

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
AND INDEPENDENT AUDITORS' REPORT

## Independent Auditors' Report

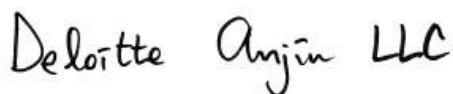
English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated financial statements of Hyundai Motor Company and its subsidiaries (the "Group"). The financial statements consist of the consolidated statements of financial position as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2011 and 2010, respectively. The Group's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 43.5%, 42.9% and 42.1% of the consolidated total assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, and 44.4% and 38.6% of the consolidated total sales for the years ended 2011 and 2010, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").



March 7, 2012

### Notice to Readers

This report is effective as of March 7, 2012, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

**HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES (the “Group”)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

The accompanying consolidated financial statements including all footnote disclosures were prepared by and are the responsibility of the Group.

**Kim Eok Jo**  
**HYUNDAI MOTOR COMPANY CEO**

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010

<u>ASSETS</u>	<u>NOTES</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
(In millions of Korean Won)				
Current assets:				
Cash and cash equivalents	18	₩ 6,231,946	₩ 6,215,815	₩ 5,400,090
Short-term financial instruments	18	9,182,575	7,421,776	5,288,103
Trade notes and accounts receivable	3,18	3,845,517	3,192,003	2,948,038
Other receivables	4,18	2,240,482	2,117,900	2,098,197
Other financial assets	5,18	356,444	125,746	1,724,922
Inventories	6	6,237,752	5,491,437	5,426,891
Other assets	7,18	1,137,862	1,188,813	1,313,886
Current tax assets		36,084	35,109	25,525
Financial services receivables	12,18	<u>19,657,688</u>	<u>17,731,555</u>	<u>14,856,024</u>
Total current assets		<u>48,926,350</u>	<u>43,520,154</u>	<u>39,081,676</u>
Non-current assets:				
Long-term financial instruments	18	211,540	1,121,612	60,120
Long-term trade notes and accounts receivable	3,18	76,843	98,384	86,994
Other receivables	4,18	987,207	1,060,151	948,478
Other financial assets	5,18	1,897,943	2,145,803	866,243
Other assets	7,18	1,288	1,497	35,471
Property, plant and equipment	8	19,548,048	18,514,209	18,405,398
Investment property	9	282,427	267,116	277,642
Intangibles	10	2,660,109	2,651,568	2,492,299
Investments in joint ventures and associates	11	11,709,238	6,909,451	5,484,413
Deferred tax assets	31	458,287	588,674	593,235
Financial services receivables	12,18	17,452,441	15,233,444	11,681,340
Operating lease assets	13	<u>5,268,254</u>	<u>2,602,068</u>	<u>1,366,747</u>
Total non-current assets		<u>60,553,625</u>	<u>51,193,977</u>	<u>42,298,380</u>
Total assets		<u>₩ 109,479,975</u>	<u>₩ 94,714,131</u>	<u>₩ 81,380,056</u>

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)				
Current liabilities:				
Trade notes and accounts payable	18	₩ 6,666,406	₩ 6,353,365	₩ 5,808,762
Other payables	18	3,752,684	3,559,083	2,704,332
Short-term borrowings	14,18	7,880,014	9,336,468	7,984,692
Current portion of long-term debt and debentures	14,18	8,320,194	6,522,705	7,222,806
Income tax payable		925,519	894,913	417,928
Provisions	15	1,686,161	1,595,229	1,556,696
Other financial liabilities	16,18	455,914	117,715	175,749
Other liabilities	17,18	3,476,616	3,066,008	3,516,778
Total current liabilities		<u>33,163,508</u>	<u>31,445,486</u>	<u>29,387,743</u>
Non-current liabilities:				
Long-term trade notes and accounts payable	18	-	45,540	30,449
Long-term other payables	18	29,471	9,419	9,533
Debentures	14,18	23,654,325	20,276,590	15,606,046
Long-term debt	14,18	3,484,127	2,460,485	2,834,495
Defined benefit obligations	32	648,639	489,597	527,606
Provisions	15	4,960,992	4,390,349	3,636,508
Other financial liabilities	16,18	200,197	622,624	706,062
Other liabilities	17,18	1,537,003	1,172,667	924,410
Deferred tax liabilities	31	1,474,011	913,401	571,691
Total non-current liabilities		<u>35,988,765</u>	<u>30,380,672</u>	<u>24,846,800</u>
Total liabilities		<u>69,152,273</u>	<u>61,826,158</u>	<u>54,234,543</u>
Shareholder's equity:				
Capital stock	19	1,488,993	1,488,993	1,488,993
Capital surplus	20	4,114,010	3,900,935	3,731,315
Other capital items	21	(1,128,779)	(918,214)	(743,909)
Accumulated other comprehensive income	22	375,281	409,914	(71,649)
Retained earnings	23	<u>32,263,528</u>	<u>25,216,163</u>	<u>20,165,746</u>
Equity attributable to the owners of the Parent Company		<u>37,113,033</u>	<u>30,097,791</u>	<u>24,570,496</u>
Non-controlling interests		<u>3,214,669</u>	<u>2,790,182</u>	<u>2,575,017</u>
Total shareholder's equity		<u>40,327,702</u>	<u>32,887,973</u>	<u>27,145,513</u>
Total liabilities and shareholder's equity		<u>₩ 109,479,975</u>	<u>₩ 94,714,131</u>	<u>₩ 81,380,056</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	NOTES	2011	2010
		(In millions of Korean Won, except per share amounts)	
Sales	24,37	₩ 77,797,895	₩ 66,985,271
Cost of sales	29	58,902,023	51,265,794
Gross profit		18,895,872	15,719,477
Selling and administrative expenses	25,29	10,903,730	9,835,019
Other operating income	26	1,067,280	1,129,488
Other operating expenses	26,29	983,945	1,095,454
Operating income		8,075,477	5,918,492
Gain on investments in joint ventures and associates, net	27	2,403,753	1,681,883
Finance income	28	747,546	688,335
Finance expenses	28	779,666	797,156
Income before income tax		10,447,110	7,491,554
Income tax expense	31	2,342,247	1,490,372
Profit for the year		₩ 8,104,863	₩ 6,001,182
Profit attributable to:			
Owners of the Parent Company		7,655,871	5,567,132
Non-controlling interests		448,992	434,050
Earnings per share attributable to the owners of the Parent Company:	30		
Basic earnings per common share		₩ 28,200	₩ 20,516
Diluted earnings per common share		₩ 28,200	₩ 20,516

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
	(In millions of Korean Won)	
Profit for the year	₩ 8,104,863	₩ 6,001,182
Other comprehensive income (expenses)		
Gain (loss) on valuation of available-for-sale financial assets, net	(91,860)	454,338
Gain on valuation of cash flow hedge derivatives, net	4,004	30,650
Changes in valuation of equity-accounted investees, net	158,977	34,994
Actuarial loss on defined benefit obligations, net	(175,500)	(164,704)
Loss on foreign operations translation, net	(147,280)	(133,118)
Total other comprehensive income (expenses)	<u>(251,659)</u>	<u>222,160</u>
Total comprehensive income	<u>₩ 7,853,204</u>	<u>₩ 6,223,342</u>
Comprehensive income attributable to:		
Owners of the Parent Company	7,415,551	5,855,762
Non-controlling interests	<u>437,653</u>	<u>367,580</u>
Total comprehensive income	<u>₩ 7,853,204</u>	<u>₩ 6,223,342</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 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					5,567,132	5,567,132	434,050	6,001,182
Gain (loss) on valuation of available-for-sale financial assets, net				490,156		490,156	(35,818)	454,338
Gain (loss) on valuation of cash flow hedge derivatives, net				49,441		49,441	(18,791)	30,650
Changes in valuation of equity-accounted investees, net				72,123	(37,170)	34,953	41	34,994
Actuarial loss on defined benefit obligations, net					(155,763)	(155,763)	(8,941)	(164,704)
Loss on foreign operations translation, net				(130,157)		(130,157)	(2,961)	(133,118)
Total comprehensive income				481,563	5,374,199	5,855,762	367,580	6,223,342
Transactions with owners, recorded directly in equity:								
Payment of cash dividends					(317,199)	(317,199)	(270,665)	(587,864)
Purchase of treasury stock			(452,515)			(452,515)		(452,515)
Disposal of treasury stock		171,109	278,210			449,319		449,319
Increase in subsidiaries' stock		(1,489)				(1,489)	130,407	128,918
Effect of changes in scope of consolidation							(11,952)	(11,952)
Other					(6,583)	(6,583)	(205)	(6,788)
Total transactions with owners, recorded directly in equity		169,620	(174,305)		(323,782)	(328,467)	(152,415)	(480,882)
Balance at December 31, 2010	₩ 1,488,993	₩ 3,900,935	₩ (918,214)	₩ 409,914	₩ 25,216,163	₩ 30,097,791	₩ 2,790,182	₩ 32,887,973

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 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					7,655,871	7,655,871	448,992	8,104,863
Loss on valuation of available-for-sale financial assets, net				(91,493)		(91,493)	(367)	(91,860)
Gain on valuation of cash flow hedge derivatives, net				2,891		2,891	1,113	4,004
Changes in valuation of equity-accounted investees, net				199,216	(40,249)	158,967	10	158,977
Actuarial gain (loss) on defined benefit obligations, net					(165,438)	(165,438)	(10,062)	(175,500)
Loss on foreign operations translation, net				(145,247)		(145,247)	(2,033)	(147,280)
Total comprehensive income				(34,633)	7,450,184	7,415,551	437,653	7,853,204
Transactions with owners, recorded directly in equity:								
Payment of cash dividends					(412,227)	(412,227)	(45,423)	(457,650)
Purchase of treasury stock			(400,137)			(400,137)		(400,137)
Disposal of treasury stock		194,959	189,572			384,531		384,531
Increase in subsidiaries' stock							12,871	12,871
Disposal of subsidiaries' stock		18,116				18,116		18,116
Other					9,408	9,408	19,386	28,794
Total transactions with owners, recorded directly in equity		213,075	(210,565)		(402,819)	(400,309)	(13,166)	(413,475)
Balance at December 31, 2011	₩ 1,488,993	₩ 4,114,010	₩ (1,128,779)	₩ 375,281	₩ 32,263,528	₩ 37,113,033	₩ 3,214,669	₩ 40,327,702

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	NOTES	2011	2010
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations	33		
Profit for the year		₩ 8,104,863	₩ 6,001,182
Adjustments		6,918,040	5,668,504
Changes in operating assets and liabilities		<u>(8,596,090)</u>	<u>(5,214,779)</u>
		6,426,813	6,454,907
Interest received		550,026	402,691
Interest paid		(1,722,736)	(1,766,216)
Dividend received		605,273	363,002
Income tax paid		<u>(1,727,257)</u>	<u>(1,078,148)</u>
		<u>4,132,119</u>	<u>4,376,236</u>
Cash flows from investing activities:			
Cash inflows from investing activities:			
Proceeds from withdrawal of short-term financial instruments		10,160,459	8,126,012
Proceeds from disposal of other financial assets		764,699	3,227,628
Proceeds from disposal of other receivables		412,462	69,927
Proceeds from withdrawal of long-term financial instruments		5	-
Proceeds from disposal of property, plant and equipment		108,727	211,537
Proceeds from disposal of intangible assets		11,047	1,539
Proceeds from disposal of investments in joint ventures and associates		355,584	1,341
Other cash receipts from investing activities		<u>44,865</u>	<u>13,071</u>
		<u>11,857,848</u>	<u>11,651,055</u>
Cash outflows from investing activities:			
Purchase of short-term financial instruments		10,498,321	9,355,670
Acquisition of other financial assets		764,965	5,793,828
Acquisition of other receivables		394,144	191,012
Purchase of long-term financial instruments		500,000	1,950,033
Acquisition of investments in joint ventures and associates		3,105,180	66,895
Acquisition of property, plant and equipment		2,899,177	2,044,702
Acquisition of intangible assets		763,234	831,243
Effect of changes in scope of consolidation		-	5,085
Other cash payments from investing activities		<u>48,922</u>	<u>43,740</u>
		<u>(18,973,943)</u>	<u>(20,282,208)</u>
		<u>(7,116,095)</u>	<u>(8,631,153)</u>

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
		(In millions of Korean Won)	
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings	₩	28,477,235	₩ 19,992,538
Proceeds from issue of debentures		13,986,990	12,355,917
Proceeds from long-term debt		1,514,749	540,178
Paid in capital increase in subsidiaries		10,618	128,918
Other cash receipts from financing activities		-	179,799
		<u>43,989,592</u>	<u>33,197,350</u>
Cash outflows from financing activities:			
Repayment of short-term borrowings		29,561,734	18,588,239
Repayment of current portion of long-term debt and debentures		1,169,074	663,752
Repayment of debentures		8,931,065	5,973,941
Repayment of long-term debt		336,388	1,817,497
Purchase of treasury stock		400,137	452,515
Dividends paid		457,650	587,864
Other cash payments from financing activities		24,740	80,230
		<u>(40,880,788)</u>	<u>(28,164,038)</u>
		<u>3,108,804</u>	<u>5,033,312</u>
Net increase in cash and cash equivalents		124,828	778,395
Effect of exchange rate changes on cash and cash equivalents		(108,697)	37,330
Cash and cash equivalents, beginning of the year		<u>6,215,815</u>	<u>5,400,090</u>
Cash and cash equivalents, end of the year	₩	<u>6,231,946</u>	₩ <u>6,215,815</u>

See accompanying notes to consolidated financial statements.

# HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 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. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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 December 31, 2011, the major shareholders of the Company are Hyundai MOBIS (20.78%) and Chung, Mong Koo (5.17%).

(1) The Company’s consolidated subsidiaries as of December 31, 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	“	94.30%	HMA 94.30%
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 Inc. (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 Limited (HMI)	“	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	“	100.00%	
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
Beijing Hines Millennium Real Estate Development	Real estate development	China	99.00%	CMEs 99.00%
Beijing Jingxian 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 Xinhua Xiqiyuetong 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, s.r.o. (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 Limited (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-Fifth ~ Thirty-Seventh Asset Securitization Specialty Company (*)	"	Korea	0.90%	Hyundai Capital Services 0.90%
Autopia Thirty-Ninth ~ Fortieth Asset Securitization Specialty Company (*)	"	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Second ~ Forty-Seventh Asset Securitization Specialty Company (*)	"	"	0.90%	Hyundai Capital Services 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%
Hyundai HK Lease, LLC	"	"	100.00%	HCA 100%

(\*) The Group is considered to have substantial control over the entities by virtue of an agreement with other investors or relationship with special purpose entities.

(2) Condensed financial information of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2011 is as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)					
Hyundai Capital Services, Inc.(*)	₩ 21,918,910	₩ 19,262,421	₩ 3,331,479	₩ 507,404	₩ 523,935
Hyundai Card Co., Ltd.(*)	10,851,934	8,855,251	2,408,325	238,648	230,034
Hyundai Rotem Company(*)	3,585,340	2,480,259	2,769,856	68,474	51,451
Hyundai Motor America (HMA)	5,712,084	3,006,242	14,229,624	494,472	471,356
Hyundai Capital America (HCA)	15,788,141	14,368,216	1,481,226	145,639	145,639
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	2,555,982	1,248,197	6,199,652	314,284	314,284
Hyundai Auto Canada Corp. (HAC)(*)	790,649	430,263	3,122,086	64,913	64,913
Hyundai Translead, Inc. (HT)(*)	406,601	286,934	622,311	25,653	25,653
Hyundai Motor India Limited (HMI)(*)	2,262,319	1,278,787	5,051,549	181,956	181,956
Hyundai Motor Company Australia Pty Limited (HMCA)	765,249	551,751	2,197,141	55,811	55,811
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	2,490,710	1,642,716	4,350,894	207,294	207,294
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	672,550	552,360	1,477,433	(18,194)	(18,194)
Hyundai Motor Manufacturing Rus LLC (HMMR)	1,308,359	918,357	1,806,072	65,946	65,946
Hyundai Motor Commonwealth of Independent States (HMCIS)	1,016,579	954,235	3,373,468	126,317	126,317
Hyundai Motor UK Limited (HMUK)	521,556	483,267	955,774	6,189	6,189
Hyundai Motor Europe GmbH (HME)	1,384,989	1,343,520	6,484,205	2,385	2,385
Hyundai Motor Czech s.r.o (HMCZ)	123,057	92,061	334,194	4,948	4,948
Hyundai Motor Poland Sp. Zo.O (HMP)	224,278	185,753	272,761	(1,896)	(1,896)
Hyundai Motor Espana. S.L (HMES)	251,695	185,529	523,532	(6,731)	(6,731)
Hyundai Motor Company Italy S.r.l (HMCI)	400,452	376,000	865,735	(1,235)	(1,235)

(\*) Based on the subsidiary's consolidated financial statements

Condensed financial information of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2010 is as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)					
Hyundai Capital Services, Inc.(*)	₩ 20,748,602	₩ 18,511,755	₩ 3,274,235	₩ 488,986	₩ 427,084
Hyundai Card Co., Ltd.(*)	10,446,114	8,679,464	2,335,824	280,613	237,389
Hyundai Rotem Company(*)	3,444,960	2,402,057	2,773,775	70,489	58,236
Hyundai Motor America (HMA)	5,109,697	2,922,092	11,184,447	120,906	113,322
Hyundai Capital America (HCA)	9,674,088	8,535,468	879,270	38,221	38,221
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	2,143,185	1,060,855	5,946,587	227,203	227,203
Hyundai Auto Canada Corp. (HAC)(*)	887,925	590,670	2,686,158	41,799	41,799
Hyundai Translead, Inc. (HT)(*)	343,722	251,914	343,366	(18,302)	(18,302)
Hyundai Motor India Limited (HMI)(*)	2,656,965	1,666,260	5,029,464	189,606	189,606
Hyundai Motor Company Australia Pty Limited (HMCA)	607,257	452,360	1,677,203	49,775	49,775
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	1,953,994	1,298,485	3,011,611	107,059	107,059
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	688,145	550,756	1,231,636	13,508	13,508

Name of subsidiaries	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)					
Hyundai Motor Manufacturing Rus LLC (HMMR)	₩ 814,938	₩ 475,318	₩ 3,366	₩ (57,739)	₩ (57,739)
Hyundai Motor Commonwealth of Independent States (HMCIS)	555,449	601,711	1,728,254	34,611	34,611
Hyundai Motor UK Limited (HMUK)	532,304	500,561	905,720	18,922	18,922
Hyundai Motor Europe GmbH (HME)	941,235	901,566	4,154,182	2,006	2,006
Hyundai Motor Czech s.r.o (HMCZ)	129,093	101,759	266,456	76	76
Hyundai Motor Poland Sp. Zo.O (HMP)	132,729	87,134	248,432	7,178	7,178
Hyundai Motor Espana. S.L (HMES)	233,622	159,983	641,743	28	28
Hyundai Motor Company Italy S.r.l (HMCi)	442,146	416,162	641,918	276	276

(\*) Based on the subsidiary's consolidated financial statements

(3) Changes in consolidated subsidiaries

Subsidiaries newly included in and excluded from consolidation for the year ended December 31, 2011 are as follows:

Changes	Name of subsidiaries	Description
Included	Privia the Second Securitization Specialty Co., Ltd.	Acquisition
	Autopia Forty-Fifth Asset Securitization Specialty Company	
	Autopia Forty-Sixth Asset Securitization Specialty Company	
	Autopia Forty-Seventh Asset Securitization Specialty Company	
	Hyundai Auto Lease Offering, LLC	
	Hyundai HK Lease LLC	
	Hyundai Capital Services Limited Liability Company	
Excluded	Work & Joy 2007-1 Securitization Specialty Co., Ltd.	Dissolution
	Autopia Thirty-Third Asset Securitization Specialty Company	
	Autopia Thirty-Forth Asset Securitization Specialty Company	
	Autopia Thirty-Eighth Asset Securitization Specialty Company	
	Autopia Forty-First Asset Securitization Specialty Company	

(4) The financial statements of subsidiaries, which are used for the consolidation, are prepared for the same reporting periods with the Company's.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in the Republic of Korean Won and prepares its consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language. 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 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 39.

The significant accounting policies used for the preparation of the 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.

New standards that have been issued but are not yet effective for the year beginning January 1, 2011 and that have not yet been applied are as follows:

- K-IFRS 1019(Revised): 'Employee Benefits'

The amendments to K-IFRS 1019 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. In addition, the income on the plan assets is recognized using the same interest rate as used for the defined benefit obligation, which under current K-IFRS income is recognized based on the expected return. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions.

- K-IFRS 1107(Revised): 'Financial Instruments: Disclosures'

The amendments to K-IFRS 1107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. K-IFRS 1107 is effective for annual periods beginning on or after July 1, 2011.

- K-IFRS 1113(Amendment): 'Fair Value Measurement'

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Group does not anticipate that these amendments referred above will have a significant effect on the Group's consolidated financial statements and disclosures.

(2) Basis of measurement

The 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 changes in shares of the non-controlling interests 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 the non-controlling interest has a deficit balance.



Changes in the Group's ownership interests in subsidiaries, without a loss of control, 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), 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 Group 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 customer 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 based on the percentage of completion 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.

5) Construction contracts

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses, respectively by reference to the stage of completion of the contract activity at the reporting date.

The percentage of completion of a contract activity is reliably measured by using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work. Variations in contract work, claim and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognized as expenses in the period in which they are incurred. An expected loss on the construction contract is recognized as an expense immediately.

(6) Foreign currency translation

The individual financial statements of each entity in the Group 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 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 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 either directly or through use of an allowance account and the amount of the loss is recognized in profit or loss.

Certain financial assets such as trade receivables and financial services 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.

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 are not 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.

(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 is 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:

	<u>Estimated useful lives (years)</u>
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 from 20 to 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 allocated to cash generating unit ("CGU") of the Group where it is expected 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 its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated 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 as an intangible asset 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 as the acquisition cost less accumulated amortization and accumulated impairment losses.

2) 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:

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

Club membership included in other intangible assets is deemed to have an indefinite useful life as there is no foreseeable limit on the period over which the membership is expected to generate economic benefit for the Group, 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 but 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. 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 consolidated 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 are 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 the 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 the 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, 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 probable expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations at the end of the reporting period. In addition, certain subsidiaries recognize provision for the probable losses of unused loan commitment, construction contracts, pre-contract sale or service contract due to legal or constructive obligations.

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 current 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 shall be 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 shall not be 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 shareholders' equity and recognized as other capital item deducted from the total equity in the consolidated 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

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities 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 qualified 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 is expired, sold, terminated, or exercised, or when it is no longer qualified 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 qualified 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 to 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 is no longer qualified for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity and is recognized as profit or loss 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's 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 both in the period of the revision and future periods if the revision affects both current and future periods. The main items in the financial statements which are affected by the estimates and judgments are the inventories, investments in associates, property, plant and equipment, intangibles assets, financial services receivables, defined benefit obligations, provisions and deferred income tax.

### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

- (1) Trade receivables as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
(In millions of Korean Won)						
Trade notes and accounts receivable	₩ 3,885,863	₩ 82,628	₩ 3,222,358	₩ 109,244	₩ 2,978,032	₩ 95,796
Allowance for doubtful accounts	(40,346)	-	(30,355)	-	(29,994)	-
Present value discount accounts	-	(5,785)	-	(10,860)	-	(8,802)
	<u>₩ 3,845,517</u>	<u>₩ 76,843</u>	<u>₩ 3,192,003</u>	<u>₩ 98,384</u>	<u>₩ 2,948,038</u>	<u>₩ 86,994</u>

- (2) Aging analysis of trade receivables

As of December 31, 2011 and 2010, total trade receivables that are past due but not impaired are ₩293,025 million and ₩360,014 million, respectively; of which trade receivables that are past due less than 90 days but not impaired are ₩235,267 million and ₩162,965 million, respectively. As of December 31, 2011 and 2010, the impaired trade receivables are ₩40,853 million and ₩31,229 million, respectively.

- (3) The changes in allowance for doubtful accounts for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011		2010	
	(In millions of Korean Won)			
Beginning of year	₩	30,355	₩	29,994
Impairment loss		9,986		6,157
Write-off		(174)		(5,300)
Effect of foreign exchange differences		179		(496)
End of year	₩	<u>40,346</u>	₩	<u>30,355</u>

### 4. OTHER RECEIVABLES:

Other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
(In millions of Korean Won)						
Accounts receivables-other	₩ 1,405,249	₩ 707,051	₩ 1,276,609	₩ 774,737	₩ 1,284,464	₩ 655,828
Due from customers for contract work	762,263	-	751,016	-	711,252	-
Lease and rental deposits	64,474	236,347	82,216	234,521	43,586	240,638
Deposits	8,283	29,354	2,323	39,430	11,273	29,658
Other	4,389	18,728	9,754	21,810	49,696	22,681
Allowance for doubtful accounts	(4,176)	-	(4,018)	-	(2,074)	-
Present value discount accounts	-	(4,273)	-	(10,347)	-	(327)
	<u>₩ 2,240,482</u>	<u>₩ 987,207</u>	<u>₩ 2,117,900</u>	<u>₩ 1,060,151</u>	<u>₩ 2,098,197</u>	<u>₩ 948,478</u>

## 5. OTHER FINANCIAL ASSETS:

- (1) Other financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
(In millions of Korean Won)						
Financial assets at FVTPL	₩ 18,645	₩ 72,448	₩ 10,684	₩ 198,617	₩ 87,341	₩ 58,886
Derivative assets that are effective hedging instruments	306,791	171,142	109,545	461,773	1,331,524	8,132
AFS financial assets	22,960	1,642,632	3,372	1,476,613	166,640	790,758
Loans	8,048	11,721	2,145	8,800	139,417	8,467
	<u>₩ 356,444</u>	<u>₩ 1,897,943</u>	<u>₩ 125,746</u>	<u>₩ 2,145,803</u>	<u>₩ 1,724,922</u>	<u>₩ 866,243</u>

- (2) AFS financial assets which are measured at fair value as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011			December 31, 2010	January 1, 2010
	Acquisition cost	Difference	Book value	Book value	Book value
(In millions of Korean Won)					
Debt instruments	₩ 24,118	₩ 621	₩ 24,739	₩ 24,783	₩ 186,027
Equity instruments	667,857	972,996	1,640,853	1,455,202	771,371
	<u>₩ 691,975</u>	<u>₩ 973,617</u>	<u>₩ 1,665,592</u>	<u>₩ 1,479,985</u>	<u>₩ 957,398</u>

- (3) Equity securities classified into AFS financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Name of company	Ownership percentage (%)	December 31, 2011			December 31, 2010	January 1, 2010
		Acquisition cost	Difference	Book value	Book value	Book value
		(In millions of Korean Won)				
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 505,906	₩ 562,830	₩ 970,170	₩ 379,965
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	234,428	385,514	-	-
Hyundai Glovis Co., Ltd.	4.88	210,688	140,852	351,540	150,743	-
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	76,363	130,097	120,211	116,013
Seoul Metro Line Nine Corporation (*)	25.00	41,779	-	41,779	41,779	41,779
Hyundai Green Food Co., Ltd.	2.36	15,005	22,265	37,270	25,962	18,785
Hyundai Merchant Marine Co., Ltd.	0.48	9,161	8,233	17,394	26,715	18,503
Doosan Capital Co., Ltd.	7.14	10,000	6,406	16,406	22,866	24,762
Hyundai Finance Corporation	9.29	9,888	539	10,427	9,887	8,726
Ubivelo Co., Ltd.	5.65	1,710	7,600	9,310	5,444	1,710
KT Corporation	0.09	8,655	(96)	8,559	11,104	9,388
Hyundai Development Company	0.60	9,025	(1,465)	7,560	15,300	16,988
Hyundai Venture Investment Corp.	14.97	4,490	-	4,490	4,490	4,490
Inokom Corporation Sdn Bhd	15.00	4,439	-	4,439	4,439	4,439
Hyundai Asan Corporation	2.85	22,500	(18,261)	4,239	4,239	4,239
NICE Information Service Co., Ltd.	2.25	3,312	(123)	3,189	4,221	-
Kihyup Technology Banking Corp.	10.34	3,000	-	3,000	3,000	3,000
Intellectual Discovery Co., Ltd.	14.41	3,000	-	3,000	-	-
NESSCAP Inc.	6.90	1,997	807	2,804	1,997	1,997
NICE Holdings Co., Ltd.	1.42	3,491	(994)	2,497	3,097	-
SoundHound Inc.	1.30	2,328	-	2,328	-	-
EUKOR Shipowning Singapore Pte, Ltd.	12.00	2,099	-	2,099	2,099	2,099
Green village Co., Ltd.	5.43	4,800	(4,516)	284	284	284
ENOVA System	0.59	2,204	(2,168)	36	271	403
Other		32,542	(2,780)	29,762	26,884	113,801
		₩ 667,857	₩ 972,996	₩ 1,640,853	₩ 1,455,202	₩ 771,371

- (\*) Investments 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 December 31, 2011 the difference between the book value and the acquisition cost of AFS equity securities is net of the cumulative impairment loss of ₩25,557 million.

## 6. INVENTORIES:

Inventories as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Finished goods	₩ 3,293,273	₩ 2,809,829	₩ 2,443,279
Merchandise	242,583	153,560	254,884
Semi-finished goods	332,892	282,501	213,077
Work in progress	304,958	272,867	255,267
Raw materials	1,050,361	1,069,583	891,713
Supplies	173,195	155,091	139,650
Materials in transit	420,601	211,779	694,103
Other	419,889	536,227	534,918
	<u>₩ 6,237,752</u>	<u>₩ 5,491,437</u>	<u>₩ 5,426,891</u>

## 7. OTHER ASSETS:

Other assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
	(In millions of Korean Won)					
Accrued income	₩ 310,286	₩ -	₩ 295,254	₩ -	₩ 251,984	₩ -
Advanced payments	387,116	-	480,168	-	616,192	33,411
Prepaid expenses	230,561	1,288	170,117	1,497	212,885	2,060
Prepaid VAT and other	209,899	-	243,274	-	232,825	-
	<u>₩1,137,862</u>	<u>₩ 1,288</u>	<u>₩1,188,813</u>	<u>₩ 1,497</u>	<u>₩1,313,886</u>	<u>₩ 35,471</u>

## 8. PROPERTY, PLANT AND EQUIPMENT:

- (1) Property, plant and equipment as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)								
Land	₩ 5,637,917	₩ -	₩ 5,637,917	₩ 5,667,851	₩ -	₩ 5,667,851	₩ 5,667,984	₩ -	₩ 5,667,984
Buildings	5,935,208	(1,665,627)	4,269,581	5,869,056	(1,533,238)	4,335,818	5,663,609	(1,366,789)	4,296,820
Structures	889,454	(346,082)	543,372	849,730	(302,794)	546,936	755,081	(268,411)	486,670
Machinery and equipment	10,737,165	(5,294,546)	5,442,619	10,020,479	(4,912,738)	5,107,741	9,657,003	(4,590,374)	5,066,629
Vehicles	266,248	(102,961)	163,287	258,988	(98,558)	160,430	238,790	(85,873)	152,917
Dies, molds and tools	5,215,788	(3,790,600)	1,425,188	4,794,467	(3,429,965)	1,364,502	4,518,947	(3,113,311)	1,405,636
Office equipment	1,353,668	(998,755)	354,913	1,271,737	(951,749)	319,988	1,223,693	(883,680)	340,013
Other	83,167	(30,755)	52,412	69,771	(62,786)	6,985	78,752	(26,605)	52,147
Construction in progress	1,658,759	-	1,658,759	1,003,958	-	1,003,958	936,582	-	936,582
	<u>₩ 31,777,374</u>	<u>₩ (12,229,326)</u>	<u>₩ 19,548,048</u>	<u>₩ 29,806,037</u>	<u>₩ (11,291,828)</u>	<u>₩ 18,514,209</u>	<u>₩ 28,740,441</u>	<u>₩ (10,335,043)</u>	<u>₩ 18,405,398</u>

(2) The changes in property, plant and equipment for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of year
(In millions of Korean Won)							
Land	₩ 5,667,851	₩ 17,891	₩ 13,961	₩ (45,438)	₩ -	₩ (16,348)	₩ 5,637,917
Buildings	4,335,818	37,722	131,264	(8,493)	(184,226)	(42,504)	4,269,581
Structures	546,936	12,917	33,571	(1,810)	(40,056)	(8,186)	543,372
Machinery and equipment	5,107,741	48,304	1,137,570	(61,912)	(682,775)	(106,309)	5,442,619
Vehicles	160,430	26,038	39,238	(24,990)	(34,462)	(2,967)	163,287
Dies, molds and tools	1,364,502	110,449	502,829	(25,690)	(502,695)	(24,207)	1,425,188
Office equipment	319,988	91,913	75,797	(2,150)	(132,646)	2,011	354,913
Other	6,985	8,763	50,700	(1,597)	(7,841)	(4,598)	52,412
Construction in progress	1,003,958	2,545,180	(1,984,930)	(6,778)	-	101,329	1,658,759
	<u>₩ 18,514,209</u>	<u>₩ 2,899,177</u>	<u>₩ -</u>	<u>₩ (178,858)</u>	<u>₩ (1,584,701)</u>	<u>₩ (101,779)</u>	<u>₩ 19,548,048</u>

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

The changes in property, plant and equipment for the year ended December 31, 2010 are as follows:

Description	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of year
(In millions of Korean Won)							
Land	₩ 5,667,984	₩ 18,404	₩ 41,233	₩ (48,853)	₩ -	₩ (10,917)	₩ 5,667,851
Buildings	4,296,820	31,773	260,536	(10,506)	(192,485)	(50,320)	4,335,818
Structures	486,670	19,111	117,721	(20,704)	(37,469)	(18,393)	546,936
Machinery and equipment	5,066,629	96,176	771,646	(79,694)	(673,621)	(73,395)	5,107,741
Vehicles	152,917	24,089	24,077	(21,390)	(28,942)	9,679	160,430
Dies, molds and tools	1,405,636	83,706	445,182	(84,153)	(430,858)	(55,011)	1,364,502
Office equipment	340,013	48,616	68,854	(5,373)	(128,129)	(3,993)	319,988
Other	52,147	17,714	3,418	(1,396)	(37,616)	(27,282)	6,985
Construction in progress	936,582	1,705,113	(1,732,667)	(14,477)	-	109,407	1,003,958
	<u>₩ 18,405,398</u>	<u>₩ 2,044,702</u>	<u>₩ -</u>	<u>₩ (286,546)</u>	<u>₩ (1,529,120)</u>	<u>₩ (120,225)</u>	<u>₩ 18,514,209</u>

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

## 9. INVESTMENT PROPERTY:

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

Description	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation	Book value	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	₩ 32,159	₩ -	₩ 32,159
Buildings	339,065	(117,731)	221,334	322,169	(101,398)	220,771	321,028	(90,117)	230,911
Structures	18,303	(3,967)	14,336	17,620	(3,434)	14,186	17,620	(3,048)	14,572
	<u>₩ 404,125</u>	<u>₩ (121,698)</u>	<u>₩ 282,427</u>	<u>₩ 371,948</u>	<u>₩ (104,832)</u>	<u>₩ 267,116</u>	<u>₩ 370,807</u>	<u>₩ (93,165)</u>	<u>₩ 277,642</u>

(2) The changes in investment property for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Depreciation	Transfer	Effect of exchange differences	End of year
(In millions of Korean Won)					
Land	₩ 32,159	₩ -	₩ 14,598	₩ -	₩ 46,757
Buildings	220,771	(10,982)	7,546	3,999	221,334
Structures	14,186	(398)	548	-	14,336
	<u>₩ 267,116</u>	<u>₩ (11,380)</u>	<u>₩ 22,692</u>	<u>₩ 3,999</u>	<u>₩ 282,427</u>

The changes in investment property for the year ended December 31, 2010 are as follows:

Description	Beginning of year	Depreciation	Transfer	Effect of exchange differences	End of year
(In millions of Korean Won)					
Land	₩ 32,159	₩ -	₩ -	₩ -	₩ 32,159
Buildings	230,911	(10,790)	30	620	220,771
Structures	14,572	(386)	-	-	14,186
	<u>₩ 277,642</u>	<u>₩ (11,176)</u>	<u>₩ 30</u>	<u>₩ 620</u>	<u>₩ 267,116</u>

(3) The fair value of investment property as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)			
Land	₩ 46,757	₩ 32,159	₩ 32,159
Buildings	380,249	361,782	360,021
Structures	15,223	14,656	14,656
	<u>₩ 442,229</u>	<u>₩ 408,597</u>	<u>₩ 406,836</u>

On January 1, 2010, K-IFRS transition date, the Group remeasured the fair value of its investment property through an independent third party. As of December 31, 2011, no fair value remeasurement was performed, as the change in fair value is considered not to be material.

(4) Income and expenses related to investment property for the years ended December 31, 2011 and 2010 are as follows:

Description	2011	2010
(In millions of Korean Won)		
Rental income	₩ 26,093	₩ 24,599
Operating and maintenance expenses	11,308	11,286

## 10. INTANGIBLES:

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

Description	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated amortization(*)	Book value	Acquisition cost	Accumulated amortization(*)	Book value	Acquisition cost	Accumulated Amortization(*)	Book value
(In millions of Korean Won)									
Goodwill	₩ 179,652	₩ (2,498)	₩ 177,154	₩ 180,077	₩ (2,470)	₩ 177,607	₩ 184,472	₩ (2,639)	₩ 181,833
Development costs	4,922,873	(3,074,841)	1,848,032	4,436,620	(2,493,154)	1,943,466	4,161,475	(2,321,403)	1,840,072
Industrial property rights	89,334	(66,557)	22,777	82,182	(61,155)	21,027	75,181	(55,704)	19,477
Software	308,234	(126,518)	181,716	219,153	(81,620)	137,533	148,621	(50,645)	97,976
Other	404,030	(113,931)	290,099	362,866	(89,088)	273,778	340,368	(83,478)	256,890
Construction in progress	140,331	-	140,331	98,157	-	98,157	96,051	-	96,051
	<u>₩ 6,044,454</u>	<u>₩ (3,384,345)</u>	<u>₩ 2,660,109</u>	<u>₩ 5,379,055</u>	<u>₩ (2,727,487)</u>	<u>₩ 2,651,568</u>	<u>₩ 5,006,168</u>	<u>₩ (2,513,869)</u>	<u>₩ 2,492,299</u>

(\*) Accumulated impairment is included.

(2) The changes in intangibles for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of year
(In millions of Korean Won)								
Goodwill	₩ 177,607	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (453)	₩ 177,154
Development costs	1,943,466	621,313	28,492	(786)	(665,117)	(79,204)	(132)	1,848,032
Industrial property rights	21,027	117	6,937	-	(5,314)	-	10	22,777
Software	137,533	17,413	17,036	(4)	(45,905)	-	55,643	181,716
Other	273,778	30,165	13,333	(10,395)	(22,340)	-	5,558	290,099
Construction in progress	98,157	94,226	(65,798)	-	-	-	13,746	140,331
	<u>₩ 2,651,568</u>	<u>₩ 763,234</u>	<u>₩ -</u>	<u>₩ (11,185)</u>	<u>₩ (738,676)</u>	<u>₩ (79,204)</u>	<u>₩ 74,372</u>	<u>₩ 2,660,109</u>

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

The changes in intangibles for the year ended December 31, 2010 are as follows:

Description	Beginning of year	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of year
(In millions of Korean Won)								
Goodwill	₩ 181,833	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (4,226)	₩ 177,607
Development costs	1,840,072	730,739	18,520	(1,135)	(554,832)	(101,306)	11,408	1,943,466
Industrial property rights	19,477	28	6,722	-	(5,192)	-	(8)	21,027
Software	97,976	26,672	3,512	(375)	(31,900)	-	41,648	137,533
Other	256,890	40,341	1,095	(29)	(22,560)	(1,746)	(213)	273,778
Construction in progress	96,051	33,463	(29,849)	-	-	-	(1,508)	98,157
	<u>₩ 2,492,299</u>	<u>₩ 831,243</u>	<u>₩ -</u>	<u>₩ (1,539)</u>	<u>₩ (614,484)</u>	<u>₩ (103,052)</u>	<u>₩ 47,101</u>	<u>₩ 2,651,568</u>

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

(3) Research and development expenditure for the years ended December 31, 2011 and 2010 are as follows:

Description	2011	2010
(In millions of Korean Won)		
Development costs	₩ 621,313	₩ 730,739
Ordinary development (manufacturing cost)	191,952	112,808
Research costs (administrative expenses)	632,003	545,229
	<u>₩ 1,445,268</u>	<u>₩ 1,388,776</u>

(4) Impairment test of goodwill

Goodwill allocated amongst the Group's cash-generating units as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, is as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)			
Vehicle	₩ 96,327	₩ 96,780	₩ 101,006
Finance	482	482	482
Other	80,345	80,345	80,345
	<u>₩ 177,154</u>	<u>₩ 177,607</u>	<u>₩ 181,833</u>

The recoverable amount of the Group's CGU are measured at its' value-in-use calculated by cash flow projections based on financial budgets approved by management covering a five-year period and the pre-tax discount rates applied to the cash flow projections is 15.1%. 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 CGU belongs to. No impairment loss is recognized based on the impairment test for the year ended December 31, 2011 and 2010, respectively.



# 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

Name of company	Nature of business	Location	December 31, 2011		December 31, 2010	January 1, 2010
			Ownership Percentage	Book value	Book value	Book value
			(%)	(In millions of Korean Won)		
Beijing-Hyundai Motor Company (BHMC) (*4)	Manufacturing	China	50.00%	₩ 1,553,871	₩ 1,231,700	₩ 1,001,632
Hyundai Motor Group China, Ltd. (HMGC) (*4)	Investment	"	50.00%	128,318	93,822	53,897
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	"	22.00%	81,260	66,215	54,750
Beijing Mobis Transmission Co., Ltd. (BMT)	"	"	24.08%	64,575	52,340	47,802
Hyundai Motor Deutschland GmbH (HMDG)	Sales	Germany	35.29%	30,026	34,755	38,279
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00%	24,495	11,004	-
Hyundai Powertech Manufacturing America (HPMA)	"	U.S.A	30.00%	23,796	22,682	22,727
Innocean Worldwide Americas, LLC. (IWA)	Advertisement	"	30.00%	11,027	7,866	6,614
Hyundai Information Service North America (HISNA)	Information technology	"	30.00%	3,476	2,892	2,595
Global Engine Alliance, LLC. (GEA)	Manufacturing	"	33.33%	1,865	1,842	1,888
Hyundai Capital Germany GmbH (HCGG)	Financing	Germany	40.01%	1,065	1,367	1,399
Kia Motors Manufacturing Georgia Inc. (KMMG) (*2)	Manufacturing	U.S.A	-	-	165,871	159,152
Kia Motors Corporation	"	Korea	33.99%	4,565,683	3,242,033	2,428,766
Hyundai engineering & construction Co., Ltd.	Construction	"	20.95%	3,011,421	-	-
Hyundai WIA Corporation	Manufacturing	"	33.33%	482,996	377,072	322,504
Hyundai HYSCO Co., Ltd.	"	"	26.13%	449,438	376,298	329,228
Hyundai Powertech Co., Ltd.	"	"	37.58%	254,066	216,242	157,510
HMC Investment Securities Co., Ltd.	Securities Brokerage	"	26.27%	210,511	198,317	189,815
Hyundai Dymos Inc.	Manufacturing	"	47.27%	194,332	159,887	137,010
KEFICO Corporation (*4)	"	"	50.00%	171,736	155,077	134,757
Hyundai Commercial Inc.	Financing	"	50.00%	122,364	90,043	60,831
Eukor Car Carriers Inc. (*1)	Transportation	"	12.00%	111,312	82,259	70,106
Hyundai Autoever Corp.	Information technology	"	29.90%	47,215	39,969	32,762
HK Mutual Savings Bank	Financing	"	20.00%	45,735	42,849	35,799
The Korea Economic Daily Co., Ltd.	Newspaper	"	20.55%	32,220	31,171	29,227
Iljin Bearing Co., Ltd.	Manufacturing	"	20.00%	22,928	20,602	18,270
Hyundai M & Soft Co., Ltd.	Information technology	"	31.84%	19,963	16,378	13,290
HMC Win Win Fund	Investment association	"	33.33%	18,589	18,131	-
Daesung Automotive Co., Ltd.	Manufacturing	"	20.00%	15,841	14,731	13,091
Korea Credit Bureau Co., Ltd. (*1)	Financing	"	9.00%	4,966	4,514	4,191
Clair Pixel Co., Ltd. (*1)	Manufacturing	"	19.22%	1,986	-	-
Seoul Line 9 Operation Co., Ltd.	Metro operation	"	20.00%	1,159	1,290	1,181
HI Network Inc. (*1)	Financing	"	19.99%	1,003	1,055	-
Korea Aerospace Industries, Co., Ltd. (*2)	Manufacturing	"	10.00%	-	129,177	114,887
Hyundai Carnes Co., Ltd. (*3)	R&D	"	100.00%	-	-	453
Haevichi Country Club., Ltd	Golf course Operation	"	30.00%	-	-	-
				₩ 11,709,238	₩ 6,909,451	₩ 5,484,413

(\*1) As the Group is considered to be able to exercise significant influence by representation on board of directors of the investee and other reasons, 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 in 2011 as the total ownership percentage is less than 20% due to disposal of part of the investments for the current period.

(\*3) The entity is included in the consolidation since 2010 when the ownership percentage exceeds 50%

(\*4) Joint venture

- (2) The changes in investments in joint ventures and associates for the year ended December 31, 2011 are as follows:

Name of company	Beginning of year	Acquisition / (Disposition)	Gain (loss) on valuation	Other changes (*)	End of year
(In millions of Korean Won)					
Beijing-Hyundai Motor Company (BHMC)	₩ 1,231,700	₩ 86,569	₩ 579,016	₩ (343,414)	₩ 1,553,871
Hyundai Motor Group China, Ltd. (HMGC)	93,822	-	77,518	(43,022)	128,318
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	66,215	-	11,366	3,679	81,260
Beijing Mobis Transmission Co., Ltd. (BMT)	52,340	-	8,643	3,592	64,575
Hyundai Motor Deutschland GmbH (HMDG)	34,755	-	7,977	(12,706)	30,026
Hyundai Powertech (Shandong) Co., Ltd (PTS)	11,004	10,809	1,239	1,443	24,495
Hyundai Powertech Manufacturing America (HPMA)	22,682	-	795	319	23,796
Innocean Worldwide Americas, LLC. (IWA)	7,866	-	4,965	(1,804)	11,027
Hyundai Information Service North America (HISNA)	2,892	-	901	(317)	3,476
Global Engine Alliance, LLC. (GEA)	1,842	-	-	23	1,865
Hyundai Capital Germany GmbH (HCGG)	1,367	-	-	(302)	1,065
Kia Motors Manufacturing Georgia Inc. (KMMG)	165,871	(212,204)	50,817	(4,484)	-
Kia Motors Corporation	3,242,033	204,408	1,107,807	11,435	4,565,683
Hyundai engineering & construction Co., LTD	-	2,984,937	57,910	(31,426)	3,011,421
Hyundai WIA Corporation	377,072	-	79,258	26,666	482,996
Hyundai HYSCO Co., Ltd.	376,298	-	77,951	(4,811)	449,438
Hyundai Powertech Co., Ltd.	216,242	-	38,356	(532)	254,066
HMC Investment Securities Co., Ltd.	198,317	-	10,282	1,912	210,511
Hyundai Dymos Inc.	159,887	-	27,958	6,487	194,332
KEFICO Corporation	155,077	-	28,019	(11,360)	171,736
Hyundai Commercial Inc.	90,043	-	35,234	(2,913)	122,364
Eukor Car Carriers Inc.	82,259	-	32,413	(3,360)	111,312
Hyundai Autoever Corp.	39,969	-	11,017	(3,771)	47,215
HK Mutual Savings Bank	42,849	-	2,863	23	45,735
The Korea Economic Daily Co., Ltd.	31,171	-	1,244	(195)	32,220
Iljin Bearing Co., Ltd.	20,602	-	2,552	(226)	22,928
Hyundai M & Soft Co., Ltd.	16,378	-	4,043	(458)	19,963
HMC Win Win Fund	18,131	-	458	-	18,589
Daesung Automotive Co., Ltd.	14,731	-	3,278	(2,168)	15,841
Korea Credit Bureau Co., Ltd.	4,514	-	452	-	4,966
Clair Pixel Co., Ltd.	-	2,000	(14)	-	1,986
Seoul Line 9 Operation Co., Ltd.	1,290	-	849	(980)	1,159
HI Network Inc.	1,055	-	655	(707)	1,003
Korea Aerospace Industries, Co., Ltd.	129,177	(134,325)	6,783	(1,635)	-
	<u>₩ 6,909,451</u>	<u>₩ 2,942,194</u>	<u>₩ 2,272,605</u>	<u>₩ (415,012)</u>	<u>₩ 11,709,238</u>

- (\*) Other changes consist of the decrease by ₩583,464 million due to declaration of the dividends, decrease of retained earnings by ₩40,249 million, increase of accumulated other comprehensive income by ₩199,226 million, decrease by ₩3,858 million due to foreign currency effect and increase by ₩13,333 million due to the differences between the cost of the investment and the investor's share of the net fair value of the investor's identifiable assets and liabilities.

The changes in investments in joint ventures and associates for the year ended December 31, 2010 are as follows:

Name of company	Beginning of the year	Acquisition /(Disposition)	Gain (loss) on valuation	Other changes (*)	End of the year
(In millions of Korean Won)					
Beijing-Hyundai Motor Company (BHMC)	₩ 1,001,632	₩ -	₩ 474,030	₩ (243,962)	₩ 1,231,700
Hyundai Motor Group China, Ltd. (HMGC)	53,897	-	60,956	(21,031)	93,822
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	54,750	-	10,897	568	66,215
Beijing Mobis Transmission Co., Ltd. (BMT)	47,802	-	4,138	400	52,340
Hyundai Motor Deutschland GmbH (HMDG)	38,279	-	5,562	(9,086)	34,755
Hyundai Powertech (Shandong) Co., Ltd (PTS)	-	10,712	-	292	11,004
Hyundai Powertech Manufacturing America (HPMA)	22,727	-	522	(567)	22,682
Innocean Worldwide Americas, LLC. (IWA)	6,614	-	4,487	(3,235)	7,866
Hyundai Information Service North America (HISNA)	2,595	-	784	(487)	2,892
Global Engine Alliance, LLC. (GEA)	1,888	-	-	(46)	1,842
Hyundai Capital Germany GmbH (HCGG)	1,399	-	-	(32)	1,367
Kia Motors Manufacturing Georgia Inc. (KMMG)	159,152	-	10,794	(4,075)	165,871
Kia Motors Corporation	2,428,766	-	864,647	(51,380)	3,242,033
Hyundai WIA Corporation	322,504	-	60,107	(5,539)	377,072
Hyundai HYSCO Co., Ltd.	329,228	-	50,899	(3,829)	376,298
Hyundai Powertech Co., Ltd.	157,510	37,576	21,747	(591)	216,242
HMC Investment Securities Co., Ltd.	189,815	-	5,455	3,047	198,317
Hyundai Dymos Inc.	137,010	-	21,097	1,780	159,887
KEFICO Corporation	134,757	-	28,877	(8,557)	155,077
Hyundai Commercial Inc.	60,831	-	28,677	535	90,043
Eukor Car Carriers Inc.	70,106	-	20,661	(8,508)	82,259
Hyundai Autoever Corp.	32,762	-	8,825	(1,618)	39,969
HK Mutual Savings Bank	35,799	-	6,937	113	42,849
The Korea Economic Daily Co., Ltd.	29,227	-	1,733	211	31,171
Iljin Bearing Co., Ltd.	18,270	-	2,557	(225)	20,602
Hyundai M & Soft Co., Ltd.	13,290	-	3,220	(132)	16,378
HMC Win Win Fund	-	18,607	484	(960)	18,131
Daesung Automotive Co., Ltd.	13,091	-	1,806	(166)	14,731
Korea Credit Bureau Co., Ltd.	4,191	-	323	-	4,514
Seoul Line 9 Operation Co., Ltd.	1,181	-	991	(882)	1,290
HI Network Inc.	-	-	2,206	(1,151)	1,055
Korea Aerospace Industries, Co., Ltd.	114,887	-	14,186	104	129,177
Hyundai Carnes Co., Ltd.	453	-	(141)	(312)	-
	<u>₩ 5,484,413</u>	<u>₩ 66,895</u>	<u>₩ 1,717,464</u>	<u>₩ (359,321)</u>	<u>₩ 6,909,451</u>

(\*) Other changes consist of the decrease by ₩344,400 million due to declaration of the dividends, decrease of retained earnings by ₩37,170 million, increase of accumulated other comprehensive income by ₩72,183 million, decrease by ₩4,897 million due to foreign currency effect, decreased by ₩337 million due to change of consolidated subsidiaries and decrease by ₩44,700 million due to the differences between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities.

(3) Condensed financial information of the joint ventures and associates as of and for the year ended December 31, 2011 is as follows:

Name of company	Assets	Liabilities	Sales	Net income (loss)
	(In millions of Korean Won)			
BHMC	₩ 6,692,470	₩ 3,547,238	₩ 12,405,949	₩ 1,177,038
HMGC	622,038	333,536	2,336,190	165,184
WAE	995,381	626,017	926,476	51,664
BMT	407,098	138,931	350,159	35,894
HMDG	379,748	294,675	1,604,090	16,875
PTS	186,944	106,393	12,216	4,131
HPMA	319,090	239,218	737,549	1,252
IWA	162,522	141,019	191,582	12,673
HISNA	24,188	14,243	98,968	2,209
GEA	8,168	1,334	10,864	4,104
HCGG	3,889	341	1,171	503
Kia Motors Corporation	30,255,179	16,745,469	43,190,942	3,519,236
Hyundai engineering & construction Co., Ltd.	11,871,889	7,508,415	11,920,167	685,139
Hyundai WIA Corporation	4,252,849	2,757,406	6,392,708	240,884
Hyundai HYSKO Co., Ltd.	4,720,646	3,087,008	8,170,343	297,785
Hyundai Powertech Co., Ltd.	1,791,495	1,081,452	2,803,987	98,750
HMC Investment Securities Co., Ltd.	3,485,634	2,836,685	703,424	44,333
Hyundai Dymos Inc.	1,155,459	722,679	1,799,714	69,941
KEFICO Corporation	912,210	573,061	1,283,758	50,838
Hyundai Commercial Inc.	3,465,237	3,114,580	325,819	76,247
Eukor Car Carriers Inc.	2,671,900	1,744,300	2,558,996	270,115
Hyundai Autoever Corp.	393,965	236,209	732,652	37,002
HK Mutual Savings Bank	2,593,289	2,425,855	372,233	14,313
The Korea Economic Daily Co., Ltd.	203,848	61,338	127,276	6,999
Iljin Bearing Co., Ltd.	155,049	40,466	225,722	12,701
Hyundai M & Soft Co., Ltd.	81,812	18,767	82,930	13,214
HMC Win Win Fund	55,767	-	1,945	1,373
Daesung Automotive Co., Ltd.	95,160	15,873	55,579	5,422
Korea Credit Bureau Co., Ltd.	51,484	9,650	40,535	6,380
Clair Pixel Co., Ltd.	8,181	2,913	3,825	(494)
Seoul Line 9 Operation Co., Ltd.	13,740	7,944	56,331	4,857
HI Network Inc.	8,560	3,544	21,835	3,314
Haevichi Country Club., Ltd	282,738	272,927	11,876	(417)

Condensed financial information of the joint ventures and associates as of and for the year ended December 31, 2010 is as follows:

Name of company	Assets	Liabilities	Sales	Net income (loss)
	(In millions of Korean Won)			
BHMC	₩ 5,702,189	₩ 3,220,306	₩ 10,746,651	₩ 950,173
HMGC	451,239	241,877	2,065,396	113,333
WAE	671,304	370,329	512,282	49,797
BMT	319,904	102,547	380,826	17,186
HMDG	414,381	315,908	1,246,041	19,736
PTS	36,995	315	-	-
HPMA	320,086	242,497	399,333	1,738
IWA	160,832	145,222	140,501	10,038
HISNA	16,216	7,712	82,758	1,935
GEA	20,119	13,561	7,333	54
HCGG	3,145	117	540	43
KMMG	1,929,855	1,379,281	3,591,485	34,912
Kia Motors Corporation	26,275,144	16,027,027	35,826,955	2,698,331

Name of company	Assets	Liabilities	Sales	Net income (loss)
	(In millions of Korean Won)			
Hyundai WIA Corporation	₩ 3,534,342	₩ 2,544,013	₩ 5,287,862	₩ 132,400
Hyundai HYSCO Co., Ltd.	3,972,880	2,620,025	6,865,777	194,738
Hyundai Powertech Co., Ltd.	1,667,530	1,054,817	1,980,163	54,204
HMC Investment Securities Co., Ltd.	2,691,951	2,093,905	302,468	13,391
Hyundai Dymos Inc.	1,026,708	657,300	1,485,436	43,941
KEFICO Corporation	652,641	342,719	971,408	58,433
Hyundai Commercial Inc.	2,719,698	2,539,081	234,037	57,269
Eukor Car Carriers Inc.	2,500,132	1,814,639	2,209,387	172,267
Hyundai Autoever Corp.	308,295	174,823	606,896	32,852
HK Mutual Savings Bank	2,439,109	2,286,106	332,117	34,683
The Korea Economic Daily Co., Ltd.	203,888	67,070	123,525	8,432
Iljin Bearing Co., Ltd.	143,642	40,634	226,140	12,783
Hyundai M & Soft Co., Ltd.	71,589	20,390	63,832	10,324
HMC Win Win Fund	54,394	-	1,478	941
Daesung Automotive Co., Ltd.	90,231	16,103	64,924	8,110
Korea Credit Bureau Co., Ltd.	45,301	9,914	33,190	4,338
Seoul Line 9 Operation Co., Ltd.	17,778	11,601	53,692	5,339
HI Network Inc.	8,734	3,458	20,706	4,733
Korea Aerospace Industries, Co., Ltd.	1,498,431	884,273	1,266,711	78,841
Haevichi Country Club, Ltd	282,877	272,649	11,390	34

(4) The market price of listed equity securities as of December 31, 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	₩ 66,700	137,318,251	₩ 9,159,127
Hyundai engineering & construction Co., Ltd.	70,400	23,327,400	1,642,249
Hyundai WIA Corporation	142,500	8,575,239	1,221,972
Hyundai HYSCO Co., Ltd.	35,150	20,954,188	736,540
HMC Investment Securities Co., Ltd.	12,800	7,705,980	98,637

(5) Due to accumulated deficit in Haevichi Country Club, Ltd., the Group has discontinued its equity method treatment of the investee. The Group has not recognized losses of ₩125 million for the year ended December 31, 2011 and the cumulative losses of ₩1,611 million as of December 31, 2011, related to Haevichi Country Club, Ltd.

## 12. FINANCIAL SERVICES RECEIVABLES:

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

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Loans	₩ 26,478,053	₩ 23,155,855	₩ 19,053,733
Card receivables	9,394,236	9,028,064	7,008,426
Financial lease receivables	2,307,352	1,771,393	1,235,640
Other lease receivables	<u>4,656</u>	<u>31,932</u>	<u>34,313</u>
	38,184,297	33,987,244	27,332,112
Allowance of doubtful accounts	(729,047)	(615,599)	(431,817)
Loan origination fee	(333,573)	(398,300)	(349,821)
Present value discount accounts	<u>(11,548)</u>	<u>(8,346)</u>	<u>(13,110)</u>
	<u>₩ 37,110,129</u>	<u>₩ 32,964,999</u>	<u>₩ 26,537,364</u>

(2) Aging analysis of financial services receivables

As of December 31, 2011 and 2010, total financial services receivables that are past due but not impaired are ₩1,098,415 million and ₩1,059,980 million, respectively; of which financial services receivables that are past due less than 90 days but not impaired are ₩1,098,415 million and ₩1,059,977 million, respectively. As of December 31, 2011 and 2010, the impaired financial services receivables are ₩347,906 million and ₩479,660 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Beginning of year	₩ 615,599	₩ 431,817
Impairment loss	494,526	390,743
Write-off	(322,469)	(172,825)
Effect of foreign exchange differences	3,262	(3,946)
Transfer and other	(61,871)	(30,190)
End of year	₩ 729,047	₩ 615,599

(4) Total lease investments and present value of minimum lease receipts of financial lease as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Total lease investments	Present value of minimum lease receipts	Total lease investments	Present value of minimum lease receipts	Total lease investments	Present value of minimum lease receipts
	(In millions of Korean Won)					
Less than 1 year	₩ 986,287	₩ 810,018	₩ 765,722	₩ 633,321	₩ 549,958	₩ 454,001
1 ~ 5 years	1,617,005	1,482,345	1,247,253	1,123,787	864,718	768,251
More than 5 years	77	76	-	-	-	-
	₩ 2,603,369	₩ 2,292,439	₩ 2,012,975	₩ 1,757,108	₩ 1,414,676	₩ 1,222,252

(5) Unearned interest income of financial lease as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Total lease investments	₩ 2,603,369	₩ 2,012,975	₩ 1,414,676
Net lease investments			
Present value of minimum lease receipts	2,292,439	1,757,108	1,222,252
Present value of unguaranteed residual value	14,913	14,285	13,388
	2,307,352	1,771,393	1,235,640
Unearned interest income	₩ 296,017	₩ 241,582	₩ 179,036

**13. OPERATING LEASE ASSETS:**

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

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Acquisition cost	₩ 5,922,955	₩ 2,998,691	₩ 1,800,444
Accumulated depreciation	(618,093)	(378,654)	(431,067)
Accumulated impairment loss	(36,608)	(17,969)	(2,630)
	₩ 5,268,254	₩ 2,602,068	₩ 1,366,747

- (2) Future minimum lease receipts related to operating lease assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Within 1 year	₩ 1,232,216	₩ 455,455	₩ 579,815
Within 5 years more than 1 year	1,339,767	1,123,505	496,010
More than 5 years	4	-	-
	<u>₩ 2,571,987</u>	<u>₩ 1,578,960</u>	<u>₩ 1,075,825</u>

#### 14. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate December 31, 2011 (%)	December 31, 2011	December 31, 2010	January 1, 2010
			(In millions of Korean Won)		
Overdrafts	Citi Bank and other	0.80~3.15	₩ 107,616	₩ 190,791	₩ 248,648
General loans	Kookmin Bank and other	0.37~5.08	3,779,392	3,981,880	2,594,150
Loans on trade receivables collateral	Korea Exchange Bank and other	LIBOR+0.80~0.90	2,034,557	1,589,168	2,343,770
Banker's Usance	Kookmin Bank and other	LIBOR+0.85~1.20	714,299	584,076	483,612
Short-term debentures	Korea Development Bank and other	3.92~5.04	229,930	1,008,906	219,977
Commercial paper	SK Securities and other	3.58~5.55	920,000	1,940,000	1,957,580
Other	Korea Exchange Bank and other	0.66~5.11	94,220	41,647	136,955
			<u>₩ 7,880,014</u>	<u>₩ 9,336,468</u>	<u>₩ 7,984,692</u>

- (2) Long-term debt as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	Lender	Annual interest rate December 31, 2011 (%)	December 31, 2011	December 31, 2010	January 1, 2010
			(In millions of Korean Won)		
General loans	Kookmin Bank and other	1.24~4.69	₩ 1,369,128	₩ 1,093,597	₩ 1,156,047
Facility loan	Korea Development Bank and other	0.57~5.98	2,257,351	1,319,400	1,621,993
Commercial paper	SK Securities and other	3.75~5.31	320,000	330,000	228,700
Other	Export-Import Bank of Korea and other	0.10~7.30	640,620	766,655	686,428
			4,587,099	3,509,652	3,693,168
Less: present value discounts			180,259	201,124	172,172
Less: current maturities			922,713	848,043	686,501
			<u>₩ 3,484,127</u>	<u>₩ 2,460,485</u>	<u>₩ 2,834,495</u>

- (3) Debentures as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	The last maturity date	Annual interest rate	December 31, 2011	December 31, 2011	December 31, 2010	January 1, 2010
		(%)				
(In millions of Korean Won)						
Guaranteed public debentures	June 8, 2017	3.75~4.50	₩ 1,726,687	₩ 1,125,126	₩ 390,333	
Guaranteed private debentures	April 25, 2015	5.68	86,498	85,418	87,570	
Non-guaranteed public debentures	December 8, 2018	2.90~9.50	20,903,643	18,192,913	16,282,794	
Non-guaranteed private debentures	April 18, 2016	2.44~5.80	2,910,714	3,099,035	2,895,209	
Asset backed securities	February 15, 2018	0.31~5.48	5,494,645	3,486,551	2,519,592	
			31,122,187	25,989,043	22,175,498	
Less: discount on debentures			70,381	37,791	33,147	
Less: current maturities			7,397,481	5,674,662	6,536,305	
			₩ 23,654,325	₩ 20,276,590	₩ 15,606,046	

## 15. PROVISIONS:

- (1) The provisions as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the followings:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Warranty	₩ 5,850,285	₩ 5,252,340	₩ 4,535,994
Employee benefit	586,628	431,518	375,247
Other	210,240	301,720	281,963
	₩ 6,647,153	₩ 5,985,578	₩ 5,193,204

- (2) The changes of provisions for the year ended December 31, 2011 are as follows:

Description	Warranty		Employee benefit		Other	
	(In millions of Korean Won)					
Beginning of year	₩	5,252,340	₩	431,518	₩	301,720
Accrual		1,169,889		214,622		11,304
Utilized		(728,419)		(59,370)		(99,772)
Amortization of present value discount		164,071		-		-
Changes in expected reimbursements by third parties		(2,550)		-		-
Effect of foreign exchange differences		(5,046)		(142)		(3,012)
End of year	₩	5,850,285	₩	586,628	₩	210,240

The changes of provisions for the year ended December 31, 2010 are as follows:

Description	Warranty		Employee benefit		Other
	(In millions of Korean Won)				
Beginning of year	₩	4,535,994	₩	375,247	₩ 281,963
Accrual		1,075,913		93,094	93,567
Utilized		(635,378)		(36,603)	(75,781)
Amortization of present value discount		150,829		-	-
Changes in expected reimbursements by third parties		143,324		-	-
Effect of foreign exchange differences		(18,342)		(220)	1,971
End of year	₩	5,252,340	₩	431,518	₩ 301,720



# 16. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
(In millions of Korean Won)						
Financial liabilities at FVTPL (*)	₩ 426,897	₩ 16,004	₩ 46,196	₩ 432,306	₩ -	₩ 422,350
Derivative liabilities that are effective						
hedging instruments	20,482	43,058	71,519	85,799	161,512	128,950
Financial lease liabilities	8,535	31,390	-	-	14,237	55,219
Other	-	109,745	-	104,519	-	99,543
	<u>₩ 455,914</u>	<u>₩ 200,197</u>	<u>₩ 117,715</u>	<u>₩ 622,624</u>	<u>₩ 175,749</u>	<u>₩ 706,062</u>

(\*) As of December 31, 2011, December 31, 2010 and January 1, 2010 debentures designated as financial liabilities at FVTPL of ₩404,666 million, ₩416,601 million and 401,626 million, respectively, are included.

# 17. OTHER LIABILITIES:

Other liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
(In millions of Korean Won)						
Advance received	₩ 950,767	₩ 84,173	₩ 426,934	₩ 29,846	₩ 890,112	₩ 29,257
Withholdings	963,451	626,011	969,355	562,181	967,825	517,199
Accrued expenses	1,102,940	-	1,007,750	-	1,283,356	-
Unearned income	374,175	299,210	321,863	330,881	276,011	309,321
Accrued dividends	77	-	69	-	67	-
Other	85,206	527,609	340,037	249,759	99,407	68,633
	<u>₩ 3,476,616</u>	<u>₩ 1,537,003</u>	<u>₩ 3,066,008</u>	<u>₩ 1,172,667</u>	<u>₩ 3,516,778</u>	<u>₩ 924,410</u>

# 18. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of December 31, 2011 consist of the following:

Description	Financial assets		Loans		AFS		Derivatives		Book value	Fair value		
	at FVTPL		and receivables		financial assets		designated as					
(In millions of Korean Won)												
Cash and cash equivalents	₩	-	₩	6,231,946	₩	-	₩	-	₩	6,231,946	₩	6,231,946
Short-term and long-term financial instruments		-		9,394,115		-		-		9,394,115		9,394,115
Trade notes and accounts receivable		-		3,922,360		-		-		3,922,360		3,922,360
Other receivables		-		2,465,426		-		-		2,465,426		2,465,426
Other financial assets		91,093		19,769		1,665,592		477,933		2,254,387		2,254,387
Other assets		-		310,286		-		-		310,286		310,286
Financial services receivables		-		37,110,129		-		-		37,110,129		37,859,530
	₩	91,093	₩	59,454,031	₩	1,665,592	₩	477,933	₩	61,688,649	₩	62,438,050

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		10,945		1,479,985		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	33,324,963
	₩	209,301	₩	53,747,823	₩	1,479,985	₩	571,318	₩ 56,008,427	₩ 56,368,391

Categories of financial assets as of January 1, 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	₩	-	₩	5,400,090	₩	-	₩	-	₩ 5,400,090	₩ 5,400,090
Short-term and long-term financial instruments		-		5,348,223		-		-	5,348,223	5,348,223
Trade notes and accounts receivable		-		3,035,032		-		-	3,035,032	3,035,032
Other receivables		-		2,335,423		-		-	2,335,423	2,335,423
Other financial assets		146,227		147,884		957,398		1,339,656	2,591,165	2,591,165
Other assets		-		251,984		-		-	251,984	251,984
Financial services receivables		-		26,537,364		-		-	26,537,364	26,898,227
	₩	146,227	₩	43,056,000	₩	957,398	₩	1,339,656	₩ 45,499,281	₩ 45,860,144

(2) Categories of financial liabilities as of December 31, 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	₩	-	₩	6,666,406	₩	-	₩ 6,666,406	₩ 6,666,406
Other payables		-		3,782,155		-	3,782,155	3,782,155
Borrowings and debentures		-		43,338,660		-	43,338,660	43,931,435
Other financial liabilities		442,901		149,670		63,540	656,111	656,111
Other liabilities		-		1,103,017		-	1,103,017	1,103,017
	₩	442,901	₩	55,039,908	₩	63,540	₩ 55,546,349	₩ 56,139,124

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

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost (In millions of Korean Won)	Derivatives designated as hedging instruments	Book value	Fair value
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
	<u>₩ 478,502</u>	<u>₩ 49,675,993</u>	<u>₩ 157,318</u>	<u>₩ 50,311,813</u>	<u>₩ 50,872,717</u>

Categories of financial liabilities as of January 1, 2010 consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost (In millions of Korean Won)	Derivatives designated as hedging instruments	Book value	Fair value
Trade notes and accounts payable	₩ -	₩ 5,839,211	₩ -	₩ 5,839,211	₩ 5,839,211
Other payables	-	2,713,865	-	2,713,865	2,713,865
Borrowings and debentures	-	33,648,039	-	33,648,039	34,083,289
Other financial liabilities	422,350	168,999	290,462	881,811	881,811
Other liabilities	-	1,283,423	-	1,283,423	1,283,423
	<u>₩ 422,350</u>	<u>₩ 43,653,537</u>	<u>₩ 290,462</u>	<u>₩ 44,366,349</u>	<u>₩ 44,801,599</u>

### (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 December 31, 2011 are as follows:

Description	December 31, 2011			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial Assets:				
Financial assets at FVTPL	₩ -	₩ 91,093	₩ -	₩ 91,093
Derivatives designated as hedging instruments	-	477,933	-	477,933
AFS financial assets	<u>1,388,503</u>	<u>4,019</u>	<u>273,070</u>	<u>1,665,592</u>
	<u>₩ 1,388,503</u>	<u>₩ 573,045</u>	<u>₩ 273,070</u>	<u>₩ 2,234,618</u>
Financial Liabilities:				
Financial liabilities at FVTPL	₩ 404,666	₩ 38,235	₩ -	₩ 442,901
Derivatives designated as hedging instruments	-	63,540	-	63,540
	<u>₩ 404,666</u>	<u>₩ 101,775</u>	<u>₩ -</u>	<u>₩ 506,441</u>

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2010 are as follows:

Description	December 31, 2010			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial Assets:				
Financial assets at FVTPL	₩ 133,513	₩ 75,788	₩ -	₩ 209,301
Derivatives designated as hedging instruments	-	571,318	-	571,318
AFS financial assets	<u>1,213,027</u>	<u>4,585</u>	<u>262,373</u>	<u>1,479,985</u>
	<u>₩ 1,346,540</u>	<u>₩ 651,691</u>	<u>₩ 262,373</u>	<u>₩ 2,260,604</u>
Financial Liabilities:				
Financial liabilities at FVTPL	₩ 416,601	₩ 61,901	₩ -	₩ 478,502
Derivatives designated as hedging instruments	-	157,318	-	157,318
	<u>₩ 416,601</u>	<u>₩ 219,219</u>	<u>₩ -</u>	<u>₩ 635,820</u>

Fair value measurements of financial instruments by fair-value hierarchy levels as of January 1, 2010 are as follows:

Description	January 1, 2010			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial Assets:				
Financial assets at FVTPL	₩ 40,639	₩ 105,588	₩ -	₩ 146,227
Derivatives designated as hedging instruments	-	1,339,656	-	1,339,656
AFS financial assets	<u>532,490</u>	<u>3,685</u>	<u>421,223</u>	<u>957,398</u>
	<u>₩ 573,129</u>	<u>₩ 1,448,929</u>	<u>₩ 421,223</u>	<u>₩ 2,443,281</u>
Financial Liabilities:				
Financial liabilities at FVTPL	₩ 401,626	₩ 20,724	₩ -	₩ 422,350
Derivatives designated as hedging instruments	-	290,462	-	290,462
	<u>₩ 401,626</u>	<u>₩ 311,186</u>	<u>₩ -</u>	<u>₩ 712,812</u>

The changes in financial instruments classified as Level 3 for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Purchases	Disposals	Valuation	Transfer	End of year
(In millions of Korean Won)						
AFS financial assets	₩ 262,373	₩ 8,222	₩ (318)	₩ 4,790	₩ (1,997)	₩ 273,070

The changes in financial instruments classified as Level 3 for the year ended December 31, 2010 are as follows:

Description	Beginning of year	Purchases	Disposals	Valuation	Transfer	End of year
(In millions of Korean Won)						
AFS financial assets	₩ 421,223	₩ 54,677	₩ (200,076)	₩ (13,451)	₩ -	₩ 262,373

- (4) Interest income, dividend income and interest expense by category of financial instruments for years ended December 31, 2011 and 2010, respectively, consist of the following:

Description	2011			2010		
	Interest income	Dividend income	Interest expense	Interest income	Dividend income	Interest expense
(In millions of Korean Won)						
Non-financial services:						
Loans and receivables	₩ 461,359	-	₩ -	₩ 351,778	₩ -	₩ -
Financial assets at FVTPL	11,198	-	-	22,496	-	-
AFS financial assets	3,071	17,584	-	2,643	12,322	-
Financial liabilities at FVTPL	-	-	30,794	-	-	37,291
Financial liabilities carried at amortized cost	-	-	353,426	-	-	397,721
	<u>₩ 475,628</u>	<u>₩ 17,584</u>	<u>₩ 384,220</u>	<u>₩ 376,917</u>	<u>₩ 12,322</u>	<u>₩ 435,012</u>
Financial services:						
Loans and receivables	2,775,731	-	-	2,503,171	-	-
Financial liabilities at FVTPL	-	-	24,822	-	-	24,272
Financial liabilities carried at amortized cost	-	-	1,454,303	-	-	1,321,442
	<u>₩ 2,775,731</u>	<u>₩ -</u>	<u>₩ 1,479,125</u>	<u>₩ 2,503,171</u>	<u>₩ -</u>	<u>₩ 1,345,714</u>

- (5) The commission income(financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the years ended December 31, 2011 and 2010 are ₩1,615,068 million and ₩ 1,553,555 million, respectively. In addition, the fee expense(cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the years ended December 31, 2011 and 2010 are ₩687,019 million and ₩635,259 million, respectively.

## 19. CAPITAL STOCK:

Common stock as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consists of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won, except par value)			
Authorized	600,000,000 shares	600,000,000 shares	600,000,000 shares
Issued	220,276,479 shares	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000	₩ 5,000
Capital stock	1,157,982	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 December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consists of the following:

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

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. The preferred shares are non-cumulative, participating and non-voting.

## 20. CAPITAL SURPLUS:

Capital surplus as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consists of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)			
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334	₩ 3,321,334
Other	792,676	579,601	409,981
	<u>₩ 4,114,010</u>	<u>₩ 3,900,935</u>	<u>₩ 3,731,315</u>

## 21. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(Number of shares)			
Common stock	11,006,710	11,005,030	11,213,999
1 <sup>st</sup> preferred stock	1,950,960	1,950,960	1,950,960
2 <sup>nd</sup> preferred stock	1,000,000	1,000,000	1,000,000

## 22. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consists of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)			
Gain on valuation of AFS financial assets	₩ 760,361	₩ 850,568	₩ 360,318
Loss on valuation of AFS financial assets	(2,844)	(1,558)	(1,464)
Gain on valuation of cash flow hedge derivatives	4,722	53,096	25,479
Loss on valuation of cash flow hedge derivatives	(35,580)	(86,845)	(108,669)
Gain on valuation of equity-accounted investees	154,623	58,496	35,390
Loss on valuation of equity-accounted investees	(230,597)	(333,686)	(382,703)
Loss on foreign operations translation, net	(275,404)	(130,157)	-
	<u>₩ 375,281</u>	<u>₩ 409,914</u>	<u>₩ (71,649)</u>

## 23. RETAINED EARNINGS AND DIVIDENDS:

- (1) Retained earnings as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
(In millions of Korean Won)			
Legal reserve (*)	₩ 375,113	₩ 333,890	₩ 302,170
Discretionary reserve	19,046,647	14,336,647	11,876,647
Unappropriated	<u>12,841,768</u>	<u>10,545,626</u>	<u>7,986,929</u>
	<u>₩ 32,263,528</u>	<u>₩ 25,216,163</u>	<u>₩ 20,165,746</u>

- (\*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation by the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

- (2) The computation of the proposed dividends for the year ended December 31, 2011 is as follows:

Description	Common shares	1 <sup>st</sup> Preferred shares	2 <sup>nd</sup> Preferred shares	3 <sup>rd</sup> Preferred shares
(In millions of Korean Won, except per share amounts)				
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury shares	(11,006,710)	(1,950,960)	(1,000,000)	-
Shares, net of treasury stocks	209,269,769	23,159,022	36,613,865	2,478,299
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Dividend rate	35%	36%	37%	36%
Dividends declared	366,222	41,687	67,736	4,460
Dividends per share	₩ 1,750	₩ 1,800	₩ 1,850	₩ 1,800
Market price per share	213,000	63,500	67,100	49,350
Dividend yield ratio	0.8%	2.8%	2.8%	3.6%

The computation of the proposed dividends for the year ended December 31, 2010 is as follows:

Description	Common shares	1 <sup>st</sup> Preferred shares	2 <sup>nd</sup> Preferred shares	3 <sup>rd</sup> Preferred shares
(In millions of Korean Won, except per share amounts)				
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury shares	(11,005,030)	(1,950,960)	(1,000,000)	-
Shares, net of treasury stocks	209,271,449	23,159,022	36,613,865	2,478,299
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Dividend rate	30%	31%	32%	31%
Dividends declared	313,907	35,897	58,582	3,841
Dividends per share	₩ 1,500	₩ 1,550	₩ 1,600	₩ 1,550
Market price per share	173,500	59,000	63,500	54,300
Dividend yield ratio	0.9%	2.6%	2.5%	2.9%

## 24. SALES:

Sales for the years ended December 31, 2011 and 2010, respectively, consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Sales of goods	₩ 69,345,485	₩ 59,332,634
Rendering of services	954,521	881,772
Royalties	179,857	147,263
Other	234,333	256,641
Financial services revenue	7,083,699	6,366,961
	₩ 77,797,895	₩ 66,985,271

## 25. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2011 and 2010 consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Selling expenses :		
Export expenses	₩ 930,114	₩ 822,738
Overseas market expenses	518,060	466,871
Advertisements	1,415,551	1,244,711
Sales commissions	676,161	699,896
Warranty expenses	82,115	135,609
Campaign and recall expenses	74,361	31,404
Transportation expenses	226,067	153,858
Sales promotion	789,480	801,757
Provision for warranties	1,169,889	1,075,913
	5,881,798	5,432,757
Administrative expenses :		
Salaries	2,069,589	1,847,048
Post-employment benefits	125,026	100,193
Welfare expenses	278,140	247,634
Service charges	896,874	741,099
Research	632,003	545,229
Other	1,020,300	921,059
	5,021,932	4,402,262
	₩ 10,903,730	₩ 9,835,019

## 26. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income for the years ended December 31, 2011 and 2010, respectively, consists of the following:

Description	2011	2010
	(In millions of Korean Won)	
Gain on foreign exchange transaction	₩ 269,418	₩ 399,752
Gain on foreign currency translation	157,766	181,152
Gain on disposal of property, plant and equipment	13,681	31,811
Commission income	45,165	47,048
Rental income	69,839	57,904
Other	511,411	411,821
	₩ 1,067,280	₩ 1,129,488



- (2) Other operating expenses for the years ended December 31, 2011 and 2010, respectively, consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Loss on foreign exchange transaction	₩ 323,553	₩ 450,591
Loss on foreign currency translation	194,662	82,400
Loss on disposal of property, plant and equipment	83,779	106,750
Impairment loss on intangible assets	79,204	103,052
Donations	69,847	58,496
Other	232,900	294,165
	<u>₩ 983,945</u>	<u>₩ 1,095,454</u>

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

Gain (loss) on investments in joint ventures and associates for the years ended December 31, 2011 and 2010, respectively, consists of the following:

Description	2011	2010
	(In millions of Korean Won)	
Gain on valuation of equity-accounted investees, net	₩ 2,272,605	₩ 1,717,464
Gain (loss) on disposal of investments in associates, net	131,148	(35,581)
	<u>₩ 2,403,753</u>	<u>₩ 1,681,883</u>

## 28. FINANCIAL INCOME AND EXPENSES:

- (1) Financial income for the years ended December 31, 2011 and 2010, respectively, consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Interest income	₩ 475,628	₩ 376,917
Gain on foreign exchange transaction	44,360	66,212
Gain on foreign currency translation	112,751	73,684
Dividend income	17,584	12,322
Income on financial guarantee	5,949	6,006
Gain on valuation of financial instruments at FVTPL	16,537	-
Gain on disposal of AFS financial assets	2,182	20,644
Gain on valuation of derivatives	69,683	131,177
Other	2,872	1,373
	<u>₩ 747,546</u>	<u>₩ 688,335</u>

- (2) Financial expenses for the years ended December 31, 2011 and 2010, respectively, consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Interest expenses	₩ 511,617	₩ 568,854
Loss on foreign exchange transaction	58,475	66,517
Loss on foreign currency translation	173,406	70,215
Loss on valuation of financial instruments at FVTPL	-	25,225
Loss on disposal of AFS financial assets	27	110
Impairment loss on AFS financial assets	-	3,700
Loss on valuation of derivatives	23,823	42,651
Other	12,318	19,884
	<u>₩ 779,666</u>	<u>₩ 797,156</u>

## 29. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2011 and 2010 consist of the following:

Description	2011	2010
	(In millions of Korean Won)	
Raw materials and merchandise used	₩ 43,996,939	₩ 37,218,054
Retirement benefits	372,733	351,238
Salaries and welfare expenses	6,287,058	5,351,199
Depreciation	1,596,081	1,540,296
Amortization	738,676	614,484

## 30. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing profit available to common shares by the weighted average number of common shares outstanding during the year. The Group does not compute diluted earnings per common share for the year ended December 31, 2011 and 2010, respectively, as there is no dilutive items during the periods.

Basic earnings per common share for the years ended December 31, 2011 and 2010, respectively, are computed as follows:

Description	2011	2010
	(In millions of Korean Won, except per share amounts)	
Profit attributable to owners of the parent	₩ 7,655,871	₩ 5,567,132
Expected dividends on preferred stock	(1,759,059)	(1,280,170)
Profit available to common share	5,896,812	4,286,962
Weighted average number of common shares outstanding (*)	209,104,580 shares	208,959,792 shares
Basic earnings per common share	₩ 28,200	₩ 20,516

(\*) Weighted average number of common shares outstanding includes the effects of treasury stock transactions.

## 31. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2011 and 2010, respectively, consists of the following:

Description	2011	2010
	(In millions of Korean Won)	
Income tax currently payable	₩ 1,687,332	₩ 1,340,389
Adjustments recognized in the current year in relation to the prior years	(16,380)	(24,838)
Temporary differences	1,304,792	506,048
Tax credits and deficits	(613,795)	(159,777)
Items directly charged to equity	54,352	(113,951)
Current tax directly charged to equity	(62,243)	(54,629)
Effect of foreign exchange differences	(11,811)	(2,870)
Income tax expense	₩ 2,342,247	₩ 1,490,372

(2) The changes in deferred tax assets (liabilities) in 2011 are as follows:

Description	Beginning of year	Changes	End of year
	(In millions of Korean Won)		
Accrued warranties	₩ 1,347,859	₩ 221,549	₩ 1,569,408
AFS financial assets	(230,441)	(22,797)	(253,238)
Subsidiaries, associates and joint ventures	(334,751)	(187,070)	(521,821)
Reserve for research and manpower development	(112,200)	(57,200)	(169,400)
Derivatives	(67,767)	(7,612)	(75,379)
Property, plant and equipment	(1,577,158)	(1,177,242)	(2,754,400)
Accrued income	(41,122)	(9,848)	(50,970)
Loss (gain) on foreign currency translation	52,986	(11,711)	41,275
Other	285,034	(52,861)	232,173
	(677,560)	(1,304,792)	(1,982,352)
Accumulated deficit and tax credit carryforward	352,833	613,795	966,628
	₩ (324,727)	₩ (690,997)	₩ (1,015,724)

The changes in deferred tax assets (liabilities) in 2010 are as follows:

Description	Beginning of year	Changes	End of year
	(In millions of Korean Won)		
Accrued warranties	₩ 1,174,956	₩ 172,903	₩ 1,347,859
AFS financial assets	(109,105)	(121,336)	(230,441)
Subsidiaries, associates and joint ventures	(194,135)	(140,616)	(334,751)
Reserve for research and manpower development	(73,673)	(38,527)	(112,200)
Derivatives	(198,409)	130,642	(67,767)
Property, plant and equipment	(1,156,176)	(420,982)	(1,577,158)
Accrued income	(71,808)	30,686	(41,122)
Loss (gain) on foreign currency translation	(2,632)	55,618	52,986
Other	459,470	(174,436)	285,034
	(171,512)	(506,048)	(677,560)
Accumulated deficit and tax credit carryforward	193,056	159,777	352,833
	₩ 21,544	₩ (346,271)	₩ (324,727)

(3) The components of items charged to equity as of December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Income tax charged or credited to:		
Gain on disposal of treasury stock	₩ (62,243)	₩ (54,629)
Deferred tax charged or credited to:		
Gain on valuation of AFS financial assets, net	(2,297)	(143,319)
Gain on valuation of derivatives, net	(10,392)	(12,357)
Actuarial loss on defined benefit obligations, net	67,041	41,725
	₩ 54,352	₩ (113,951)

(4) The temporary differences not recognized as deferred tax liabilities related to subsidiaries, associates and joint ventures are ₩3,946,606 million as of December 31, 2011.

### 32. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Paid in cash	₩ 6,190	₩ 7,641
Recognized liability	916	798
	₩ 7,106	₩ 8,439

- (2) Actuarial assumptions used by the Company and its subsidiaries, respectively, as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
Discount rate	4.21~8.00%	4.90~8.00%	5.60~8.00%
Expected return on plan assets	4.08~8.25%	4.20~8.25%	4.73~8.25%
Expected rate of salary increase	1.50~5.60%	1.50~5.50%	1.50~5.39%

- (3) Profit and losses in relation to defined benefit plans for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Current service cost	₩ 329,122	₩ 307,139
Interest expense	96,293	108,797
Expected return on plan assets	(59,788)	(73,137)
	₩ 365,627	₩ 342,799
Cost of sales (manufacturing cost)	195,882	202,027
Selling and administrative expenses	122,063	97,384
Other	47,682	43,388
	₩ 365,627	₩ 342,799

- (4) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Present value of defined benefit obligation	₩ 2,249,240	₩ 1,808,027	₩ 1,934,504
Fair value of plan assets	(1,600,601)	(1,318,430)	(1,406,898)
Defined benefit obligation	₩ 648,639	₩ 489,597	₩ 527,606

- (5) Changes in present value of the defined benefit obligation for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Beginning of the period	₩ 1,808,027	₩ 1,934,504
Current service cost	329,122	307,139
Interest expense	96,293	108,797
Actuarial loss	247,029	208,304
Transfer in (out)	9,976	4,413
Benefits paid	(259,737)	(745,188)
Effect of foreign exchange differences	3,932	(4,004)
Other	14,598	(5,938)
End of the period	₩ 2,249,240	₩ 1,808,027

- (6) Changes in fair value of the plan assets for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011	2010
	(In millions of Korean Won)	
Beginning of the period	₩ 1,318,430	₩ 1,406,898
Expected return on plan assets	59,788	73,137
Actuarial gain(loss)	4,146	(880)
Transfer in (out)	4,050	747
Contributions from plan participants	330,420	259,229
Benefits paid	(122,230)	(416,207)
Effect of foreign exchange differences	2,075	(2,308)
Other	3,922	(2,186)
End of the period	₩ 1,600,601	₩ 1,318,430

The actual returns on plan assets for the year ended December 31, 2011 and 2010, respectively, are ₩63,934 million and ₩72,257 million, respectively.

- (7) Fair value of the plan assets as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, consist of the following:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Insurance instruments	₩ 1,428,546	₩ 1,110,313	₩ 1,204,942
Equity instruments	-	84,025	71,770
Debt instruments	29,346	27,045	28,095
Other	142,709	97,047	102,091
	₩ 1,600,601	₩ 1,318,430	₩ 1,406,898

### 33. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the year ended December 31, 2011 and 2010 is as follows:

Description	2011	2010
	(In millions of Korean Won)	
Profit for the period	₩ 8,104,863	₩ 6,001,182
Addition of items not involving cash outflows:		
Payroll	214,622	93,094
Post-employment	365,627	342,799
Depreciation	1,596,081	1,540,296
Amortization of intangible assets	738,676	614,484
Income tax expense	2,342,247	1,490,372
Provision for warranties	1,169,889	1,075,913
Loss on foreign currency translation	368,068	152,615
Loss on disposal of property, plant and equipment	83,779	106,750
Impairment loss on property, plant and equipment	15	9,514
Impairment loss on intangible assets	79,204	103,052
Interest expense	511,617	568,854
Loss on valuation of financial instruments at FVTPL	-	25,225
Loss on disposal of financial instruments at FVTPL	27	110
Impairment loss on AFS financial assets	-	3,700
Loss on valuation of derivatives	23,823	42,651
Loss on valuation of equity-accounted investees	14	107,462
Loss on disposal of investments in associates	10,305	35,581
Cost of sales from financial services	3,216,120	2,698,760
Other	133,512	69,114
	10,853,626	9,080,346

Description	2011	2010
	(In millions of Korean Won)	
Deduction of items not involving cash inflows:		
Gain on foreign currency translation	₩ 270,517	₩ 254,836
Gain on disposal of property, plant and equipment	13,681	31,811
Interest income	475,628	376,917
Dividend income	17,584	12,322
Gain on valuation of financial instruments at FVTPL	16,537	-
Gain on disposal of financial instruments at FVTPL	2,182	20,644
Gain on valuation of derivatives	69,683	131,177
Gain on valuation of equity-accounted investees	2,272,619	1,824,926
Gain on disposal of investments in associates	141,453	-
Revenue from financial services	440,978	632,755
Other	214,724	126,454
	<u>(3,935,586)</u>	<u>(3,411,842)</u>
Changes in operating assets and liabilities		
Increase in trade notes and accounts receivable	(813,966)	(386,959)
Decrease in other receivables	235,836	6,368
Decrease in other financial assets	7,459	184,192
Increase in inventories	(961,690)	(291,570)
Decrease in other assets	56,187	222,572
Increase in trade notes and accounts payable	342,451	1,156,528
Increase in other payables	1,747,476	711,632
Increase in other liabilities	186,666	474,425
Decrease in other financial liabilities	(52,370)	(80,909)
Changes in retirement benefit obligation	(311,961)	(65,124)
Payment of severance benefits	(137,507)	(328,981)
Decrease in provisions	(850,904)	(635,107)
Changes in financial services receivables	(8,023,619)	(6,458,082)
Other	(20,148)	276,236
	<u>(8,596,090)</u>	<u>(5,214,779)</u>
Cash generated from operations	<u>₩ 6,426,813</u>	<u>₩ 6,454,907</u>

### 34. RISK MANAGEMENT:

#### (1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing its shareholders' profit and to reduce the cost of capital. Debt to equity ratio is calculated as total liabilities divided by equity and 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 December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Total liabilities	₩ 69,152,273	₩ 61,826,158	₩ 54,234,543
Total equity	40,327,702	32,887,973	27,145,513
Debt to equity ratio	171.5%	188.0%	199.8%

#### (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 its 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 with the prior period.

# 1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to 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 in which it makes transactions in. The Group is mainly exposed to USD, EUR and JPY risk.

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 date 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 against each foreign currency on income before income tax as of December 31, 2011, is as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (60,202)	₩ 60,202
EUR	(46,890)	46,890
JPY	(14,337)	14,337

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 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 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 December 31, 2011 is as follows;

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 4,808	₩ (4,808)
Borrowings and debentures	(54,206)	54,206

## c) Equity price risk

The Group is exposed to market price fluctuation risk arising from available-for-sale equity investments. As of December 31, 2011, the amount of available-for-sale equity investments measured at fair value is ₩1,640,853 million.

## 2) Credit risk

Credit risk refers to risk of financial losses to the Group if 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 is sensitive to economic fluctuations. The Group minimize its credit risk in 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 Group's maturity analysis of its non-derivative liabilities according to their remaining contract expiration as of December 31, 2011 is as follows:

Description	Remaining contractual undiscounted cash flows (*)			
	Less than		More than	
	1 year	1 ~ 5 years	5 years	Total
	(In millions of Korean Won)			
Non interest-bearing liabilities	₩ 11,522,107	₩ 139,068	₩ 148	₩ 11,661,323
Interest-bearing liabilities	17,765,375	26,661,468	2,978,621	47,405,464
Financial guarantee	197,244	72,522	100,446	370,212

Maturity analysis above is based on the book value and the earliest maturity date that payments, both principal and interest, should be made.

## (3) Derivative instrument

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

As of December 31, 2011, December 31, 2010 and January 1, 2010, the Group deferred net loss of ₩30,858 million, ₩33,749 million and ₩83,190 million respectively, as accumulated other comprehensive loss, due to its effective cash flow hedging instruments. The longest period in which the forecasted transactions are expected to occur is within 57 months as of December 31, 2011.

For the years ended December 31, 2011 and 2010, the Group recognized net gain of ₩171,847 million and net loss of ₩45,417 million in profit or loss(before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.



### 35. RELATED PARTY TRANSACTIONS:

- (1) Significant transactions for the years ended December 31, 2011 and 2010, respectively, between the Group and related parties or affiliates by Monopoly Regulation And Fair Trade Act of the Republic of Korea (“Act”) are as follows:

Description	2011		2010	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
(In millions of Korean Won)				
Related parties:				
Entity with significant influence over the Company	₩ 511,319	₩ 7,907,032	₩ 588,175	₩ 6,895,364
Joint ventures and associates	5,116,055	8,952,433	4,697,461	7,365,039
Other related parties	12,970	1,111,019	6,525	838,883
Affiliates by Act:	519,911	4,796,922	748,000	3,844,373

- (2) As of December 31, 2011 and December 31, 2010, respectively, significant balances related to the transactions between the Group and related parties or affiliates by Act are as follows:

Description	2011		2010	
	Receivables	Payables	Receivables	Payables
(In millions of Korean Won)				
Related parties:				
Entity with significant influence over the Company	₩ 146,745	₩ 1,238,695	₩ 142,409	₩ 1,038,884
Joint ventures and associates	923,052	1,282,713	992,629	1,310,784
Other related parties	7,504	329,323	7,714	219,727
Affiliates by Act:	76,273	866,699	204,251	395,143

- (3) Compensations for registered and unregistered directors for the years ended December 31, 2011 and 2010, respectively, are as follows:

Description	2011		2010	
	(In millions of Korean Won)			
Short-term salaries	₩	143,201	₩	116,092
Long-term salaries		550		446
Severance benefits		26,840		16,470
	₩	170,591	₩	133,008

### 36. COMMITMENTS AND CONTINGENCIES:

- (1) As of December 31, 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	₩	-	₩	111,870
Others		170,017		294,981
Customer financing and lease financing		70,166		-
	₩	240,183	₩	406,851

- (\*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2011.

- (2) As of December 31, 2011, though the Group is involved in the lawsuits as defendants, the Group is currently unable to estimate the outcome or the potential financial impact of such lawsuits. However, the Group expects that it will likely not have a material effect on its financial statements.

The Group obtains product liability insurance for potential losses which may result from product liabilities and other operations lawsuits.

- (3) As of December 31, 2011, the Group's property, plant and equipment are pledged as collateral for various loans up to ₩582,719 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 December 31, 2011, the Group's subsidiaries have been provided with payment guarantee from other companies as follows:

Subsidiaries	Provider	Amounts of guarantee	
	(KRW in millions, other currencies in thousands, respectively)		
Hyundai Rotem Company	Machinery Financial Cooperative	KRW	789,491
	Korea Defense Industry Association	KRW	181,938
	Seoul Guarantee Insurance Company	KRW	371,172
	Woori Bank	USD	45,684
	"	SGD	500
	Export-Import Bank of Korea	USD	341,403
	"	EUR	440,234
	"	SGD	6,409
	"	CNY	69,820
	"	OMR	6,203
	"	TND	2,000
	"	KRW	6
	Korea Exchange Bank	USD	8,408
	"	EUR	2,501
	"	INR	6,287
	"	KRW	3,463
	Standard Chartered, Seoul Branch	THB	686,000
	MARSH	USD	5,000
	BNP Paribas	USD	7,620
	ANZ Bank	NZD	61,382
	Shinhan Bank	USD	37,823
	SG Bank, Seoul Branch	EUR	927
	"	KRW	4,777
	Daesung Industrial Gases	KRW	51,356
	Hyundai Steel Company	KRW	1,748
Green Air Co., Ltd.	Seoul Guarantee Insurance Company	KRW	4,000
Hyundai Capital Services, Inc.	Seoul Guarantee Insurance Company	KRW	186,062
	Hyundai WIA Corporation	KRW	1,674
Hyundai Card Co., Ltd.	Seoul Guarantee Insurance Company	KRW	4,916
Hyundai Carnes Co., Ltd.	Korea Exchange Bank	KRW	1,000
	"	USD	300
HAOS	Other	USD	98,643
HMCI	"	EUR	36,979

- (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
Citi Bank, N.A.	USD 200 million
The Bank Of Tokyo Mitsubishi UFJ., Ltd	USD 200 million
Mizuho Corporate Bank, Seoul Branch	KRW 65,000 million
JP Morgan, Seoul Branch	KRW 80,000 million
Citi bank, Seoul	KRW 50,000 million
Standard Chartered, Seoul Branch	KRW 50,000 million
SG Bank, Seoul Branch	KRW 55,000 million
Bank of China, Seoul	KRW 30,000 million
DBS Bank, Seoul	KRW 50,000 million
Credit Agricole, Seoul	KRW 26,000 million
RBS, Seoul	KRW 110,000 million
ING Bank, Seoul	KRW 100,000 million
Korea Development Bank	KRW 30,000 million
Kyobo Life Insurance Co., Ltd.	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 160,000 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 method 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. On 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, train manufacturing and other activities which cannot be classified as Vehicle or Finance segment.

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

For the year ended December 31, 2011					
	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)				
Sales	₩ 94,381,955	₩ 7,401,809	₩ 3,895,091	₩ (27,880,960)	₩ 77,797,895
Operating income	6,813,767	1,208,389	192,249	(138,928)	8,075,477

For the year ended December 31, 2010					
	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)				
Sales	₩ 76,496,318	₩ 6,636,143	₩ 3,597,184	₩ (19,744,374)	₩ 66,985,271
Operating income	4,653,565	1,105,276	141,730	17,921	5,918,492

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

As of December 31, 2011					
	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)				
<u>ASSETS</u>					
Current assets	₩ 30,935,099	₩ 24,213,927	₩ 2,295,599	₩ (8,518,275)	₩ 48,926,350
Non-current assets	<u>40,379,461</u>	<u>24,325,148</u>	<u>2,145,740</u>	<u>(6,296,724)</u>	<u>60,553,625</u>
Total assets	<u>₩ 71,314,560</u>	<u>₩ 48,539,075</u>	<u>₩ 4,441,339</u>	<u>₩ (14,814,999)</u>	<u>₩ 109,479,975</u>

<u>LIABILITIES</u>					
Current liabilities	₩ 22,797,925	₩ 16,728,352	₩ 1,720,091	₩ (8,082,860)	₩ 33,163,508
Borrowings and debentures	4,005,841	12,819,762	594,797	(1,220,192)	16,200,208
Other	18,792,084	3,908,590	1,125,294	(6,862,668)	16,963,300
Non-current liabilities	8,411,987	25,747,924	1,293,890	534,964	35,988,765
Borrowings and debentures	2,324,745	23,863,808	949,899	-	27,138,452
Other	<u>6,087,242</u>	<u>1,884,116</u>	<u>343,991</u>	<u>534,964</u>	<u>8,850,313</u>
Total liabilities	<u>₩ 31,209,912</u>	<u>₩ 42,476,276</u>	<u>₩ 3,013,981</u>	<u>₩ (7,547,896)</u>	<u>₩ 69,152,273</u>

As of December 31, 2010					
	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)				
<u>ASSETS</u>					
Current assets	₩ 25,761,342	₩ 21,227,745	₩ 2,049,880	₩ (5,518,813)	₩ 43,520,154
Non-current assets	<u>36,798,877</u>	<u>19,611,520</u>	<u>2,181,870</u>	<u>(7,398,290)</u>	<u>51,193,977</u>
Total assets	<u>₩ 62,560,219</u>	<u>₩ 40,839,265</u>	<u>₩ 4,231,750</u>	<u>₩ (12,917,103)</u>	<u>₩ 94,714,131</u>

<u>LIABILITIES</u>					
Current liabilities	₩ 20,172,503	₩ 14,540,732	₩ 1,945,354	₩ (5,213,103)	₩ 31,445,486
Borrowings and debentures	3,657,242	11,732,707	875,356	(406,132)	15,859,173
Other	16,515,261	2,808,025	1,069,998	(4,806,971)	15,586,313
Non-current liabilities	7,823,253	21,206,728	968,913	381,778	30,380,672
Borrowings and debentures	2,487,002	19,558,651	691,422	-	22,737,075
Other	<u>5,336,251</u>	<u>1,648,077</u>	<u>277,491</u>	<u>381,778</u>	<u>7,643,597</u>
Total liabilities	<u>₩ 27,995,756</u>	<u>₩ 35,747,460</u>	<u>₩ 2,914,267</u>	<u>₩ (4,831,325)</u>	<u>₩ 61,826,158</u>

As of January 1, 2010					
	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
<u>ASSETS</u>	(In millions of Korean Won)				
Current assets	₩ 22,552,488	₩ 18,674,340	₩ 2,290,087	₩ (4,435,239)	₩ 39,081,676
Non-current assets	<u>34,235,160</u>	<u>14,354,327</u>	<u>2,072,981</u>	<u>(8,364,088)</u>	<u>42,298,380</u>
Total assets	<u>₩ 56,787,648</u>	<u>₩ 33,028,667</u>	<u>₩ 4,363,068</u>	<u>₩ (12,799,327)</u>	<u>₩ 81,380,056</u>
<u>LIABILITIES</u>					
Current liabilities	₩ 19,408,068	₩ 12,049,205	₩ 2,059,287	₩ (4,128,817)	₩ 29,387,743
Borrowings and debentures	4,384,820	10,035,278	790,821	(3,421)	15,207,498
Other	15,023,248	2,013,927	1,268,466	(4,125,396)	14,180,245
Non-current liabilities	7,435,420	16,087,221	1,046,702	277,457	24,846,800
Borrowings and debentures	2,735,290	14,891,724	813,527	-	18,440,541
Other	<u>4,700,130</u>	<u>1,195,497</u>	<u>233,175</u>	<u>277,457</u>	<u>6,406,259</u>
Total liabilities	<u>₩ 26,843,488</u>	<u>₩ 28,136,426</u>	<u>₩ 3,105,989</u>	<u>₩ (3,851,360)</u>	<u>₩ 54,234,543</u>

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

For the year ended December 31, 2011							
	<u>Korea</u>	<u>North America</u>	<u>Asia</u>	<u>Europe</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)						
Sales	₩ 51,565,160	₩ 26,029,355	₩ 7,387,760	₩ 20,696,366	₩ -	₩ (27,880,746)	₩ 77,797,895
Operating income	5,922,173	1,407,667	356,798	574,888	(47,121)	(138,928)	8,075,477
For the year ended December 31, 2010							
	<u>Korea</u>	<u>North America</u>	<u>Asia</u>	<u>Europe</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	(In millions of Korean Won)						
Sales	₩ 45,353,931	₩ 21,409,802	₩ 6,915,702	₩ 13,050,210	₩ -	₩ (19,744,374)	₩ 66,985,271
Operating income	4,641,967	753,498	363,558	149,834	(8,286)	17,921	5,918,492

(5) Non-current assets by region where the Group's entities are located in as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
	(In millions of Korean Won)		
Korea	₩ 17,143,139	₩ 16,535,745	₩ 16,262,690
North America	1,724,270	1,601,862	1,613,767
Asia	1,111,898	1,228,577	1,267,185
Europe	2,175,648	2,041,919	2,018,164
Other	<u>365,926</u>	<u>16,806</u>	<u>-</u>
	22,520,881	21,424,909	21,161,806
Consolidation adjustments	<u>(30,297)</u>	<u>7,984</u>	<u>13,533</u>
Total (*)	<u>₩ 22,490,584</u>	<u>₩ 21,432,893</u>	<u>₩ 21,175,339</u>

(\*) 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 year ended December 31, 2011 and 2010, respectively.

### 38. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction from construction in progress as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows

Description	December 31, 2011	December 31, 2010	January 1, 2010
	(In millions of Korean Won)		
Accumulated accrual cost	₩ 7,356,916	₩ 4,926,393	₩ 5,152,005
Accumulated income	1,286,987	865,687	853,449
Accumulated loss	(164,938)	(9,025)	(40,043)
Accumulated construction in process	8,478,965	5,783,055	5,965,411
Progress billing	8,184,569	5,404,605	5,826,986
Due from customers	762,263	751,016	711,252
Due to customers	467,867	372,566	572,827

### 39. TRANSITION TO K-IFRS:

(1) Optional exemptions from retrospective application of 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 have been 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 land at fair value and uses fair value as deemed cost at the transition date. 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 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, 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 previous GAAP, no related accounting treatment existed. 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 fair value of the consideration received or receivable from the sales transaction should be allocated between the award credits as a separately identifiable component and the other components and the recognition of revenue should be deferred, 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) Allowance for bad debt

Under previous GAAP, allowances for financial services receivables including loans receivable, installment financial assets and lease receivables are calculated based on the long-term average expected loss. In case the allowance calculated based on the expected loss is smaller than the allowance calculated in accordance to the guidelines provided in the Act on the Specialized Credit Financial Business, the Group recognizes an allowance in accordance to the guidelines provided in the Act on the Specialized Credit Financial Business. Under K-IFRS, impairment losses are recognized where there is evidence that impairment occurred. Allowance for financial receivables is measured individually for assets that are individually significant and on a collective basis for portfolios with similar risk characteristics.

9) 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.

10) 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 others, 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 year ended December 31, 2010, are summarized as follows:

Description	2010
	(In millions of Korean Won)
K-IFRS	₩ 5,918,492
Adjustments:	
Other operating income	(1,129,488)
Other operating expenses	1,095,454
Previous GAAP (*)	₩ 5,884,458

(\*) 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 consolidated subsidiaries

Changes	Description	Name of entity
Included under K-IFRS	Under previous GAAP, these entities were excluded in the consolidation since individual beginning balance of total assets is less than 10,000 million won, but they are included in the consolidated subsidiaries under K-IFRS.	Hyundai NGV Tech Co., Ltd., Jeonbuk Hyundai Motors FC 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 xinhuaixiaqiuyetong Motor Chain Co., Ltd.
	Under previous GAAP, the entity was excluded in the consolidation due to the liquidation plan, but it is included in the consolidated subsidiaries under K-IFRS.	Hyundai Motor Hungary
	Under previous GAAP, these entities are excluded in the consolidation since the Group deemed not to have control over these companies due to the passively designated scope of operation by the related law or the article of association. However, under K-IFRS, the Group is considered to have control over the entities and are included in the consolidated subsidiaries.	Autopia Thirty-Fifth Asset Securitization Specialty Company, etc.
Excluded under K-IFRS	Under previous GAAP, entities which the Group owns more than a 30% shares and is the largest shareholder, were included in the consolidation. Under K-IFRS, they are excluded in the consolidation as the Group's voting power right is less than 50% and the Group does not have control of the entities.	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 the 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:						
Changes 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
		(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:					
Changes 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)	(137,148)
	(23,363,687)	(19,516,059)	(3,847,628)	(1,981,742)	(2,259,464)
K-IFRS	₩ 94,714,131	₩ 61,826,158	₩ 32,887,973	₩ 6,001,182	₩ 6,223,342

(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.

**40. EVENTS AFTER THE REPORTING PERIOD:**

As of January 3, 2012, the Company has acquired 100% shares of sales companies in France and the additional shares of HMDG, to have 100% ownership.

**41. APPROVAL OF FINANCIAL STATEMENTS:**

The consolidated financial statements for the year ended December 31, 2011 were approved by the Board of Directors on January 26, 2012.