HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 2011 AND 2010
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Deloitte.

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Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Hyundai Motor Company:

We have reviewed the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and subsidiaries. The consolidated financial statements consist of the consolidated statements of financial position as of June 30, 2011 and December 31, 2010, and the related consolidated statements of income, comprehensive income for the three months and six months ended June 30, 2011 and 2010, and the related consolidated changes in shareholders' equity and cash flows for the six months ended June 30, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent accountant's responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews. We did not review the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 40.1% and 38.1% of the consolidated total assets as of June 30, 2011 and December 31, 2010, respectively, and 42.5% and 36.8% of the consolidated total sales for the six months ended June 30, 2011 and 2010, respectively. Those statements were reviewed by other auditors whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for those entities, is based solely on the conclusions of the other auditors.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review conclusion

Based on our reviews and review conclusions of other auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1034, Interim Financial Reporting, and the requirements of K-IFRS 1101, First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

Deloitte Anjin LLC

August 23, 2011

Notice to Readers

This report is effective as of August 23, 2011, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

ASSETS	NOTES	June 30, 2011	December 31, 2010
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	18	₩ 6,628,245	₩ 6,215,815
Short-term financial instruments	18	8,317,611	7,421,776
Trade notes and accounts receivable	3,18	3,530,923	3,192,003
Other receivables	4,18	2,297,118	2,117,900
Other financial assets	5,18	549,518	125,746
Inventories	6	5,670,995	5,491,437
Other assets	7,18	1,214,095	1,188,813
Current tax assets		17,912	35,109
Financial services receivables	12,18	18,074,690	17,731,555
Total current assets		46,301,107	43,520,154
Non-current assets:			
Long-term financial instruments	18	211,685	1,121,612
Long-term trade notes and accounts receivable	3,18	79,292	98,384
Other receivables	4,18	1,034,929	1,060,151
Other financial assets	5,18	2,154,304	2,145,803
Other assets	7,18	1,420	1,497
Property, plant and equipment	8	18,636,226	18,514,209
Investment property	9	281,728	267,116
Intangibles	10	2,613,654	2,651,568
Investments in joint ventures and associates	11	10,722,067	6,909,451
Deferred tax assets		417,593	588,674
Financial services receivables	12,18	16,299,767	15,233,444
Operating lease assets	13	3,701,392	2,602,068
Total non-current assets		56,154,057	51,193,977
Total assets		₩ 102,455,164	₩ 94,714,131

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	June 30, 2011	December 31, 2010
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	18	₩ 6,788,485	₩ 6,353,365
Other payables	18	2,521,986	3,559,083
Short-term borrowings	14,18	8,043,240	9,336,468
Current portion of long-term debt and debentures	14,18	7,873,886	6,522,705
Income tax payable		812,923	894,913
Provisions	15	1,655,093	1,595,229
Other financial liabilities	16,18	461,717	117,715
Other liabilities	17,18	4,850,060	3,066,008
Total current liabilities		33,007,390	31,445,486
Non-current liabilities:			
Long-term trade notes and accounts payable	18	14,345	45,540
Long-term other payables	18	11,315	9,419
Debentures	14,18	21,761,635	20,276,590
Long-term debt	14,18	3,031,297	2,460,485
Defined benefit obligations	32	467,845	489,597
Provisions	15	4,573,023	4,390,349
Other financial liabilities	16,18	421,275	622,624
Other liabilities	17,18	1,378,978	1,172,667
Deferred tax liabilities		1,092,735	913,401
Total non-current liabilities		32,752,448	30,380,672
Total liabilities		65,759,838	61,826,158
Shareholder's equity:			
Capital stock	19	1,488,993	1,488,993
Capital surplus	20	3,900,975	3,900,935
Other capital items	21	(918,214)	(918,214)
Accumulated other comprehensive income	22	484,926	409,914
Retained earnings	23	28,702,556	25,216,163
Equity attributable to the owners of the Parent Company		33,659,236	30,097,791
Non-controlling interests		3,036,090	2,790,182
Total shareholder's equity		36,695,326	32,887,973
Total liabilities and shareholder's equity		₩ 102,455,164	₩ 94,714,131

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

		2011		2010	
	NOTES	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
		(In millions of Korean Won, except per share amounts)			
Sales	24,37	₩ 20,091,587	₩ 38,324,948	₩ 16,870,741	₩ 31,892,170
Cost of sales	29	15,185,698	29,262,159	12,722,193	24,386,348
Gross profit		4,905,889	9,062,789	4,148,548	7,505,822
Selling and administrative expenses	25,29	2,805,999	5,240,346	2,462,328	4,627,533
Other operating income	26	225,503	544,332	278,414	746,821
Other operating expenses	26,29	198,625	412,536	216,456	621,429
Operating income		2,126,768	3,954,239	1,748,178	3,003,681
Gain on investments in joint ventures and associates, net	27	841,319	1,413,336	430,936	776,633
Finance income	28	173,712	427,744	201,268	391,698
Finance expenses	28	157,871	346,771	212,576	413,391
Income before income tax		2,983,928	5,448,548	2,167,806	3,758,621
Income tax expense	31	676,645	1,264,494	487,485	797,018
Profit for the period		₩ 2,307,283	₩ 4,184,054	₩ 1,680,321	₩ 2,961,603
Profit attributable to:					
Owners of the Parent Company		2,140,319	3,891,833	1,572,622	2,724,636
Non-controlling interests		166,964	292,221	107,699	236,967
Earnings per share attributable to the owners of the Parent Company:	30				
Basic earnings per common share		₩ 7,878	₩ 14,324	₩ 5,787	₩ 10,036
Diluted earnings per common share		₩ 7,878	₩ 14,324	₩ 5,787	₩ 10,036

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	2011		2010	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Profit for the period	₩ 2,307,283	₩ 4,184,054	₩ 1,680,321	₩ 2,961,603
Other comprehensive income				
Gain (loss) on valuation of available-for-sale financial assets, net	(54,064)	89,049	19,245	137,289
Gain (loss) on valuation of cash flow hedge derivatives, net	(48,178)	30,300	(49,084)	(19,154)
Changes in valuation of equity-accounted investees, net	105,045	146,568	122,272	64,147
Actuarial gain (loss) on defined benefit obligations, net	(2,054)	4,583	(15,333)	(12,380)
Gain (loss) on foreign operations translation, net	(123,558)	(194,469)	205,230	43,460
Total other comprehensive income (expenses)	(122,809)	76,031	282,330	213,362
Total comprehensive income	₩ 2,184,474	₩ 4,260,085	₩ 1,962,651	₩ 3,174,965
Comprehensive income attributable to:				
Owners of the Parent Company	2,046,976	3,968,378	1,874,212	2,957,158
Non-controlling interests	137,498	291,707	88,439	217,807
Total comprehensive income	₩ 2,184,474	₩ 4,260,085	₩ 1,962,651	₩ 3,174,965

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
				(In millions of Korean Won)				
Balance at January 1, 2010	₩ 1,488,993	₩ 3,731,315	₩ (743,909)	₩ (71,649)	₩ 20,165,746	₩ 24,570,496	₩ 2,575,017	₩ 27,145,513
Comprehensive income:								
Profit for the period					2,724,636	2,724,636	236,967	2,961,603
Gain(loss) on valuation of available-for-sale financial assets, net				141,120		141,120	(3,831)	137,289
Gain(loss) on valuation of cash flow hedge derivatives, net				307		307	(19,461)	(19,154)
Changes in valuation of equity-accounted investees, net				64,176		64,176	(29)	64,147
Actuarial loss on defined benefit obligations, net					(12,168)	(12,168)	(212)	(12,380)
Gain on foreign operations translation, net				39,087		39,087	4,373	43,460
Total comprehensive income	-	-	-	244,690	2,712,468	2,957,158	217,807	3,174,965
Transactions with owners, recorded directly in equity:								
Payment of cash dividends					(317,199)	(317,199)	(160,077)	(477,276)
Purchase of treasury stock			(218,619)			(218,619)		(218,619)
Disposal of treasury stock		75,962	148,983			224,945		224,945
Other					(1,729)	(1,729)	(140)	(1,869)
Total transactions with owners, recorded directly in equity	-	75,962	(69,636)	-	(318,928)	(312,602)	(160,217)	(472,819)
Balance at June 30, 2010	₩ 1,488,993	₩ 3,807,277	₩ (813,545)	₩ 173,041	₩ 22,559,286	₩ 27,215,052	₩ 2,632,607	₩ 29,847,659

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2011	₩ 1,488,993	₩ 3,900,935	₩ (918,214)	₩ 409,914	₩ 25,216,163	₩ 30,097,791	₩ 2,790,182	₩ 32,887,973
Comprehensive income:								
Profit for the period					3,891,833	3,891,833	292,221	4,184,054
Gain(loss) on valuation of available-for-sale financial assets, net				89,198		89,198	(149)	89,049
Gain on valuation of cash flow hedge derivatives, net				29,168		29,168	1,132	30,300
Changes in valuation of equity-accounted investees, net				148,502	(1,956)	146,546	22	146,568
Actuarial gain on defined benefit obligations, net					3,489	3,489	1,094	4,583
Loss on foreign operations translation, net				(191,856)		(191,856)	(2,613)	(194,469)
Total comprehensive income	-	-	-	75,012	3,893,366	3,968,378	291,707	4,260,085
Transactions with owners, recorded directly in equity								
Payment of cash dividends					(412,227)	(412,227)	(45,423)	(457,650)
Disposal of subsidiaries stock		40				40		40
Other					5,254	5,254	(376)	4,878
Total transactions with owners, recorded directly in equity	-	40	-	-	(406,973)	(406,933)	(45,799)	(452,732)
Balance at June 30, 2011	₩ 1,488,993	₩ 3,900,975	₩ (918,214)	₩ 484,926	₩ 28,702,556	₩ 33,659,236	₩ 3,036,090	₩ 36,695,326

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	NOTES	Six months ended June 30, 2011	Six months ended June 30, 2010
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations	33		
Profit for the period		₩ 4,184,054	₩ 2,961,603
Adjustments		2,546,933	2,973,468
Changes in operating assets and liabilities		(2,288,620)	(712,136)
		4,442,367	5,222,935
Interest received		274,942	151,049
Interest paid		(1,076,953)	(870,623)
Dividend received		539,136	91,704
Income tax paid		(962,011)	(865,626)
		3,217,481	3,729,439
Cash flows from investing activities:			
Cash inflows from investing activities:			
Proceeds from withdrawal of short-term financial instruments		3,977,595	3,356,439
Proceeds from disposal of other financial assets		26,682	1,217,809
Proceeds from disposal of other receivables		46,852	48,607
Proceeds from disposal of property, plant and equipment		73,615	80,049
Proceeds from disposal of intangible assets		5,184	522
Proceeds from disposal of investments in joint ventures and associates		122,106	-
Other cash receipts from investing activities		33,699	519
		4,285,733	4,703,945
Cash outflows from investing activities:			
Purchase of short-term financial instruments		3,775,624	4,404,055
Acquisition of other financial assets		276,516	2,762,205
Acquisition of other receivables		58,708	190,621
Purchase of long-term financial instruments		210,000	410,000
Acquisition of investments in joint ventures and associates		3,082,315	37,576
Acquisition of property, plant and equipment		1,163,125	771,296
Acquisition of intangible assets		324,009	352,852
Other cash payments from investing activities		37,508	(52,209)
		(8,927,805)	(8,876,396)
		(4,642,072)	(4,172,451)

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	NOTES	Six months ended June 30, 2011	Six months ended June 30, 2010
		(In millions of Korean Won)	
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings		₩ 9,991,900	₩ 14,986,934
Proceeds from issue of debentures		7,398,619	5,668,891
Proceeds from long-term debt		1,013,570	384,840
Other cash receipts from financing activities		15,467	4,651
		18,419,556	21,045,316
Cash outflows from financing activities:			
Repayment of short-term borrowings		11,740,454	16,012,612
Repayment of current portion of long-term debt and debentures		186,422	440,327
Repayment of debentures		3,892,925	2,747,231
Repayment of long-term debt		234,465	1,096,272
Purchase of treasury stock		-	218,619
Dividends paid		457,650	477,276
Other cash payments from financing activities		9,221	69,266
		(16,521,137)	(21,061,603)
		1,898,419	(16,287)
Net increase(decrease) in cash and cash equivalents		473,828	(459,299)
Effect of exchange rate changes on cash and cash equivalents		(61,398)	15,676
Cash and cash equivalents, beginning of the period		6,215,815	5,400,090
Cash and cash equivalents, end of the period		₩ 6,628,245	₩ 4,956,467

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

1. GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts.

The shares of the Company have been listed on the Korea Exchange since 1974 and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of June 30, 2011, the major shareholders of the Company are Hyundai MOBIS (20.78%) and Chung, Mong Koo (5.17%).

The Company’s consolidated subsidiaries as of June 30, 2011 are as follows:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd. (*)	″	″	31.52%	
Hyundai Rotem Company	Manufacturing	″	57.64%	
Green Air Co., Ltd.	″	″	51.00%	Hyundai Rotem 51.00%
Maintrans Co., Ltd.	Services	″	80.00%	Hyundai Rotem 80.00%
Hyundai Partecs Company Ltd.	Manufacturing	″	56.00%	
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	″	100.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	″	53.66%	
Hyundai Carnes Co., Ltd.	R&D	″	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	″	93.96%	HMA 93.96%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	″	100.00%	HMA 100.00%
Hyundai Auto Canada Corp. (HAC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Incorporation (HACCI)	Insurance	″	100.00%	HAC 100.00%
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	USA	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	″	100.00%	SMARTI 100.00%
Hyundai America Technical Center Inc. (HATCI)	R&D	″	100.00%	
Hyundai Translead, Inc. (HT)	Manufacturing	″	100.00%	
Rotem USA Corporation	″	″	100.00%	Hyundai Rotem 100.00%
Hyundai Motor India (HMI)	″	India	100.00%	
Hyundai Motor India Engineering (HMIE)	R&D	″	100.00%	HMI 100.00%
Hyundai Motor Japan Co. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	″	100.00%	
China Millennium Corporations (CMEs)	Real estate development	China	59.60%	
Beijing Hines Millennium Real Estate Development	″	″	99.00%	CMEs 99.00%
Beijing Jinxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	″	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	″	″	100.00%	BJMSS 100.00%

Subsidiaries	Nature of business	Location	Percentage ownership	Indirect ownership
Beijing Xinhuaxiaqiyuetong Motor Chain Co., Ltd.	〃	〃	100.00%	BJMSS 100.00%
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	〃	100.00%	Hyundai Rotem 100.00%
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, Ltd. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	〃	Turkey	85.03%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	〃	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.4%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Motor UK Ltd. (HMUK)	〃	UK	100.00%	
Hyundai Motor Europe GmbH (HME)	〃	Germany	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	〃	Czech	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	〃	Poland	100.00%	
Hyundai Motor Espana. S.L (HMES)	〃	Spain	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	〃	Italy	100.00%	
Hyundai Motor Norway AS (HMN)	〃	Norway	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	Germany	100.00%	
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai de Mexico, SA DE C.V., (HYMEX)	〃	Mexico	99.99%	HT 99.99%
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S	〃	Turkey	50.50%	Hyundai Rotem 50.50%
Hyundai Capital Europe GmbH	Financing	Germany	100.00%	Hyundai Capital Services 100.00%
Hyundai Capital Services Limited Liability Company	〃	Russia	100.00%	Hyundai Capital Europe 100%
Autopia Thirty-Third Asset Securitization Specialty Company (*)	〃	Korea	0.90%	Hyundai Capital Services 0.90%
Autopia Thirty-Fifth ~ Forty-Sixth Asset Securitization Specialty Company (*)	〃	〃	0.90%	Hyundai Capital Services 0.90%
Work & Joy 2007-1 Securitization Specialty Co. (*)	〃	〃	0.90%	Hyundai Card 0.90%
Privia the First and Second Securitization Specialty Co., Ltd.(*)	〃	〃	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	〃	USA	100.00%	HCA 100%
Hyundai CHA Funding Corporation	〃	〃	100.00%	HCA 100%
Hyundai Lease Titling Trust	〃	〃	100.00%	HCA 100%
Hyundai HK Funding, LLC	〃	〃	100.00%	HCA 100%
Hyundai HK Funding One, LLC	〃	〃	100.00%	HCA 100%
Hyundai HK Funding Two, LLC	〃	〃	100.00%	HCA 100%
Hyundai Auto Lease Funding, LLC	〃	〃	100.00%	HCA 100%
Hyundai ABS Funding Corporation	〃	〃	100.00%	HCA 100%
Hyundai Capital Insurance Services, LLC	〃	〃	100.00%	HCA 100%
HK Real Properties, LLC	〃	〃	100.00%	HCA 100%
Hyundai Auto Lease Offering, LLC	〃	〃	100.00%	HCA 100%

(*) As the Company and its subsidiaries are considered to have substantial control over the entities, they are included in the consolidated financial statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean Won ("Won") and prepares consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company and its subsidiaries' financial position, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

(1) Basis of consolidated financial statements presentation

The Company and its subsidiaries (the "Group") adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with the K-IFRS 1101 *First-time Adoption of K-IFRS*, the date of transition to K-IFRS is January 1, 2010. Reconciliations of the effect of the transition to K-IFRS are described in Note 38.

The Group's interim consolidated financial statements for the three months and six months ended June 30, 2011 are prepared in accordance with the K-IFRS 1034 *Interim Financial Reporting.* The interim consolidated financial statements are prepared in accordance with the K-IFRS that are effective as of June 30, 2011.

There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end. Accordingly, accounting policies that are used for the preparation of the interim consolidated financial statements may be different from the policies that are used for the preparation of the first annual consolidated financial statements in accordance with the K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

The significant accounting policies used for the preparation of the interim consolidated financial statements are summarized below. These accounting policies are consistently applied to the Group's consolidated financial statements for the current period and accompanying comparative prior period.

(2) Basis of measurement

The interim consolidated financial statements are prepared on the historical cost basis except otherwise stated in the accounting policies below.

(3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (or its subsidiaries). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. The carrying amount of non-controlling interests consists of the amount of those non-controlling interests at the initial recognition and the non-controlling interests' share of changes in equity since the date of the acquisition. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value. Acquisition-related costs are generally recognized in profit or loss as incurred. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

(5) Revenue recognition

1) Sale of goods

The Group recognizes revenue from sale of goods when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group

The Group grants award credits which the customers can redeem for awards such as free or discounted goods or services. The fair value of the award credits is estimated by considering the fair value of the goods granted, the expected rate and period of collection. The fair value of the consideration received or receivable from the customers is allocated to award credits and sales transaction. The consideration allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

2) Rendering of services

The Group recognizes revenue from rendering of services when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

3) Royalties

The Group recognizes revenue from royalties on an accrual basis in accordance with the substance of the relevant agreement.

4) Dividend and interest income

Revenues arising from dividends are recognized when the right to receive payment is established. Interest income is recognized using the effective interest method as time passes.

(6) Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions occurred in currencies other than their functional currency (foreign currencies) are recorded in translated amount using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the reporting period. 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. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

For the purpose of presenting the consolidated financial statements, assets and liabilities in the Group's foreign operations are translated into Korean Won, using the exchange rates at the end of reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate during the period has significantly fluctuated, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising, if any, are recognized in equity as other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of reporting period.

In addition, the foreign exchange gain or loss is classified in other operating income (expense) or finance income (expense) by the nature of the transaction or event.

(7) Financial assets

The Group classifies the financial assets into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL

FVTPL includes financial assets classified as held for trading and financial assets designated at FVTPL upon initial recognition. A financial asset is classified as FVTPL, if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets, except for derivatives that are designated and effective hedging instruments, are classified as held for trading financial assets which are measured at fair value through profit or loss. Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are presented at amortized cost using the effective interest rate less accumulated impairment loss, and interest income is recognized using the effective interest rate method.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and measured at amortized cost. Interest income is recognized using the effective interest rate method except for the short-term receivable of which the interest income is not material.

4) AFS 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 loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are measured at fair value. However, 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.

A gain or loss on changes in fair value of AFS financial assets are recognized in other comprehensive income, except for impairment loss, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets. Accumulated other comprehensive income is reclassified to current gain or loss from equity at the time of impairment recognition or elimination of related financial assets. Dividends on an AFS equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

(8) Impairment of financial assets

1) Financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate computed at initial recognition. The carrying amount of the asset is reduced directly and the amount of the loss is recognized in profit or loss.

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, the previously recognized impairment loss is reversed and recognized in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

2) Financial assets carried at cost

The amount of the impairment loss on financial assets that is carried at cost because its fair value cannot be reliably measured 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.

3) Available-for-sale financial assets

If there is objective evidence of impairment on available-for-sale financial assets, the cumulative loss that has been recognized in other comprehensive income less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS aren't reversed through profit or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS 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 is reversed through profit or loss.

A certain financial assets such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither retains substantially all the risks and rewards of ownership nor transfers and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(10) Inventory

Inventory is measured at the lower of cost or net realizable value. Inventory cost including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method except for the cost for inventory in transit which are determined by identified cost method.

(11) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over its policies.

The investment is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. The entire carrying amount of the investment including goodwill is tested for impairment and presented at the amount less accumulated impairment losses. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Unrealized gains from transactions between the Group and its associates are eliminated up to the shares in associate stocks. Unrealized losses are also eliminated unless evidence of impairment in assets transferred is produced. If the accounting policy of associates differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting. If the Group’s ownership interest in an associate is reduced, but the significant influence is continued, the Group reclassifies to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

(12) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Investments in joint ventures are initially recognized at acquisition cost and accounted for using the equity method. The carrying amount of the investments contains goodwill arising on the acquisition of the Group's interest in a jointly controlled entity and presented at the amount less accumulated impairment losses.

(13) Property, plant and equipment

Property, plant and equipment is to be recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset to the company can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost 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. In addition, in case the recognition criteria are met, the subsequent costs will be added to the carrying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings and structures	5 – 50
Machinery and equipment	2 – 25
Vehicles	3 – 15
Dies, molds and tools	2 – 15
Office equipment	2 – 15
Other	2 – 20

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

(14) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the company, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized.

Land among investment property is not depreciated, and the other investment properties are depreciated using the straight-line method over the period between 20 and 50 years. The Group reviews the depreciation method, the estimated useful lives and residual values at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

(15) Intangible asset

1) Goodwill

Goodwill arising from a business combination is recognized as an asset at the time of obtaining control (the acquisition-date). Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group’s previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill isn't amortized but tested for impairment at least annually. For purposes of impairment tests, goodwill is distributed to cash generating unit ("CGU") of the Group where it is thought to have synergy effect from business combination. CGU that has goodwill is tested for impairment every year or when an event occurs that indicates impairment. If recoverable amount of CGU is less than carrying amount, the impairment will first decrease the goodwill distributed to that CGU and the remaining impairment will be distributed among other assets relative to its carrying value. Impairment recognized to goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

2) Development costs

The expenditure on research is recognized as an expense when it is incurred. The expenditure on development is recognized if, and only if, all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above and the carrying amount of intangible assets is presented the acquisition cost less accumulated amortization and accumulated impairment losses.

3) Intangible assets acquired separately

Intangible assets that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method based on the estimated useful lives. The Group reviews the estimated useful life and amortization method at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Amortization is computed using the straight line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Development costs	3 – 5
Industrial property rights	5 – 10
Software	2 – 6
Other	2 – 40

Club membership including in other intangible assets is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which member ship is expected to generate to net cash inflows, therefore the Group does not amortize it.

(16) Impairment of tangible and intangible assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the cash inflow of individual asset occurs separately from other assets or group of assets, the recoverable amount is measured for that individual asset; otherwise, it is measured for each CGU to which the asset belongs. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

Intangible assets with indefinite useful lives or intangible assets not yet available for use aren't amortized and tested for impairment at least annually.

(17) Lease

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group’s net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect an effective interest rate on the Group’s net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets and liability of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. And contingent rents for operating lease are recognized as expenses in the periods in which they are incurred.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until they are ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation, less fair value of plan assets and adjustment for unrecognized past service cost. Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method. The present value of the defined benefit obligation are measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds with similar maturity as the expected post-employment benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used. Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income of the statement of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit and loss of current period. Past service costs are recognized in profit and loss of the period, but if the changes in pension plans require a vesting period, the past service costs are expensed over the vesting period using a straight-line method.

(20) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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 amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

The Group generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Group accrues potential expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations as of the date of the end of the reporting period. In addition, certain subsidiaries recognize provision for the potential loss from the unused agreed credit limits, construction contracts, pre-contract sale or service contract.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(21) Taxation

Income tax expense is composed of current and deferred tax.

1) Current tax

The current tax is computed based on the taxable profit for the year. The taxable profit differs from the profit for the period as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except when 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 be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority. Also, they are offset when different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

(22) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs, and net of tax effect, are deducted from the shareholders' equity and recognized as other capital item deducted from the total equity in the statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in shareholders' equity and not in current profit or loss.

(23) Financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract.

1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instrument issued by the Group is recognized at issuance amount net of direct issuance costs.

2) Financial guarantee liabilities

Financial guarantee liabilities are initially measured at fair value and are subsequently measured at higher amount between obligated amount of the contract and the initial cost less accumulated amortization according to profit recognition principles.

3) Financial liabilities at FVTPL (Fair Value Through Profit or Loss)

Financial liabilities at FVTPL include a financial liability held for trading and a financial liability designated at FVTPL. FVTPL is stated at fair value and the gains and losses arising on remeasurement and the interest expenses paid in financial liabilities are recognized in profit and loss.

4) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective-yield basis.

5) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, cancelled or expired.

(24) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. If derivative designated as a hedged item is not effective, it shall be recognized immediately in profit or loss, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedge).

1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss. If non-financial asset or liability is recognized due to forecast transaction of hedged item, the related gain and loss recognized in other comprehensive income and accumulated in equity is transferred from equity and included in the initial cost of related non-financial asset or liability.

Cash flow hedge is discontinued when the Group revokes the hedging relationship, when the hedge instrument is extinguished, disposed, redeemed, exercised, or when it no longer qualifies for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(25) Significant accounting judgements and key sources of estimation uncertainties

In the application of the Group accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade receivables as of June 30, 2011 and December 31, 2010 consist of the following:

	June 30, 2011		December 31, 2010	
Description	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,567,010	₩ 86,764	₩ 3,222,358	₩ 109,244
Allowance for doubtful accounts	(36,087)	-	(30,355)	-
Present value discount accounts	-	(7,472)	-	(10,860)
	₩ 3,530,923	₩ 79,292	₩ 3,192,003	₩ 98,384

(2) Aging analysis of trade receivables

As of June 30, 2011 and December 31, 2010, total trade receivables that are past due but not impaired are ₩268,557 million and ₩360,014 million, respectively; of which trade receivables that are past due less than 90 days but not impaired are ₩189,943 million and ₩162,965 million, respectively. As of June 30, 2011 and December 31, 2010, the impaired trade receivables are ₩36,460 million and ₩31,229 million, respectively.

(3) The changes in allowance for doubtful accounts for the six months ended June 30, 2011 and 2010 are as follows:

Description	Six months ended June 30,			
	2011		2010	
	(In millions of Korean Won)			
Beginning of the period	₩	30,355	₩	29,993
Impairment loss		6,740		3,996
Effect of foreign exchange differences		(1,008)		181
End of the period	₩	36,087	₩	34,170

4. OTHER RECEIVABLES:

Other receivables as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011				December 31, 2010			
	Current		Non-current		Current		Non-current	
	(In millions of Korean Won)							
Accounts receivables-other	₩	1,258,933	₩	751,081	₩	1,276,609	₩	774,737
Due from customers for contract work		942,091		-		751,016		-
Lease and rental deposits		86,833		236,478		82,216		234,521
Deposits		7,863		35,946		2,323		39,430
Other		4,394		18,747		9,754		21,810
Allowance for doubtful accounts		(2,996)		-		(4,018)		-
Present value discount accounts		-		(7,323)		-		(10,347)
Total	₩	2,297,118	₩	1,034,929	₩	2,117,900	₩	1,060,151

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011				December 31, 2010			
	Current		Non-current		Current		Non-current	
	(In millions of Korean Won)							
Financial assets at FVTPL	₩	301,021	₩	62,890	₩	10,684	₩	198,617
Derivative assets that are effective hedging instruments		220,996		244,292		109,545		461,773
AFS financial assets		24,354		1,837,536		3,372		1,476,613
Loans and receivables		3,147		9,586		2,145		8,800
	₩	549,518	₩	2,154,304	₩	125,746	₩	2,145,803

(2) AFS financial assets which are measured at fair value as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011 Acquisition cost	June 30, 2011 Fair value	June 30, 2011 Difference	June 30, 2011 Book value	December 31, 2010 Book value
	(In millions of Korean Won)				
Debt instruments	₩ 23,792	₩ 25,636	₩ 1,844	₩ 25,636	₩ 24,783
Equity instruments	660,802	1,836,254	1,175,452	1,836,254	1,455,202
	₩ 684,594	₩ 1,861,890	₩ 1,177,296	₩ 1,861,890	₩ 1,479,985

(3) Equity securities classified into AFS financial assets as of June 30, 2011 and December 31, 2010, consist of the following:

Name of company	Ownership percentage	June 30, 2011 Acquisition cost	June 30, 2011 Book value	June 30, 2011 Difference	December 31, 2010 Book value
	(%)	(In millions of Korean Won)			
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 971,265	₩ 914,341	₩ 970,170
Hyundai Glovis Co., Ltd.	4.88	210,688	314,922	104,234	150,743
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	215,907	64,821	-
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	120,211	66,477	120,211
Seoul Metro Line Nine Corporation(*)	25.00	41,779	41,779	-	41,779
Hyundai Green Food Co., Ltd.	2.56	15,005	31,731	16,726	25,962
Doosan Capital Co., Ltd.	9.99	10,000	22,866	12,866	22,866
Hyundai Merchant Marine Co., Ltd.	0.48	9,161	21,899	12,738	26,715
Hyundai Development Company	0.60	9,025	13,455	4,430	15,300
Hyundai Finance Corporation	9.29	9,888	10,128	240	9,887
KT Corporation	0.09	8,655	9,772	1,117	11,104
Ubivelox Co., Ltd.	5.65	1,710	5,427	3,717	5,444
Hyundai Venture Investment Corp.	14.97	4,490	4,490	-	4,490
Industry Otomotif Komersial	15.00	4,439	4,439	-	4,439
Hyundai Asan Corporation	2.85	22,500	4,239	(18,261)	4,239
NICE Information Service Co., Ltd.	2.25	3,312	3,797	485	4,221
NESSCAP Inc.	6.90	1,997	3,612	1,615	1,997
Kihyup Finance	10.34	3,000	3,000	-	3,000
NICE Holdings Co., Ltd.	1.42	3,491	2,728	(763)	3,097
EUKOR Shipowning Singapore Pte Ltd.	12.00	2,099	2,099	-	2,099
Muan environment Co., Ltd.(*)	29.90	1,848	1,848	-	1,848
Hyundai Research Institute	14.90	1,359	1,271	(88)	1,271
Heesung PM Tech Corporation	19.90	1,194	1,194	-	1,194
Dongbu NTS Co., Ltd.	19.90	1,134	1,134	-	1,134
Micro Infinity	9.02	607	607	-	607
UI Trans Corporation	4.00	501	501	-	501
Clean Air Technology Inc.	16.13	500	500	-	500
Green village Co., Ltd.	5.43	4,800	284	(4,516)	284
Jinil MVC Co., Ltd.	18.00	180	180	-	180
ENOVA System	0.59	2,204	169	(2,035)	271
ROTIS Inc.	0.19	1,000	8	(992)	8
Other		22,492	20,792	(1,700)	19,641
		₩ 660,802	₩ 1,836,254	₩ 1,175,452	₩ 1,455,202

(*) The investment securities are not accounted for using the equity method, as the Group is considered not to have significant influence over the investee, despite the fact that its' ownership percentage exceeds twenty percentages.

As of June 30, 2011 the difference between the book value and the acquisition cost of equity securities includes the cumulative impairment loss of ₩25,557 million.

6. INVENTORIES:

Inventories as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Finished goods	₩ 2,703,042	₩ 2,809,829
Merchandise	193,186	153,560
Semi-finished goods	282,827	282,501
Work in progress	329,707	272,867
Raw materials	1,042,929	1,069,583
Supplies	155,225	155,091
Materials in transit	500,511	211,779
Other	463,568	536,227
Total	₩ 5,670,995	₩ 5,491,437

7. OTHER ASSETS:

Other assets as of June 30, 2011 and December 31, 2010 consist of the following:

	June 30, 2011		December 31, 2010	
Description	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 295,942	₩ -	₩ 295,254	₩ -
Advanced payments	420,031	34	480,168	-
Prepaid expenses	177,283	1,386	170,117	1,497
Prepaid VAT and other	320,839	-	243,274	-
Total	₩ 1,214,095	₩ 1,420	₩ 1,188,813	₩ 1,497

8. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of June 30, 2011 and December 31, 2010 consist of the following:

	June 30, 2011			December 31, 2010		
Description	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)					
Land	₩ 5,628,383	₩ -	₩ 5,628,383	₩ 5,667,851	₩ -	₩ 5,667,851
Buildings	5,893,533	(1,600,088)	4,293,445	5,869,056	(1,533,238)	4,335,818
Structures	875,287	(323,395)	551,892	849,730	(302,794)	546,936
Machinery and equipment	10,426,054	(5,104,049)	5,322,005	10,020,479	(4,912,738)	5,107,741
Vehicles	292,162	(104,301)	187,861	258,988	(98,558)	160,430
Dies, molds and tools	4,925,608	(3,610,410)	1,315,198	4,794,467	(3,429,965)	1,364,502
Office equipment	1,307,201	(978,057)	329,144	1,271,737	(951,749)	319,988
Other	71,594	(45,580)	26,014	69,771	(62,786)	6,985
Construction in progress	982,284	-	982,284	1,003,958	-	1,003,958
	₩ 30,402,106	₩ (11,765,880)	₩ 18,636,226	₩ 29,806,037	₩ (11,291,828)	₩ 18,514,209

(2) The changes in property, plant and equipment for the six months ended June 30, 2011 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of period
	(In millions of Korean Won)						
Land	₩ 5,667,851	₩ 14,305	₩ 8,190	₩ (42,109)	₩ -	₩ (19,854)	₩ 5,628,383
Buildings	4,335,818	15,679	70,775	(4,548)	(91,752)	(32,527)	4,293,445
Structures	546,936	4,815	20,296	(1,005)	(24,018)	4,868	551,892
Machinery and equipment	5,107,741	78,937	546,187	(35,679)	(328,028)	(47,153)	5,322,005
Vehicles	160,430	20,269	7,091	(10,608)	(17,207)	27,886	187,861
Dies, molds and tools	1,364,502	94,629	134,275	(16,507)	(242,403)	(19,298)	1,315,198
Office equipment	319,988	39,775	32,436	(1,305)	(64,621)	2,871	329,144
Other	6,985	3,737	22,889	(842)	(2,216)	(4,539)	26,014
Construction in progress	1,003,958	890,979	(842,139)	(1,712)	-	(68,802)	982,284
	₩ 18,514,209	₩ 1,163,125	₩ -	₩ (114,315)	₩ (770,245)	₩ (156,548)	₩ 18,636,226

(*) Other includes the effect of foreign exchange differences and transfers from or to other accounts.

The changes in property, plant and equipment for the six months ended June 30, 2010 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of period
	(In millions of Korean Won)						
Land	₩ 5,667,985	₩ 9,551	₩ 40,757	₩ (10,973)	₩ -	₩ (6,005)	₩ 5,701,315
Buildings	4,296,820	27,296	39,140	(8,764)	(88,818)	(5,850)	4,259,824
Structures	486,670	18,834	7,517	(19,893)	(16,573)	(17,122)	459,433
Machinery and equipment	5,066,628	96,540	138,966	(28,507)	(335,108)	(28,399)	4,910,120
Vehicles	152,917	10,262	8,225	(13,708)	(13,567)	13,669	157,798
Dies, molds and tools	1,405,635	15,843	121,436	(2,449)	(233,916)	(31,153)	1,275,396
Office equipment	340,013	13,320	32,719	(1,251)	(62,513)	(499)	321,789
Other	52,148	11,563	668	(667)	(4,975)	(7,335)	51,402
Construction in progress	936,582	568,087	(389,428)	(13,464)	-	54,612	1,156,389
	₩ 18,405,398	₩ 771,296	₩ -	₩ (99,676)	₩ (755,470)	₩ (28,082)	₩ 18,293,466

(*) Other includes the effect of foreign exchange differences and transfers from or to other accounts.

9. INVESTMENT PROPERTY:

(1) Investment property as of June 30, 2011 and December 31, 2010 consists of the following:

Description	June 30, 2011			December 31, 2010		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)					
Land	₩ 46,757	₩ -	₩ 46,757	₩ 32,159	₩ -	₩ 32,159
Buildings	326,928	(106,493)	220,435	322,169	(101,398)	220,771
Structures	18,303	(3,767)	14,536	17,620	(3,434)	14,186
	₩ 391,988	₩ (110,260)	₩ 281,728	₩ 371,948	₩ (104,832)	₩ 267,116

(2) The changes in investment property for the six months ended June 30, 2011 are as follows:

Description	Beginning of period	Depreciation	Transfer	Effect of exchange differences	End of period
	(In millions of Korean Won)				
Land	₩ 32,159	₩ -	₩ 14,598	₩ -	₩ 46,757
Buildings	220,771	(5,423)	7,546	(2,459)	220,435
Structures	14,186	(198)	548	-	14,536
	₩ 267,116	₩ (5,621)	₩ 22,692	₩ (2,459)	₩ 281,728

The changes in investment property for the six months ended June 30, 2010 are as follows:

Description	Beginning of period	Depreciation	Transfer	Effect of exchange differences	End of period
	(In millions of Korean Won)				
Land	₩ 32,159	₩ -	₩ -	₩ -	₩ 32,159
Buildings	230,911	(5,408)	30	3,170	228,703
Structures	14,572	(193)	-	-	14,379
	₩ 277,642	₩ (5,601)	₩ 30	₩ 3,170	₩ 275,241

(3) The fair value of investment property as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Land	₩ 46,757	₩ 32,159
Buildings	361,366	361,782
Structures	15,223	14,656
	₩ 423,346	₩ 408,597

On January 1, 2010, K-IFRS transition date, the Group assessed the fair value of its' investment property through an independent third party. As of June 30, 2011, no fair value assessment was performed, as the change in fair value is considered not to be material.

(4) Income and expenses related to investment property for the three months and six months ended June 30, 2011 and 2010 are as follows:

Description	2011		2010	
	Three months	Six months	Three months	Six months
	(In millions of Korean Won)			
Rental income	₩ 6,332	₩ 12,736	₩ 6,950	₩ 12,124
Operating and maintenance expenses	3,655	5,578	5,522	7,373

10. INTANGIBLES:

(1) Intangibles as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011 Acquisition cost	June 30, 2011 Accumulated amortization	June 30, 2011 Accumulated impairment	June 30, 2011 Book value	December 31, 2010 Acquisition cost	December 31, 2010 Accumulated amortization	December 31, 2010 Accumulated impairment	December 31, 2010 Book value
	(In millions of Korean Won)							
Goodwill	₩ 181,171	₩ -	₩ (2,435)	₩ 178,736	₩ 180,077	₩ -	₩ (2,470)	₩ 177,607
Development costs	4,715,875	(2,510,574)	(342,331)	1,862,970	4,436,620	(2,230,027)	(263,127)	1,943,466
Industrial property rights	89,539	(64,089)	-	25,450	82,182	(61,155)	-	21,027
Software	261,440	(102,056)	-	159,384	219,153	(81,620)	-	137,533
Other	389,569	(97,690)	(6,608)	285,271	362,866	(82,376)	(6,712)	273,778
Construction in progress	101,843	-	-	101,843	98,157	-	-	98,157
	₩ 5,739,437	₩ (2,774,409)	₩ (351,374)	₩ 2,613,654	₩ 5,379,055	₩ (2,455,178)	₩ (272,309)	₩ 2,651,568

(2) The changes in intangibles for the six months ended June 30, 2011 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of period
	(In millions of Korean Won)							
Goodwill	₩ 177,607	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,129	₩ 178,736
Development costs	1,943,466	260,338	9,668	(50)	(277,834)	(79,204)	6,586	1,862,970
Industrial property rights	21,027	4,070	3,168	(3)	(2,791)	-	(21)	25,450
Software	137,533	12,850	1,293	-	(21,081)	-	28,789	159,384
Other	273,778	18,742	74	(4,805)	(10,554)	-	8,036	285,271
Construction in progress	98,157	28,009	(14,203)	(6)	-	-	(10,114)	101,843
	₩ 2,651,568	₩ 324,009	₩ -	₩ (4,864)	₩ (312,260)	₩ (79,204)	₩ 34,405	₩ 2,613,654

(*) Other changes include the effect of foreign exchange differences and transfers from or to other accounts.

The changes in intangibles for the six months ended June 30, 2010 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of period
	(In millions of Korean Won)							
Goodwill	₩ 181,833	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (5,067)	₩ 176,766
Development costs	1,840,072	341,740	74,936	(601)	(262,446)	(101,306)	15,489	1,907,884
Industrial property rights	19,477	14	2,545	-	(2,507)	-	(1,907)	17,622
Software	97,976	1,830	962	-	(12,738)	-	11,716	99,746
Other	256,890	1,292	2,241	-	(7,903)	(352)	1,945	254,113
Construction in progress	96,051	7,976	(80,684)	-	-	-	(5)	23,338
	₩ 2,492,299	₩ 352,852	₩ -	₩ (601)	₩ (285,594)	₩ (101,658)	₩ 22,171	₩ 2,479,469

(*) Other changes include the effect of foreign exchange differences and transfers from or to other accounts.

(3) Research and development expenditure for the three months and six months ended June 30, 2011 and 2010 are as follows:

Description	2011 Three months	2011 Six months	2010 Three months	2010 Six months
	(In millions of Korean Won)			
Development costs	₩ 141,087	₩ 260,338	₩ 154,550	₩ 341,740
Ordinary development (manufacturing cost)	53,569	76,250	26,100	37,817
Research costs (administrative expenses)	137,329	246,500	149,780	205,739
	₩ 331,985	₩ 583,088	₩ 330,430	₩ 585,296

(4) Impairment test of goodwill

Goodwill allocated amongst the Group's cash-generating units as of June 30, 2011 and December 31, 2010 is as follows:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Vehicle	₩ 97,909	₩ 96,780
Finance	482	482
Other	80,345	80,345
	₩ 178,736	₩ 177,607

The recoverable amount of the Group's cash-generating units are measured at its' value-in-use calculated by cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate of the region to which the CGUs belong to. No impairment loss is recognized based on the impairment test for the six months ended June 30, 2011 and 2010.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of June 30, 2011 and December 31, 2010 consist of the following:

Name of company	Nature of business	Location	June 30, 2011 Ownership Percentage	June 30, 2011 Book value	December 31, 2010 Book value
			(%)	(In millions of Korean Won)	
Beijing-Hyundai Motor Company (BHMC)	Manufacturing	China	50.00%	₩ 1,143,654	₩ 1,231,700
Kia Motors Manufacturing Georgia Inc. (KMMG)	"	U.S.A	30.00%	186,977	165,871
Hyundai Motor Group China, Ltd. (HMGC)	Investment	China	50.00%	72,970	93,822
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	"	22.00%	68,197	66,215
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing	"	24.08%	54,011	52,340
Hyundai Motor Deutschland GmbH (HMDG)	Sales	Germany	35.29%	35,718	34,755
Hyundai Powertech Manufacturing America (HPMA)	Manufacturing	U.S.A	30.00%	22,407	22,682
Hyundai Powertech (Shandong) Co., Ltd (PTS)	"	China	30.00%	21,307	11,004
Innocean Worldwide Americas, LLC. (IWA)	Advertisement	U.S.A	30.00%	7,427	7,866
Hyundai Information Service North America (HISNA)	Information technology	"	30.00%	2,750	2,892
Global Engine Alliance, LLC. (GEA)	Manufacturing	"	33.33%	1,744	1,842
Hyundai Capital Germany GmbH (HCGG)	Financing	Germany	40.01%	1,376	1,367
Kia Motors Corporation	Manufacturing	Korea	33.65%	4,065,675	3,242,033
Hyundai engineering & construction Co., LTD	Construction	"	20.95%	3,003,809	-
Hyundai WIA Corporation	Manufacturing	"	33.33%	437,807	377,072
Hyundai HYSCO Co., Ltd.	"	"	26.13%	413,350	376,298
Hyundai Powertech Co., Ltd.	"	"	37.58%	239,285	216,242
HMC Investment Securities Co., Ltd.	Securities Brokerage	"	26.27%	205,086	198,317
Hyundai Dymos Inc.	Manufacturing	"	47.27%	185,313	159,887
KEFICO Corporation	"	"	50.00%	160,279	155,077
Hyundai Commercial Inc.	Financing	"	50.00%	105,620	90,043
Eukor Car Carriers Inc.(*1)	Transportation	"	12.00%	87,741	82,259
HK Mutual Savings Bank	Financing	"	20.00%	47,201	42,849
Hyundai Autoever Corp.	Information technology	"	29.90%	41,381	39,969
The Korea Economic Daily Co., Ltd.	Newspaper	"	20.55%	31,391	31,171
Iljin Bearing Co., Ltd.	Manufacturing	"	20.00%	21,597	20,602

Name of company	Nature of business	Location	June 30, 2011 Ownership Percentage	June 30, 2011 Book value	December 31, 2010 Book value
			(%)	(In millions of Korean Won)	
HMC Win Win Fund	Investment association	"	33.33%	₩ 18,343	₩ 18,131
Hyundai M & Soft Co., Ltd.	Information technology	"	31.84%	18,131	16,378
Daesung Automotive Co., Ltd.	Manufacturing	"	20.00%	15,248	14,731
Korea Credit Bureau Co., Ltd.(*1)	Financing	"	9.00%	4,765	4,514
Seoul Line 9 Operation Co., Ltd.	Metro operation	"	20.00%	967	1,290
HI Network Inc.(*1)	Financing	"	19.99%	540	1,055
Korea Aerospace Industries, Co., Ltd. (*2)	Manufacturing	"	10.00%	-	129,177
Haevichi Country Club., Ltd	Golf course operation	"	30.00%	-	-
				₩10,722,067	₩ 6,909,451

(*1) As the Group is considered to be able to exercise significant influence, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
(*2) The entity is excluded from associates as the total ownership percentage is less than 20% due to disposal of part of the investments for the current period.

(2) The changes in investments in joint ventures and associates for the six months ended June 30, 2011 and 2010 are as follows:

Description	Six months ended June 30, 2011	Six months ended June 30, 2010
	(In millions of Korean Won)	
Beginning of the period	₩ 6,909,451	₩ 5,484,413
Acquisition	3,082,315	37,576
Share of profit for the period	1,279,749	787,728
Disposal	(114,334)	(20,239)
Dividends	(570,271)	(75,279)
Other(*)	135,157	64,027
End of the period	₩ 10,722,067	₩ 6,278,226

(*) Other changes consist of the changes of accumulated other comprehensive income, retained earnings and other.

(3) Condensed financial information of the joint ventures and associates as of and for the six months ended June 30, 2011 is as follows:

Name of company	Assets	Liabilities	Sales	Net income (loss)
	(In millions of Korean Won)			
BHMC	₩ 4,997,584	₩ 2,697,487	₩ 5,932,873	₩ 576,041
KMMG	2,014,997	1,392,658	2,619,540	103,385
HMGC	490,843	317,074	1,093,658	70,510
WAE	763,178	453,193	442,424	19,144
BMT	302,882	78,587	168,383	14,260
HMDG	379,446	268,106	772,862	3,801
HPMA	279,001	202,436	359,820	3,188
PTS	130,085	59,480	-	-
IWA	203,242	193,176	81,759	6,170
HISNA	19,886	11,818	42,574	940
GEA	19,591	13,205	7,212	53
HCGG	3,384	165	246	58
Kia Motors Corporation	29,485,759	16,689,894	22,238,347	2,080,982
Hyundai engineering & construction Co., Ltd.	11,202,937	7,150,333	5,155,506	310,537
Hyundai WIA Corporation	4,021,738	2,666,799	3,112,319	115,582
Hyundai HYSCO Co., Ltd.	4,391,749	2,897,233	3,941,423	166,298
Hyundai Powertech Co., Ltd.	1,801,378	1,128,995	1,397,539	62,411
HMC Investment Securities Co., Ltd.	3,828,311	3,200,016	199,640	21,263
Hyundai Dymos Inc.	989,993	594,879	718,041	37,800
KEFICO Corporation	741,318	418,636	598,853	30,708
Hyundai Commercial Inc.	3,183,528	2,971,936	157,466	37,143
Eukor Car Carriers Inc.	2,332,478	1,601,296	1,171,348	118,403
HK Mutual Savings Bank	2,488,211	2,313,445	180,413	21,527
Hyundai Autoever Corp.	298,768	160,195	306,739	15,090
The Korea Economic Daily Co., Ltd.	196,464	58,575	59,988	1,070
Iljin Bearing Co., Ltd.	144,321	36,338	112,727	6,101
HMC Win Win Fund	55,031	-	963	637
Hyundai M & Soft Co., Ltd.	74,141	17,434	38,264	5,984
Daesung Automotive Co., Ltd.	92,208	15,968	26,986	3,255
Korea Credit Bureau Co., Ltd.	46,335	7,368	18,066	3,513
Seoul Line 9 Operation Co., Ltd.	11,082	6,303	27,289	3,279
HI Network Inc.	5,675	2,967	9,854	1,007
Haevichi Country Club., Ltd	216,134	263,400	4,797	(4,445)

(4) The market price of listed equity securities as of June 30, 2011 is as follows:

Name of company	Price per share	Number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Motors Corporation	₩ 72,300	134,285,491	₩ 9,708,841
Hyundai engineering & construction Co., Ltd.	86,100	23,327,400	2,008,489
Hyundai HYSCO Co., Ltd.	51,100	20,954,188	1,070,759
Hyundai WIA Corporation	162,500	8,575,239	1,393,476
HMC Investment Securities Co., Ltd.	19,700	7,705,980	151,808

(5) Due to accumulated deficit in Haevichi Country Club, Ltd., the Group has discontinued its equity method treatment of the investee. As of June 30, 2011, the Group has not recognized six months ended June 30, 2011 losses and cumulative losses of ₩1,334 million and ₩9,553 million, respectively related to Haevichi Country Club, Ltd.

12. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of June 30, 2011 and December 31, 2010 consist of the following:

Description		June 30, 2011		December 31, 2010
		(In millions of Korean Won)		
Loans	₩	24,703,082	₩	23,155,855
Card receivables		8,585,443		9,028,064
Financial lease receivables		2,117,538		1,771,393
Other lease receivables		3,619		31,932
		35,409,682		33,987,244
Allowance of doubtful accounts		(657,177)		(615,599)
Loan origination fee		(370,997)		(398,300)
Present value discount accounts		(7,051)		(8,346)
	₩	34,374,457	₩	32,964,999

(2) Aging analysis of financial services receivables

As of June 30, 2011 and December 31, 2010, total financial services that are past due but not impaired are ₩1,395,202 million and ₩1,059,980 million, respectively; of which financial services receivables that are past due less than 90 days but not impaired are ₩1,395,202 million and ₩1,059,977 million, respectively. As of June 30, 2011 and December 31, 2010, the impaired financial services receivables are ₩301,989 million and ₩479,660 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the six months ended June 30, 2011 and 2010 are as follows:

Description	Six months ended June 30,			
		2011		2010
		(In millions of Korean Won)		
Beginning of the period	₩	615,599	₩	431,817
Impairment loss		211,168		132,314
Write-off		(121,467)		(86,420)
Effect of foreign exchange differences		(9,809)		5,966
Transfer and other		(38,314)		(13,578)
End of the period	₩	657,177	₩	470,099

13. OPERATING LEASE ASSETS:

(1) Operating lease assets as of June 30, 2011 and December 31, 2010 consist of the following:

Description		June 30, 2011		December 31,2010
		(In millions of Korean Won)		
Acquisition cost	₩	4,098,559	₩	2,998,691
Accumulated depreciation		(366,783)		(378,654)
Accumulated impairment loss		(30,384)		(17,969)
	₩	3,701,392	₩	2,602,068

(2) Future minimum lease receipts related to operating lease assets as of June 30, 2011 and December 31, 2010 are as follows:

Description		June 30, 2011		December 31,2010
		(In millions of Korean Won)		
Within 1 year	₩	959,325	₩	455,455
Within 5 years more than 1 year		1,078,685		1,123,505
	₩	2,038,010	₩	1,578,960

14. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of June 30, 2011 and December 31, 2010 consist of the following:

Description	Lender	Annual interest rate June 30, 2011		June 30, 2011		December 31, 2010
		(%)		(In millions of Korean Won)		
Overdrafts	Citi Bank and other	1.88~2.95	₩	124,695	₩	190,791
General loans	Kookmin Bank and other	0.46~5.81		3,831,039		3,981,880
Loans on trade receivables collateral	Korea Exchange Bank and other	Libor + 0.65~0.75		1,675,447		1,589,168
Usance	Kookmin Bank and other	Libor + 0.60~0.70		644,201		584,076
Short-term debentures	KTB Securities and other	3.17~5.19		874,074		1,008,906
Commercial paper	Shinhan Bank and other	3.22~4.97		720,000		1,940,000
Other	Korea Exchange Bank and other	0.80~2.30		173,784		41,647
			₩	8,043,240	₩	9,336,468

(2) Long-term debt as of June 30, 2011 and December 31, 2010 consist of the following:

Description	Lender	Annual interest rate June 30, 2011		June 30, 2011		December 31, 2010
		(%)		(In millions of Korean Won)		
General loans	Shinhan Bank and other	2.95~11.00	₩	1,086,826	₩	1,093,597
Facility loan	Korea Development Bank and other	0.49~7.30		1,997,192		1,319,400
Commercial paper	SK Securities and other	3.71~3.75		70,000		330,000
Other	Export-Import Bank of Korea and other	0.10~5.50		695,194		766,655
				3,849,212		3,509,652
Less: present value discounts				197,321		201,124
Less: current maturities				620,594		848,043
			₩	3,031,297	₩	2,460,485

(3) Debentures as of June 30, 2011 and December 31, 2010 consist of the following:

Description	Latest maturity date	Annual interest rate June 30, 2011		June 30, 2011		December 31, 2010
		(%)		(In millions of Korean Won)		
Domestic debentures:						
Non-guaranteed public debentures	May 2, 2018	2.90~8.95	₩	20,482,194	₩	18,192,913
Non-guaranteed private debentures	March 17, 2015	3.22~5.63		2,806,142		3,099,035
Overseas debentures:						
Guaranteed public debentures	April, 6, 2016	3.75~4.50		1,075,092		1,125,126
Guaranteed private debentures	April 25, 2015	5.68		80,858		85,418
Non-guaranteed public debentures	November 17, 2011	3.22		53,905		-
Secured debentures	November 15, 2017	0.25~5.48		4,578,405		3,486,551
				29,076,596		25,989,043
Less: discount on debentures				61,669		37,791
Less: current maturities				7,253,292		5,674,662
			₩	21,761,635	₩	20,276,590

15. PROVISIONS:

(1) The provisions as of June 30, 2011 and December 31, 2010 consist of the followings:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Warranty	₩ 5,544,967	₩ 5,252,340
Employee benefit	434,903	431,518
Other	248,246	301,720
	₩ 6,228,116	₩ 5,985,578

(2) The changes of provisions for the six months ended June 30, 2011 are as follows:

Description	Warranty	Employee benefit	Other
	(In millions of Korean Won)		
Beginning of the period	₩ 5,252,340	₩ 431,518	₩ 301,720
Accrual	571,194	28,828	91,377
Use	(275,137)	(25,094)	(141,784)
Amortization of present value discount	75,080	-	-
Changes in expected reimbursements by third parties	(47,299)	-	-
Effect of foreign exchange differences	(31,211)	(349)	(3,067)
End of the period	₩ 5,544,967	₩ 434,903	₩ 248,246

16. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL	₩ 256,629	₩ 238,352	₩ 46,196	₩ 432,306
Derivative liabilities that are effective hedging instruments	100,569	182,923	71,519	85,799
Other	104,519	-	-	104,519
	₩ 461,717	₩ 421,275	₩ 117,715	₩ 622,624

17. OTHER LIABILITIES:

Other liabilities as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advance received	₩ 964,984	₩ 36,533	₩ 426,934	₩ 29,846
Withholdings	1,098,880	627,436	969,355	562,181
Accrued expenses	2,018,272	-	1,007,750	-
Unearned income	346,963	320,659	321,863	330,881
Accrued dividends	78	-	69	-
Other	420,883	394,350	340,037	249,759
	₩ 4,850,060	₩ 1,378,978	₩ 3,066,008	₩ 1,172,667

18. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of June 30, 2011 consist of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 6,628,245	₩ -	₩ -	₩ 6,628,245	₩ 6,628,245
Short-term and long-term financial instruments	-	8,529,296	-	-	8,529,296	8,529,296
Trade notes and accounts receivable	-	3,610,215	-	-	3,610,215	3,610,215
Other receivables	-	2,389,956	-	-	2,389,956	2,389,956
Other financial assets	363,911	12,733	1,861,890	465,288	2,703,822	2,703,822
Other assets	-	295,942	-	-	295,942	295,942
Financial services receivables	-	34,374,457	-	-	34,374,457	33,932,743
	₩ 363,911	₩ 55,840,844	₩ 1,861,890	₩ 465,288	₩ 58,531,933	₩ 58,090,219

Categories of financial assets as of December 31, 2010 consist of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 6,215,815	₩ -	₩ -	₩ 6,215,815	₩ 6,215,815
Short-term and long-term financial instruments	-	8,543,388	-	-	8,543,388	8,543,388
Trade notes and accounts receivable	-	3,290,387	-	-	3,290,387	3,290,387
Other receivables	-	2,427,035	-	-	2,427,035	2,427,035
Other financial assets	209,301	10,944	1,479,986	571,318	2,271,549	2,271,549
Other assets	-	295,254	-	-	295,254	295,254
Financial services receivables	-	32,964,999	-	-	32,964,999	33,312,146
	₩ 209,301	₩ 53,747,822	₩ 1,479,986	₩ 571,318	₩ 56,008,427	₩ 56,355,574

(2) Categories of financial liabilities as of June 30, 2011 consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)				
Trade notes and accounts payable	₩ -	₩ 6,802,830	₩ -	₩ 6,802,830	₩ 6,802,830
Other payables	-	2,533,301	-	2,533,301	2,533,301
Borrowings and debentures	-	40,710,058	-	40,710,058	41,222,719
Other financial liabilities	494,981	104,519	283,492	882,992	882,992
Other liabilities	-	2,018,350	-	2,018,350	2,018,350
	₩ 494,981	₩ 52,169,058	₩ 283,492	₩ 52,947,531	₩ 53,460,192

Categories of financial liabilities as of December 31, 2010 consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)				
Trade notes and accounts payable	₩ -	₩ 6,398,905	₩ -	₩ 6,398,905	₩ 6,398,905
Other payables	-	3,568,502	-	3,568,502	3,568,502
Borrowings and debentures	-	38,596,248	-	38,596,248	39,157,152
Other financial liabilities	478,502	104,519	157,318	740,339	740,339
Other liabilities	-	1,007,819	-	1,007,819	1,007,819
	₩ 478,502	₩ 49,675,993	₩ 157,318	₩ 50,311,813	₩ 50,872,717

(3) Fair value estimation

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3, based on the degree to which the fair value is observable, as described below:

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

Fair value measurements of financial instruments by fair-value hierarchy levels as of June 30, 2011 are as follows:

	June 30, 2011			
Description	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial Assets:				
Financial assets at FVTPL	₩ 196,523	₩ 167,388	₩ -	₩ 363,911
Derivatives designated as hedging instruments	-	465,288	-	465,288
AFS financial assets	1,594,684	158,430	108,776	1,861,890
	₩ 1,791,207	₩ 791,106	₩ 108,776	₩ 2,691,089
Financial Liabilities:				
Financial liabilities at FVTPL	₩ 411,120	₩ 83,861	₩ -	₩ 494,981
Derivatives designated as hedging instruments	-	283,492	-	283,492
	₩ 411,120	₩ 367,353	₩ -	₩ 778,473

The changes in financial instruments classified as Level 3 for the six months ended June 30, 2011 are as follows:

Description	Beginning of the period	Purchases	Sales	Valuation	Transfer	End of the period
	(In millions of Korean Won)					
AFS financial assets	₩ 109,401	₩ 2,829	₩ (309)	₩ (1,148)	₩ (1,997)	₩ 108,776

(4) Interest income, dividend income and interest expense by category of financial instruments for the six months ended June 30, 2011 and 2010 consist of the following:

	Six months ended June 30,					
	2011			2010		
Description	Interest income	Dividend income	Interest expense	Interest income	Dividend income	Interest expense
	(In millions of Korean Won)					
Non-financial services:						
Loans and receivables	₩ 215,523	₩ -	₩ -	₩ 169,834	₩ -	₩ -
Financial assets at FVTPL	7,662	-	-	12,440	-	-
AFS financial assets	1,467	17,584	-	1,263	9,266	-
Financial liabilities at FVTPL	-	-	7,684	-	-	12,096
Financial liabilities carried at amortized cost	-	-	177,616	-	-	223,505
	₩ 224,652	₩ 17,584	₩ 185,300	₩ 183,537	₩ 9,266	₩ 235,601
Financial services:						
Loans and receivables	291,974	-	-	248,495	-	-
Financial liabilities at FVTPL	-	-	12,378	-	-	11,893
Financial liabilities carried at amortized cost	-	-	729,837	-	-	645,363
	₩ 291,974	₩ -	₩ 742,215	₩ 248,495	₩ -	₩ 657,256

(5) The fee income arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the six months ended June 30, 2011 and 2010 are ₩741,593 million and ₩711,468 million, respectively. In addition, the fee expense occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the six months ended June 30, 2011 and 2010 is ₩588,893 million and ₩568,151 million, respectively.

19. CAPITAL STOCK:

Common stock as of June 30, 2011 and December 31, 2010 consists of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won, except par value)	
Authorized	600,000,000 shares	600,000,000 shares
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	₩ 1,157,982	₩ 1,157,982

The Company completed stock retirement of 10,000,000 common shares and 1,320,000 common shares on March 5, 2001 and on May 4, 2004, respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

Preferred stock as of June 30, 2011 and December 31, 2010 consists of the following:

	Par value	Issued	Korean Won (In millions of Korean Won)	Dividend rate
1st preferred stock	₩ 5,000	25,109,982 shares	₩ 125,550	Dividend rate of common stock + 1%
2nd preferred stock	5,000	37,613,865 shares	193,069	Dividend rate of common stock + 2%
3rd preferred stock	5,000	2,478,299 shares	12,392	Dividend rate of common stock + 1%
Total		65,202,146 shares	₩ 331,011	

On March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount.

20. CAPITAL SURPLUS:

Capital surplus as of June 30, 2011 and December 31, 2010 consists of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Other	579,641	579,601
	₩ 3,900,975	₩ 3,900,935

21. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Treasury stocks as of June 30, 2011 and December 31, 2010 are as follows:

Description	June 30, 2011	December 31, 2010
	(Number of shares)	
Common stock	11,005,030	11,005,030
1st preferred stock	1,950,960	1,950,960
2nd preferred stock	1,000,000	1,000,000

22. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of June 30, 2011 and December 31, 2010 consists of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 939,831	₩ 850,568
Loss on valuation of AFS financial assets	(1,623)	(1,558)
Gain on valuation of derivatives	28,013	53,096
Loss on valuation of derivatives	(32,594)	(86,845)
Gain on valuation of equity-accounted investees	196,280	107,704
Loss on valuation of equity-accounted investees	(322,968)	(382,894)
Loss on foreign operations translation, net	(322,013)	(130,157)
	₩ 484,926	₩ 409,914

23. RETAINED EARNINGS:

Retained earnings as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Legal reserve	₩ 375,113	₩ 333,890
Discretionary reserve	19,046,647	14,336,647
Unappropriated	9,280,796	10,545,626
	₩ 28,702,556	₩ 25,216,163

24. SALES:

Sales for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Sales of goods	₩ 17,819,081	₩ 33,897,264	₩ 14,918,809	₩ 27,999,011
Rendering of services	243,823	469,287	216,472	417,752
Royalties	41,821	75,827	32,714	68,575
Other	69,886	131,603	108,801	172,312
Financial services revenue	1,916,976	3,750,967	1,593,945	3,234,520
	₩ 20,091,587	₩ 38,324,948	₩ 16,870,741	₩ 31,892,170

25. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Selling expenses :				
Export expenses	₩ 278,266	₩ 395,881	₩ 207,239	₩ 382,085
Overseas market expenses	209,234	332,056	161,053	338,559
Advertisements	298,033	627,644	370,037	658,538
Sales commissions	197,428	382,320	118,370	296,237
Warranty expenses	36,853	91,246	72,178	135,171
Campaign and recall expenses	14,970	26,468	5,422	15,069
Transportation expenses	77,811	119,521	24,082	78,753
Sales promotion	202,521	441,474	167,483	331,854
Provision for warranties	276,530	571,194	350,003	535,868
	1,591,646	2,987,804	1,475,867	2,772,134
Administrative expenses :				
Salaries	548,049	961,743	383,217	753,191
Post-employment benefits	32,278	62,058	26,451	51,179
Welfare expenses	68,427	134,013	59,625	121,842
Service charges	228,223	420,878	187,361	335,199
Research	137,329	246,500	149,780	205,739
Other	200,047	427,350	180,027	388,249
	1,214,353	2,252,542	986,461	1,855,399
	₩ 2,805,999	₩ 5,240,346	₩ 2,462,328	₩ 4,627,533

26. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income for the three months and six months ended June 30, 2011 and 2010 consists of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Gain on foreign exchange transaction	₩ 42,623	₩ 87,863	₩ 154,467	₩ 285,089
Gain on foreign currency translation	17,120	69,215	23,610	129,772
Gain on disposal of property, plant and equipment	4,053	6,668	1,967	16,391
Commission income	11,593	15,012	12,484	18,714
Rental income	15,510	34,115	9,913	28,519
Other	134,604	331,459	75,973	268,336
	₩ 225,503	₩ 544,332	₩ 278,414	₩ 746,821

(2) Other operating expenses for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Loss on foreign exchange transaction	₩ 56,196	₩ 105,374	₩ 122,139	₩ 252,007
Loss on foreign currency translation	40,375	75,495	33,572	95,030
Loss on disposal of property, plant and equipment	40,600	47,368	7,551	36,018
Impairment loss on intangible assets	-	79,204	174	101,658
Donations	9,966	16,734	8,065	13,517
Other	51,488	88,361	44,955	123,199
	₩ 198,625	₩ 412,536	₩ 216,456	₩ 621,429

27. GAIN(LOSS) ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain(loss) on investments in joint ventures and associates for the three months and six months ended June 30, 2011 and 2010 consists of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Gain on valuation of equity-accounted investees, net	₩ 707,732	₩ 1,279,749	₩ 442,031	₩ 787,728
Gain(loss) on disposal of investments in associates, net	133,587	133,587	(11,095)	(11,095)
	₩ 841,319	₩ 1,413,336	₩ 430,936	₩ 776,633

28. FINANCIAL INCOME AND EXPENSES:

(1) Financial income for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Interest income	₩ 107,978	₩ 224,652	₩ 96,511	₩ 183,537
Gain on foreign exchange transaction	14,706	19,533	16,047	29,633
Gain on foreign currency translation	29,639	72,060	24,569	78,346
Dividends income	-	17,584	-	9,266
Income on financial guarantee	2,373	2,664	3,370	4,698
Gain on valuation of financial instruments at FVTPL	-	-	34,931	11,008
Gain on disposal of AFS financial assets	-	2,182	19	19
Gain on valuation of derivatives	19,000	86,397	25,703	73,739
Other	16	2,672	118	1,452
	₩ 173,712	₩ 427,744	₩ 201,268	₩ 391,698

(2) Financial expenses for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Interest expenses	₩ 110,039	₩ 247,881	₩ 144,917	₩ 315,228
Loss on foreign currency transaction	9,732	15,259	22,529	39,361
Loss on foreign currency translation	17,295	19,586	24,814	34,059
Loss on valuation of financial instruments at FVTPL	9,824	17,129	-	-
Loss on disposal of AFS financial assets	6	17	3	6
Impairment loss on AFS financial assets	-	-	-	1,200
Loss on valuation of derivatives	10,251	42,065	14,442	14,718
Other	724	4,834	5,871	8,819
	₩ 157,871	₩ 346,771	₩ 212,576	₩ 413,391

29. EXPENSES BY NATURE:

Expenses by nature for the three months and six months ended June 30, 2011 and 2010 consist of the following:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Changes in inventories	₩ (68,669)	₩ 82,655	₩ (420,420)	₩ (325,016)
Purchase of raw materials and merchandise	18,272,448	33,969,420	16,679,463	30,320,832
Employee benefits	1,565,982	2,962,533	1,177,525	2,538,834
Depreciation	390,429	775,866	366,377	761,071
Amortization	158,312	312,260	130,718	285,594
Other	4,593,191	8,993,128	3,110,321	6,215,843
	24,911,693	47,095,862	21,043,984	39,797,158
Consolidation adjustments	(6,721,371)	(12,180,821)	(5,643,007)	(10,161,848)
Total (*)	₩ 18,190,322	₩ 34,915,041	₩ 15,400,977	₩ 29,635,310

(*) Sum of cost of sales, selling and administrative expenses and other operating expenses in the statements of income.

30. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. The Group does not compute diluted earnings per common share for the three months and six months ended June 30, 2011 and 2010 because there is no item related to dilution.

Basic earnings per common share for the three months and six months ended June 30, 2011 and 2010 are computed as follows:

	2011		2010	
Description	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won, except per share amounts)			
Net income attributable to owners of the parent	₩ 2,140,319	₩ 3,891,833	₩ 1,572,622	₩ 2,724,636
Expected dividends on preferred stock	(491,657)	(894,174)	(361,500)	(626,570)
Net income available to common share	1,648,662	2,997,659	1,211,122	2,098,066
Weighted average number of common shares outstanding (*)	209,271,449	209,271,449	209,273,369	209,048,886
Basic earnings per common share	₩ 7,878	₩ 14,324	₩ 5,787	₩ 10,036

(*) Weighted average number of common shares outstanding includes transactions pertaining to change of treasury stock.

31. INCOME TAX EXPENSE:

Income tax expense for the six months ended June 30, 2011 and 2010 consists of the following:

	Six months ended June 30,	
Description	2011	2010
	(In millions of Korean Won)	
Income tax currently payable	₩ 973,585	₩ 729,858
Adjustments recognized in the current year in relation to the prior years	(13,958)	(16,406)
Changes in deferred taxes due to:		
Temporary differences	736,072	47,549
Tax credits and deficits	(385,658)	88,852
Items directly charged to equity	(52,821)	(48,138)
Current tax directly charged to equity	-	(8,549)
Effect of foreign exchange differences	7,274	3,852
Income tax expense	₩ 1,264,494	₩ 797,018

32. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the six months ended June 30, 2011 and 2010 are as follows:

Description	Six months ended June 30, 2011	Six months ended June 30, 2010
	(In millions of Korean Won)	
Paid in cash	₩ 3,805	₩ 6,331
Recognized liability	498	4,466
	₩ 4,303	₩ 10,797

(2) Actuarial assumptions used as of June 30, 2011 and December 31, 2010 are as follows:

Description	June 30, 2011	December 31, 2010
Discount rate	4.83~5.80%	4.90~5.90%
Expected return on plan assets	3.92~8.25%	4.20~8.25%
Expected rate of salary increase	1.50~5.66%	1.50~5.50%

(3) Income and loss in relation to defined benefit plans for the three months and six months ended June 30, 2011 and 2010 are as follows:

Description	2011 Three months ended June 30,	2011 Six months ended June 30,	2010 Three months ended June 30,	2010 Six months ended June 30,
	(In millions of Korean Won)			
Current service cost	₩ 81,071	₩ 161,816	₩ 76,153	₩ 145,179
Interest cost	23,869	47,768	26,531	52,072
Expected return on plan assets	(14,239)	(29,160)	(18,085)	(36,139)
	90,701	180,424	84,599	161,112
Cost of sales (Manufacturing cost)	48,767	97,685	45,573	90,490
Selling and administrative expenses	30,045	58,908	27,402	49,136
Other	11,889	23,831	11,624	21,486
	₩ 90,701	₩ 180,424	₩ 84,599	₩ 161,112

(4) The amounts recognized in the statements of financial position related to defined benefit plans as of June 31, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Present value of defined benefit obligation	₩ 1,779,104	₩ 1,808,027
Fair value of plan assets	(1,311,259)	(1,318,430)
Defined benefit obligation	₩ 467,845	₩ 489,597

(5) Changes in present value of the defined benefit obligation for the six months ended June 30, 2011and 2010 are as follows:

Description	Six months ended June 30, 2011		Six months ended June 30, 2010	
	(In millions of Korean Won)			
Beginning of the period	₩	1,808,027	₩	1,934,504
Current service cost		161,816		145,179
Interest cost		47,768		52,072
Transfer in (out)		3,979		3,684
Actuarial loss		35		12,977
Benefits paid		(237,095)		(136,374)
Effect of foreign exchange differences		(8,658)		6,207
Other		3,232		7,595
End of the period	₩	1,779,104	₩	2,025,844

(6) Changes in fair value of the plan assets for the six months ended June 30, 2011 and 2010 are as follows:

Description	Six months ended June 30, 2011		Six months ended June 30, 2010	
	(In millions of Korean Won)			
Beginning of the period	₩	1,318,430	₩	1,406,898
Expected return on plan assets		29,160		36,139
Actuarial gain (loss)		6,329		(6,385)
Transfer in (out)		526		515
Contributions from plan participants		77,632		21,127
Benefits paid		(115,134)		(73,659)
Effect of foreign exchange differences		(5,684)		3,121
End of the period	₩	1,311,259	₩	1,387,756

The actual returns on plan assets for the six months ended June 30, 2011 and 2010 are ₩34,493 million and ₩21,514 million, respectively.

(7) Fair value of the plan assets as of June 30, 2011 and December 31, 2010 consist of the following:

Description	June 30, 2011		December 31, 2010	
	(In millions of Korean Won)			
Insurance instruments	₩	1,152,833	₩	1,110,313
Equity instruments		-		84,025
Debt instruments		29,525		27,045
Other		128,901		97,047
	₩	1,311,259	₩	1,318,430

33. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the six months ended June 30, 2011 and 2010 is as follows:

Description	Six months ended June 30, 2011	Six months ended June 30, 2010
	(In millions of Korean Won)	
Profit for the period	₩ 4,184,054	₩ 2,961,603
Addition of items not involving cash outflows:		
Payroll	28,828	44,207
Retirement benefits	180,424	161,112
Depreciation	775,866	761,071
Income tax expense	1,264,494	797,018
Interest expense	247,881	315,228
Provision for warranties	571,194	535,868
Amortization of intangible assets	312,260	285,594
Loss on foreign currency translation	95,081	129,089
Loss on disposal of property, plant and equipment	47,368	36,018
Impairment loss on intangible assets	79,204	101,658
Loss on valuation of equity-accounted investees	113	5,093
Loss on disposal of investments in associates	3,956	11,095
Loss on valuation of financial instruments at FVTPL	17,129	-
Impairment loss on AFS financial assets	-	1,200
Loss on valuation of derivatives	42,065	14,718
Cost of sales from financial services	1,767,836	1,760,133
Other	66,867	82,396
	5,500,566	5,041,498
Deduction of items not involving cash inflows:		
Interest income	224,652	183,537
Dividend income	17,584	9,266
Gain on foreign currency translation	141,275	208,118
Gain on disposal of property, plant and equipment	6,668	16,391
Gain on valuation of equity-accounted investees	1,279,862	792,821
Gain on disposal of investments in associates	137,543	-
Gain on valuation of financial instruments at FVTPL	-	11,008
Gain on valuation of derivatives	86,397	73,739
Revenue from financial services	1,033,419	675,532
Other	26,233	97,618
	(2,953,633)	(2,068,030)
Changes in operating assets and liabilities		
Increase in trade notes and accounts receivable	(337,398)	(2,977)
Increase in other receivables	(180,486)	(587,831)
Decrease(increase) in other financial assets	(42,400)	70,526
Decrease(increase) in inventories	(301,558)	14,691
Decrease in other assets	20,732	26,811
Increase in trade notes and accounts payable	478,207	232,814
Decrease in other payables	(11,521)	(200,020)
Increase in other liabilities	1,693,139	939,481
Increase(decrease) in other financial liabilities	(11,286)	88,665
Changes in retirement benefit obligation	(80,215)	12,085
Payment of severance benefits	(121,961)	(62,715)
Decrease in provisions	(407,899)	(113,954)
Changes in financial services receivables	(3,060,226)	(1,085,890)
Other	74,252	(43,822)
	(2,288,620)	(712,136)
Cash generated from operations	₩ 4,442,367	₩ 5,222,935

34. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing its' shareholder's profit and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of June 30, 2011 and December 31, 2010 are as follows:

Description	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Total liabilities	₩ 65,759,838	₩ 61,826,158
Total equity	36,695,326	32,887,973
Debt to equity ratio	179.2%	188.0%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. Overall, the Group's financial risk management policy is consistent as the prior period.

1) Market risk

The Group is mainly exposed to the financial risks arising from the changes of the foreign exchange rates and the interest rates. Accordingly, the Group uses financial derivative contracts for risk hedge and to manage its interest rate risk and foreign currency risk.

a) Foreign exchange risk management

The Group is exposed to various foreign currencies' risk it makes transactions in. The Group is mainly exposed to the risk on USD, EUR and JPY.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement day according to the exchange rate forecast. The Group uses foreign currency derivatives; such as currency forward, currency swap, and currency option; as hedging instruments, however, speculative foreign exchange trade on derivative financial instruments is basically prohibited.

The Group's sensitivity to a 5% change in exchange rate of the functional currency (Korean Won) against each foreign currency on income before income tax as of June 30, 2011, is as follows:

	Foreign Exchange Rate Sensitivity	
Foreign Currency	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (13,279)	₩ 13,279
EUR	(69,404)	69,404
JPY	(16,775)	16,775

(*) Sensitivity analysis above is performed with the Group's monetary assets and liabilities and derivative assets and liabilities.

b) Interest rate risk management

The Group borrows funds with fixed and variable interest rates, and the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between the borrowings with fixed and variable interest rate for short-term borrowings, and, has a policy to borrow funds, whenever possible, with fixed interest rates to avoid the future cash flow fluctuation risk for the long-term debt. The Group manages its interest rate risk through regular assessments and adjustments to the changing markets conditions and nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of June 30, 2011 is as follows;

Accounts	Interest Rate Sensitivity Increase by 1%	Interest Rate Sensitivity Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 2,527	₩ (2,527)
AFS financial assets (Debt investments)	(64)	64
Borrowings and debentures	(72,043)	72,043

c) Equity price risk

The Group is exposed to price fluctuation risk arising from available-for-sale equity investments. As of June 30, 2011, the amount of available-for-sale equity investments measured at fair value is ₩1,836,254 million.

2) Credit risk

The credit risk refers to risk of financial losses to the Group when the counterpart defaults on the obligations of the contract. The Group operates a policy to transact only with counterparties that are more than a certain level of credit rating, based on the counterparty's financial conditions, default history, and other factors. The credit risk on liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for guarantee of indebtedness discussed in Note 36, the book value of financial assets on the financial statements represents the maximum amount of exposure to credit risk.

3) Liquidity risk

The Group manages liquidity risk by establishing short-term and long-term fund management plans and analyzing and reviewing actual cash outflow and its budget to correspond the maturity of financial liabilities to that of financial assets.

Due to the inherent nature of the industry, the Group requires continuous R&D investment and sensitivity to economic fluctuations, the Group minimizes the credit risk of its cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. The Group, also, continues to strengthen its credit rates to secure a stable financing capability.

The maturity analysis of non-derivative liabilities according to their remaining contract expiration as of June 30, 2011 is as follows:

Description	Remaining contractual undiscounted cash flows: Less than 1 years	1-5 years	More than 5 years	Total
		(In millions of Korean Won)		
Non interest-bearing liabilities:	₩ 11,433,341	₩ 25,516	₩ 143	₩ 11,459,000
Interest-bearing liabilities:	17,341,862	24,268,945	3,241,535	44,852,342
Financial guarantee	505,289	-	165,678	670,967

(*) Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made.

(3) Derivative instrument

The Group entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate.

As of June 30, 2011 and December 31, 2010, the Group deferred net loss of ₩4,581 million and ₩33,749 million, respectively, as accumulated other comprehensive loss, resulting from the effective portion of its cash flow hedging instruments. The longest period in which the forecasted transactions are expected to occur is within 61 months as of June 30, 2011.

For the six months ended June 30, 2011 and 2010, the Group recognized gain of ₩86,397 million and ₩73,739 million, respectively, and loss of ₩42,065 million and ₩14,718 million, respectively, as finance income (expense), which resulted from the ineffective portion of its cash flow hedging instruments and change in the valuation of its' other non-hedging derivative instruments.

35. RELATED PARTY TRANSACTIONS:

The transactions and outstanding balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group. The Group's significant joint ventures and associates are Kia Motors Corporation, Hyundai WIA Corp, Hyundai HYSCO and Beijing-Hyundai Motor Company. Hyundai MOBIS, Hyundai Steel Company and others are included in other related parties.

(1) Significant transactions for the six months ended June 30, 2011 and 2010 between the Group and related parties are as follows:

	Six months ended June 30,			
	2011		2010	
Description	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions of Korean Won)			
Joint ventures and associates	₩ 2,438,591	₩ 4,661,428	₩ 2,111,643	₩ 3,117,553
Others	462,573	6,108,993	769,653	4,862,661

(2) As of June 30, 2011 and December 31, 2010, significant balances related to the transactions between the Group and related parties are as follows:

	June 30, 2011		December 31, 2010	
Description	Receivables	Payables	Receivables	Payables
	(In millions of Korean Won)			
Joint ventures and associates	₩ 907,587	₩ 1,402,284	₩ 992,629	₩ 1,310,784
Others	225,373	1,956,899	350,691	1,653,601

(3) Compensations for registered and unregistered directors for the six months ended June 30, 2011 and 2010 are as follows:

	Six months ended June 30,	
Description	2011	2010
	(In millions of Korean Won)	
Short-term salaries	₩ 57,950	₩ 50,940
Long-term salaries	13,510	8,059
Severance benefits	263	275
	₩ 71,723	₩ 59,274

36. COMMITMENTS AND CONTINGENCIES:

(1) As of June 30, 2011, the debt guarantees provided by the Group to related parties, excluding the Group's subsidiaries, are as follows:

	Domestic	Overseas (*)
	(In millions of Korean Won)	
Associates and joint ventures	₩ -	₩ 135,302
Others	165,678	285,607
Customer financing and lease financing	84,380	-
	₩ 250,058	₩ 420,909

(*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of June 30, 2011.

(2) As of June 30, 2011, though the Group is involved in the lawsuits as defendants which the Group is currently unable to estimate the outcome or the potential financial impact of. However, it expects that it will likely not have a material effect on its financial statements.

The Group estimates and accrues product liability and completed operations liability insurance for potential losses which may result from foreign operations lawsuits.

(3) As of June 30, 2011, the Group's property, plant and equipment are pledged as collateral for various loans up to ₩1,352,281 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain foreign subsidiaries' receivables and financial services receivables are pledged as collateral for their borrowings.

(4) As of June 30, 2011, the Group's consolidated subsidiaries have been provided with payment guarantee from other companies as follows:

Subsidiaries	Provider	Amounts of guarantee	
		(KRW in millions)	
Hyundai Rotem Company	Machinery Financial Cooperative	KRW	758,638
	Korea Defense Industry Association	KRW	339,404
	Seoul Guarantee Insurance Company	KRW	608,159
	Woori Bank	USD	26,415,520
	Export-Import Bank of Korea	USD	360,242,713
	〃	EUR	453,749,221
	〃	CAD	8,032,593
	〃	GBP	489,190
	〃	TWD	6,870,312
	〃	SGD	6,409,023
	〃	CNY	69,820,205
	〃	OMR	6,580,290
	〃	BRL	6,000,000
	〃	TND	2,000,000
	〃	KRW	1,155
	Korea Exchange Bank	USD	1,342,070
	〃	EUR	4,063,636
	〃	INR	6,287,457
	〃	VND	9,633,724,973
	〃	KRW	3,463
	BNP Paribas	USD	7,620,000
	ANZ Bank	NZD	58,820,603
	Standard Chartered, Seoul Branch	THB	686,000,000
	MARSH	USD	5,000,000
Green Air Co., Ltd.	Seoul Guarantee Insurance Company	KRW	4,000

Subsidiaries	Provider	Amounts of guarantee	
		(KRW in millions)	
Hyundai Capital Services, Inc.	Seoul Guarantee Insurance Company	KRW	197,367
	Hyundai WIA Corporation	KRW	5,228
Hyundai Card Co., Ltd.	Seoul Guarantee Insurance Company	KRW	5,126
Hyundai Carnes Co., Ltd.	Korea Exchange Bank	KRW	1,000
	〃	USD	300,000
HAOS	Other	USD	103,043,219
HMCI	〃	EUR	34,899,536

(5) In 2006, the Group sold 10,658,367 shares of Hyundai Rotem Company, a subsidiary, to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to a put option to sell those shares back to the Group in certain events (as defined) in accordance with the agreement. In relation to the agreement, the present value of exercise price of the put option is recognized as a liability (other financial liability) by the Group.

(6) Hyundai Capital Services, Inc., a subsidiary, has Revolving Credit Facility Agreements with the following financial institutions:

Financial institution	Credit line	
GE Capital Corporation	Euro worth of USD	1,000 million
Mizuho Corporate Bank, Seoul Branch	KRW	65,000 million
JP Morgan Seoul Branch	KRW	80,000 million
Citibank, Seoul	KRW	50,000 million
Standard Chartered, Seoul Branch	KRW	50,000 million
Societe Generale, Seoul Branch	KRW	55,000 million
Bank of China, Seoul	KRW	30,000 million
DBS Bank, Seoul	KRW	50,000 million

(7) Hyundai Card Co., Ltd, a subsidiary, has Revolving Credit Facility Agreements with the following financial institutions:

Financial institution	Credit line	
GE Capital Corporation	Euro worth of USD	200 million
Woori Bank	KRW	200,000 million
Kookmin Bank	KRW	100,000 million
Shinhan Bank	KRW	100,000 million
Nonghyup	KRW	100,000 million
Citibank, Seoul	KRW	50,000 million

(8) Hyundai Card Co., Ltd., a subsidiary, has an asset backed securitization agreement, under which exists early redemption clauses when certain triggering events occur. Such clauses are in place to limit the risk that the investors may incur due to changes in asset quality of the subsidiary in the future. In the event the asset-backed securitization triggers such clauses, Hyundai Card Co., Ltd. is obligated to make early redemption of its asset-backed securities.

(9) The shares of Hyundai Engineering & Construction Co., Ltd, an equity-accounted investee acquired during 2011, are restricted to be transferred or pledged as collateral in whole or in part to third party without prior written consent of the seller for the following two years from the acquisition. In the purpose of assuring this restriction, the shares of the associate worth of 10% of the total acquisition price are held by the designated escrow agent.

37. SEGMENT INFORMATION:

(1) The Group has a Vehicle segment, a Finance segment and other. The Vehicle segment is engaged in the manufacturing and sale of motor vehicles. The Finance segment operates vehicle financing, credit card processing and other financing activities. Other includes the R&D, manufacturing the trains and other activities which cannot be classified as Vehicle or Finance segment.

(2) Sales and operating income by operating segments are as follows:

	Six months ended June 30, 2011			
	Vehicle	Finance	Other	Total
	(In millions of Korean Won)			
Sales	₩ 32,897,522	₩ 3,841,816	₩ 1,585,610	₩ 38,324,948
Operating income	3,079,826	794,207	80,206	3,954,239

	Six months ended June 30, 2010			
	Vehicle	Finance	Other	Total
	(In millions of Korean Won)			
Sales	₩ 26,917,971	₩ 3,247,813	₩ 1,726,386	₩ 31,892,170
Operating income	2,370,120	551,645	81,916	3,003,681

(3) Assets and liabilities by operating segments are as follows:

	June 30, 2011			
	Vehicle	Finance	Other	Total
ASSETS	(In millions of Korean Won)			
Current assets	₩ 21,762,597	₩ 22,134,100	₩ 2,404,410	₩ 46,301,107
Non-current assets	32,942,328	21,126,027	2,085,702	56,154,057
Total assets	₩ 54,704,925	₩ 43,260,127	₩ 4,490,112	₩102,455,164
LIABILITIES				
Current liabilities	₩ 17,721,740	₩ 13,271,924	₩ 2,013,726	₩ 33,007,390
Borrowings and debentures	4,040,980	11,056,583	819,563	15,917,126
Other	13,680,760	2,215,341	1,194,163	17,090,264
Non-current liabilities	7,980,240	23,660,758	1,111,450	32,752,448
Borrowings and debentures	2,123,397	21,857,312	812,223	24,792,932
Other	5,856,843	1,803,446	299,227	7,959,516
Total liabilities	₩ 25,701,980	₩ 36,932,682	₩ 3,125,176	₩ 65,759,838

	June 30, 2010			
	Vehicle	Finance	Other	Total
ASSETS	(In millions of Korean Won)			
Current assets	₩ 20,751,733	₩ 20,776,108	₩ 1,992,313	₩ 43,520,154
Non-current assets	29,914,740	19,116,958	2,162,279	51,193,977
Total assets	₩ 50,666,473	₩ 39,893,066	₩ 4,154,592	₩ 94,714,131
LIABILITIES				
Current liabilities	₩ 16,076,178	₩ 13,495,340	₩ 1,873,968	₩ 31,445,486
Borrowings and debentures	3,657,242	11,391,037	810,894	15,859,173
Other	12,418,936	2,104,303	1,063,074	15,586,313
Non-current liabilities	8,205,031	21,206,728	968,913	30,380,672
Borrowings and debentures	2,487,002	19,558,651	691,422	22,737,075
Other	5,718,029	1,648,077	277,491	7,643,597
Total liabilities	₩ 24,281,209	₩ 34,702,068	₩ 2,842,881	₩ 61,826,158

(4) Sales and operating income by region where the Group's entities are located in are as follows:

	Six months ended June 30, 2011					
	Korea	North America	Asia	Europe	Other	Total
	(In millions of Korean Won)					
Sales	₩ 19,193,117	₩ 9,526,288	₩ 3,459,976	₩ 6,145,567	₩ -	₩ 38,324,948
Operating income	2,692,126	907,286	201,645	171,012	(17,830)	3,954,239

	Six months ended June 30, 2010					
	Korea	North America	Asia	Europe	Other	Total
	(In millions of Korean Won)					
Sales	₩ 17,806,527	₩ 6,874,110	₩ 3,017,111	₩ 4,194,422	₩ -	₩ 31,892,170
Operating income	2,363,350	405,609	136,828	97,894	-	3,003,681

(5) Non-current assets by region where the Group's entities are located in as of June 30, 2011 and December 31, 2010 are as follows:

	June 30, 2011	December 31, 2010
	(In millions of Korean Won)	
Korea	₩ 16,529,146	₩ 16,535,745
North America	1,509,916	1,620,239
Asia	1,182,023	1,223,392
Europe	2,156,929	2,036,711
Other	153,594	16,806
Total (*)	₩ 21,531,608	₩ 21,432,893

(*) Sum of property, plant and equipment, intangible assets and investment property.

(6) There is no single external customer who has 10% or more of the Group's revenues for the six months ended June 30, 2011.

38. TRANSITION TO K-IFRS:

(1) Optional exemptions for K-IFRS 1101 *First-time adoption*

1) Business combinations that occurred before the date of transition to K-IFRS, have not been retrospectively restated.

2) Cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to K-IFRS.

3) The Group capitalizes borrowing costs relating to qualifying assets for which the commencement date for capitalization occurred after the date of transition to K-IFRS.

4) The Group measures the land at fair value as of the date of transition as deemed cost. The fair value amounting to ₩4,411,286 million (carrying amount of ₩1,954,751 million under previous GAAP) at the date of transition is used as deemed cost; the related deferred tax effect recognized amounts to ₩540,438 million. In addition, for property, plant and equipment and investment property other than land, the Group uses the revaluation previously performed, before the date of transition to K-IFRS, under previous GAAP ("K-GAAP) as deemed cost.

(2) Significant differences in accounting policies

1) Derecognition of financial assets

Under previous GAAP, when the Group transferred a financial asset to financial institutions and it was considered that control over the financial asset was transferred, and accordingly the Group derecognized the financial asset. Under K-IFRS, if the transfer doesn't satisfy the criteria of derecognition, the financial asset is not derecognized and the related cash proceeds are recognized as financial liabilities.

2) Employee benefits

Under previous GAAP, the Group measured the accrued severance benefits with the assumption that all employees and directors with more than one year of service were to retire as of the end of reporting period and recognized long-term employee benefits as an expense when the obligation of the payment was determined. Under K-IFRS, the company recognizes the defined benefit obligation and long-term employee benefits by using actuarial assumptions.

3) Provision

Under previous GAAP, the discount rate at the initial recognition was applied to measure the present value of provisions in the subsequent periods. Under K-IFRS, the current market discount rate is applied to remeasure the present value of provisions.

Under K-IFRS, where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party and when it is virtually certain that reimbursement will be received if the Group settles the obligation, the Group recognizes the reimbursement by another party as a separate asset.

4) Financial guarantee contracts

Under K-IFRS, the Group has recognized the fair value of financial guarantee contracts which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument as a financial liability.

5) Customer loyalty programmes

Under previous GAAP, the Group recognized expenditure expected to be paid in the future as selling expenses and the provision that indicates the transaction granted the award credits under customer loyalty programmes. Under K-IFRS, since the Group is required to allocate the fair value of the consideration received or receivable between the award credits and the other components of the sale and defer the recognition of revenue, the Group has recognized the amount as deferred revenue.

6) Investment property

The Group classifies the property held to earn rentals as investment property under K-IFRS, which was classified as tangible asset under previous GAAP.

7) Borrowing cost

Under K-IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets after the date of transition are recognized as the cost of the asset, which was recognized as expense under previous GAAP.

8) Deferred income tax

Under previous GAAP, the Group recognized deferred tax assets or liabilities for investments in subsidiaries, jointly controlled entities and associates without separating the temporary difference by the origin of its occurrence. However, under K-IFRS, the Group recognizes deferred tax assets or liabilities for those in accordance with the way the related temporary difference reverses by the origin of its occurrence. In addition, under previous GAAP, deferred tax assets and liabilities are presented in current or non-current assets or liabilities in accordance with the classification of the related assets or liabilities. Under K-IFRS, deferred tax assets and liabilities are presented in non-current assets and liabilities.

9) Category of operating income

Under K-IFRS, the gain or loss on disposal of property, plant and equipment, the impairment loss on intangible assets and etc., which were categorized in non-operating income (expense) under previous GAAP, are recognized in operating income (expense).

In addition, under previous GAAP, the foreign exchange gain or loss was recognized in non-operating income (expense). However, under K-IFRS, the foreign exchange gain or loss is classified in operating income (expense) or non-operating income (expense) based on the nature of the related transaction or event.

Income (expenses) which were previously recognized as non-operating income (expense) under previous GAAP but are now classified as operating income (expense) under K-IFRS for the three months and six months ended June 30, 2010, are summarized as follows:

	June 30, 2010	
Description	Three months	Six months
	(In millions of Korean Won)	
K-IFRS	₩ 1,748,178	₩ 3,003,681
Adjustments:		
Other operating income	(278,414)	(746,821)
Other operating expenses	216,456	621,429
Previous GAAP	₩ 1,686,220	₩ 2,878,289

(*) The information above only reflects the difference in the criteria for classification. Operating income under previous GAAP may differ from the adjusted amount due to the discrepancies in the measurement basis under K-IFRS.

(3) Changes in scope of consolidation

Changes	Description	Name of entity
Included under K-IFRS	Under previous GAAP, these companies are excluded in the consolidation since individual beginning balance of total assets is less than 10,000 million won, but they are included in the scope of consolidation under K-IFRS.	Hyundai NGV Tech Co., Ltd., Jeonbuk Hyundai Motors FC Co., Ltd., Hyundai Carnes Co., Ltd., Rotem Equipments (Beijing) Co., Ltd., Maintrance Co., Ltd., Hyundai Motor Japan R&D Center Inc., Hyundai Capital Europe GmbH, Hyundai Motor Brasil Montadora de Automoveis, Beijing Jingxianronghua Motor sale Co., Ltd., Beijing xinhuaxiaqiyuetong Motor Chain Co., Ltd.
	Under previous GAAP, the company is excluded in the consolidation due to the plan to go into liquidation, but it is included in the scope of consolidation under K-IFRS.	Hyundai Motor Hungary
	Under previous GAAP, these companies are excluded in the consolidation since it is deemed not to have control over the company due to the passively designated scope of operation by the related law or the article of association. However, they are included in the scope of consolidation under K-IFRS.	Autopia Thirty-Third Asset Securitization Specialty Company, etc.
Excluded under K-IFRS	These companies are excluded in the consolidation under K-IFRS since the voting power rights is less than 50% and as the Company does not have control of these companies.	Kia Motors Corporation and its subsidiaries, Hyundai HYSCO Co., Ltd. and its subsidiaries, Hyundai Dymos Inc. and its subsidiaries, Hyundai WIA Corporation and its subsidiaries, KEFICO Corporation and its subsidiaries, Hyundai Powertech Co., Ltd. and its subsidiaries, Hyundai Autoever Corp., Hyundai Commercial Inc., Hyundai M & Soft Co., Ltd., Haevichi Country Club Co., Ltd., HMC Win Win Fund, Innocean Worldwide Americas, LLC, Hyundai Information Service North America, LLC, Beijing Mobis Transmission Co., Ltd, Hyundai Motor Group China. Ltd, Hyundai-Wia Automotive Engine (Shandong) Company

(4) Adjustments in financial position and financial performance due to transition to K-IFRS

1) Adjustments in financial position as of January 1, 2010, transition date to K-IFRS

Description	Assets	Liabilities	Equity
	(In millions of Korean Won)		
Previous GAAP	₩ 102,324,934	₩ 73,363,274	₩ 28,961,660
Adjustments:			
Change in scope of consolidation	(24,767,776)	(20,210,061)	(4,557,715)
Deemed cost of land	2,456,535	-	2,456,535
Employee benefits	-	321,935	(321,935)
Provisions	734,022	668,115	65,907
Effect of the adoption of K-IFRS for joint ventures and associates	478,709	-	478,709
Allowance for bad debt	268,500	-	268,500
Deferred tax	(166,571)	44,659	(211,230)
Other	51,703	46,621	5,082
Total	(20,944,878)	(19,128,731)	(1,816,147)
K-IFRS	₩ 81,380,056	₩ 54,234,543	₩ 27,145,513

2) Adjustments in financial position and financial performance for the year ended December 31, 2010

Description	Assets	Liabilities	Equity	Net income	Comprehensive income
	(In millions of Korean Won)				
Previous GAAP	₩ 118,077,818	₩ 81,342,217	₩36,735,601	₩ 7,982,924	₩ 8,482,806
Adjustments:					
Change in scope of consolidation	(27,185,274)	(20,680,341)	(6,504,933)	(2,221,013)	(2,221,013)
Deemed cost of land	2,456,535	-	2,456,535	-	-
Employee benefits	(14,371)	453,707	(468,078)	45,892	(118,812)
Provisions	809,831	818,263	(8,432)	(52,638)	(52,638)
Effect of the adoption of K-IFRS for joint ventures and associates	642,353	-	642,353	138,355	138,355
Allowance for bad debts	230,787	-	230,787	(25,500)	(25,500)
Deferred tax	(256,162)	(248,166)	(7,996)	157,292	157,292
Other	(47,386)	140,478	(187,864)	(24,130)	(42,449)
Total	(23,363,687)	(19,516,059)	(3,847,628)	(1,981,742)	(2,164,765)
K-IFRS	₩ 94,714,131	₩ 61,826,158	₩32,887,973	₩ 6,001,182	₩ 6,318,041

(5) Adjustments in statements of cash flows due to the transition to K-IFRS

Interest receipts, interest payments, dividend received and tax payments are represented in separate accounts in accordance with K-IFRS which were not separately stated under previous GAAP.

(6) Adjustments to the comparative financial statements of the interim period of the previous fiscal year

As the Group did not prepare consolidated financial statements for the comparative interim periods of previous fiscal year under previous GAAP, reconciliations of equity as of June 30, 2010 and total comprehensive income for the six months ended June 30, 2010 are not represented in adjustments due to the transition to K-IFRS of interim consolidated financial statements.