>						
Derivative financial assets	₩ 4,084	-	4,084	(3,256)	-	828
<Financial liabilities>						
Derivative financial liabilities	17,640	-	17,640	(3,256)	-	14,384
Short-term borrowings	42,790	-	42,790	(42,790)	-	-
Long -term borrowings	200,000	-	200,000	(200,000)	-	-

36. Transactions and Balances with Related Parties

(1) As of December 31, 2013, the largest shareholder of the Parent Company is Kia Motors Corporation, which is associate of Hyundai Motor Company. The Group is included in Hyundai Motor Group.

(2) Executive compensation for the Group for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013		2012
Salaries	₩	31,951	36,589
Retirement benefit costs		7,073	8,000
	₩	39,024	44,589

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(6) Income and expenses by financial instruments category for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013			2012		
	Finance income	Finance costs	Other comprehensive income	Finance income	Finance costs	Other comprehensive income
Loans and receivables	₩ 40,537	(7,520)	-	67,761	(18,504)	-
Available-for-sale financial assets	114,928	(41)	(18,147)	10,023	(56)	(19,926)
Liabilities recognized by amortized cost	142,056	(292,429)	-	365,929	(353,728)	-
Derivative financial instruments	1,860	(12,829)	7,450	3,872	(34,053)	3,651
	₩ 299,381	(312,819)	(10,697)	447,585	(406,341)	(16,275)

(7) Offsetting financial instruments

1) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2013 are summarized as follows:

(In millions of won)

	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off	Net amounts of financial instruments	Related amounts not set off		
				Financial instruments	Cash collateral received	Net amount
<Financial assets>						
Derivative financial assets	₩ 3,281	(240)	3,041	(140)	-	2,901
<Financial liabilities>						
Derivative financial liabilities	13,843	(240)	13,603	(140)	-	13,463
Short-term borrowings	142,786	-	142,786	(142,786)	-	-

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2) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2012 are summarized as follows:

(In millions of won)

	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off	Net amounts of financial instruments	Related amounts not set off		Net amount
				Financial instruments	Cash collateral received	
<Financial assets>						
Derivative financial assets	₩ 4,084	-	4,084	(3,256)	-	828
<Financial liabilities>						
Derivative financial liabilities	17,640	-	17,640	(3,256)	-	14,384
Short-term borrowings	42,790	-	42,790	(42,790)	-	-
Long -term borrowings	200,000	-	200,000	(200,000)	-	-

36. Transactions and Balances with Related Parties

(1) As of December 31, 2013, the largest shareholder of the Parent Company is Kia Motors Corporation, which is associate of Hyundai Motor Company. The Group is included in Hyundai Motor Group.

(2) Executive compensation for the Group for the years ended December 31, 2013 and 2012 are summarized as follows:

(In millions of won)

	2013		2012
Salaries	₩	31,951	36,589
Retirement benefit costs		7,073	8,000
	₩	39,024	44,589

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2) Account balances with related parties as of December 31, 2012 summarized as follows:

(In millions of won)

Relation	Company	Receivables		Payables	
		Trade Receivables	Other Receivables	Trade Payables	Other Payables
Entity with significant influence over the Group	Kia Motors Corporation	10,361	-	48	-
Associates	Hyundai Green Power Co., Ltd.	15,856	-	4,447	17
	Adstainless Co., Ltd.	55,256	-	-	156
Others	Hyundai Motor Company	36,347	24,703	244	1,713
	Hyundai Hysco Co., Ltd.	468,014	57	27,071	99
	Hyundai Engineering & Construction Co., Ltd.	105,578	-	-	130,031
	Hyundai AMCO Co., Ltd.	25,968	3,790	-	208,598
	Hyundai Rotem Company	3,963	1	-	309,087
	Hyundai Glovis Co., Ltd.	-	15	28,366	65,441
	Others	42,065	83,727	24,460	71,122

(5) Pledged assets for related party as of December 31, 2013 are as follows:

(In millions of won)

Relation	Related party	Pledged assets	Carrying amount	Pledged amount	Lender
Associate	Hyundai Green Power Co., Ltd	Shares of Hyundai Green Power Co., Ltd. (17.78 million shares)	₩ 110,157	219,173	Korea Development Bank

37. Business Combination

(1) General information

On December 31, 2013, the Group acquired the cold-rolled product manufacture and sale business which was spun off from HYUNDAI HYSCO CO., LTD. The Group expects to improve operating efficiency and create synergy by integrating pre-processing which includes producing hot rolled coils from iron ore and post-processing in which cold rolled coils are manufactured by HYUNDAI HYSCO CO., LTD..

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(2) The consideration transferred in the acquisition

Details of the consideration transferred in the acquisition are as follow:

(In millions of won except number of shares)		
	Number of Shares	Amount
Equity instruments (Ordinary shares)	31,235,309 ₩	2,695,607

(*) The fair value of the ordinary shares issued was based on the listed share price of the Parent Company at December 31, 2013 of ₩86,300 per share.

(3) Identifiable assets acquired and liabilities assumed

Fair value of identifiable assets acquired and liabilities assumed at the acquisition date are as follow:

(In millions of won)		
		2013
Cash and cash equivalents	₩	540,248
Trade and other receivables (*1)		503,284
Inventories (*2)		594,962
Property, plant and equipment, net (*2)		2,619,373
Intangible assets, net (*2)		429,654
Other assets		15,338
Trade and other payables		(1,249,363)
Bonds and Borrowings (*2)		(1,306,723)
Other liabilities		(187,407)
Total identifiable net assets	₩	1,959,366

(*1) The trade receivables comprise gross contractual amounts due of ₩504,316 million, of which ₩1,032 million was expected to be impaired at the acquisition date.

(*2) The valuation methods used to evaluate the fair value of material assets acquired and liabilities assumed are as follow:

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① Inventories

The fair value is determined based on the expected selling price in the ordinary course of business less any costs of completion and selling expenses, and the reasonable profit on the basis of efforts to complete and sell inventories.

② Property, Plant and Equipment

Land

Land is measured based on officially assessed land price of standard land which has similar or same purposes, conditions and surroundings.

The value of officially assessed land price of standard land is determined by adjusting time, comparing regional and individual factors and considering other factors.

Buildings, Structures, Machinery and Equipment

Replacement cost approach: Buildings, Structures, Machinery and Equipment are measured by the property's placement cost less depreciation at the valuation date.

Set of buildings

Sales comparison approach: Buildings and the right to a site are collectively measured on the basis of the location of buildings and the normal transaction price of similar properties.

Vehicles

Vehicles are measured by using both sales comparison approach and replacement cost approach.

③ Intangible assets

Patent technology

Relief from royalty method: The method is based on the discounting the future royalty fees that the buyer is relieved from paying by purchasing the asset as of the measurement date.

Customer relationships

Multi-period excess earnings method: The method is based on the expected discounted cash flows from customer relationships.

(4) Goodwill

Goodwill was recognized as a result of the acquisition as follows:

(In millions of won)		
		2013
Total consideration transferred	₩	2,695,607
Less: fair value of identifiable net assets		(1,959,366)
Goodwill	₩	736,241

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38. Operating Segments

(1) General information

As of December 31, 2013, the Group has two operating segments as described below. The Group has one reportable segment as the financial impact of other operating segment is not significant.

- Steel operating segment: Manufacturing and sale of iron bar, section steel, hot-rolled coil, cold-rolled coil and plate, thick plate, and heavy machinery goods.
- Other operating segments: Sale of semi-finished goods, by-product and others.

(2) Geographical information of the Group as of and for the year ended December 31, 2013 is as follows:

(In millions of won)

	Korea			Asia	Consolidation adjustments	Total
	Domestic	Export				
Sales						
Sales to external customers	₩	10,364,165	3,096,368	72,222	-	13,532,755
Internal sales		190	49,540	-	(49,730)	-
	₩	10,364,355	3,145,908	72,222	(49,730)	13,532,755
Operating income (losses)	₩		762,661	(3,093)	3,035	762,603
Non-current assets(*)			21,157,524	18,323	-	21,175,847

(*) Non-current assets include investment property, property plant and equipment and intangible assets.

(3) Geographical information of the Group as of and for the year ended December 31, 2012 is as follows:

(In millions of won)

Relation	Korea			Asia	Consolidation adjustments	Total
	Domestic	Export				
Sales						
Sales to external customers	₩	10,605,759	4,215,958	71,705	-	14,893,422
Internal sales		182	52,692	59	(52,933)	-
	₩	10,605,941	4,268,650	71,764	(52,933)	14,893,422
Operating income (losses)	₩		888,245	(3,070)	4,092	889,267
Non-current assets(*)			15,584,282	19,771	-	15,604,053

(*) Non-current assets include investment property, property plant and equipment and intangible assets.

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For the years ended December 31, 2013 and 2012

(4) Major customers information

Sales to one customer which constitute 10% or more of the Group's consolidated sales amounted to W3,666,554 million and W3,383,687 million for the years ended December 31, 2013 and 2012, respectively.

39. Subsequent Events

As approved by the board of directors, on January 20, 2014, the Group issued 111-1st non-guaranteed private debentures of W140,000 million, with three-year maturity and 3.25% nominal rate, 111-2nd non-guaranteed public debentures of W160,000 million, with five-year maturity and 3.64% nominal rate, and 111-3rd non-guaranteed public debentures of W100,000 million, with seven-year maturity and 3.90% nominal rate.

40. Date of Authorization for Issue

The consolidated financial statements were authorized for issue on February 7, 2014, at the Board of Directors meeting, and expected to be approved on March 14, 2014, at the general meeting of stockholders.

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