HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
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 (the "Company") and its subsidiaries. The financial statements consist of the consolidated statements of financial position as of December 31, 2012 and 2011, 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 then ended, respectively. The Company'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 42.3% and 43.5% of the consolidated total assets as of December 31, 2012 and 2011, respectively, and 49.9% and 44.4% of the consolidated total sales for the years then ended, 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 Company and its subsidiaries as of December 31, 2012 and 2011, respectively, and the results of its operations and its cash flows for the years then ended, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Deloitte Anjin LLC

March 7, 2013

Notice to Readers

This report is effective as of March 7, 2013, 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, 2012 AND 2011

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

Kim, Choong Ho
CEO, HYUNDAI MOTOR COMPANY

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

ASSETS	NOTES	December 31, 2012	December 31, 2011
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	19	₩ 6,759,338	₩ 6,231,946
Short-term financial instruments	19	12,384,057	9,182,575
Trade notes and accounts receivable	3,19	3,686,824	3,845,517
Other receivables	4,19	2,304,410	2,240,482
Other financial assets	5,19	109,299	356,444
Inventories	6	6,772,864	6,237,752
Other assets	7,19	1,905,445	1,137,862
Current tax assets		34,575	36,084
Financial services receivables	13,19	20,867,467	19,657,688
Non-current assets held for sale	8	23,307	-
Total current assets		54,847,586	48,926,350
Non-current assets:			
Long-term financial instruments	19	1,359	211,540
Long-term trade notes and accounts receivable	3,19	43,801	76,843
Other receivables	4,19	1,036,609	987,207
Other financial assets	5,19	1,594,464	1,897,943
Other assets	7,19	44,424	1,288
Property, plant and equipment	9	20,739,858	19,548,048
Investment property	10	282,832	282,427
Intangible assets	11	2,883,218	2,660,109
Investments in joint ventures and associates	12	13,117,731	11,709,238
Deferred tax assets	32	489,080	458,287
Financial services receivables	13,19	18,626,764	17,452,441
Operating lease assets	14	7,830,088	5,268,254
Total non-current assets		66,690,228	60,553,625
Total assets		₩ 121,537,814	₩ 109,479,975

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2012 AND 2011

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	December 31, 2012	December 31, 2011
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,841,326	₩ 6,666,406
Other payables	19	4,542,007	3,752,684
Short-term borrowings	15,19	6,781,749	7,880,014
Current portion of long-term debt and debentures	15,19	7,912,341	8,320,194
Income tax payable		550,847	925,519
Provisions	16	1,768,014	1,686,161
Other financial liabilities	17,19	148,311	455,914
Other liabilities	18,19	4,291,104	3,476,616
Total current liabilities		32,835,699	33,163,508
Non-current liabilities:			
Long-term other payables	19	8,271	29,471
Debentures	15,19	26,370,689	23,654,325
Long-term debt	15,19	4,142,473	3,484,127
Defined benefit obligations	33	821,749	648,639
Provisions	16	5,240,744	4,960,992
Other financial liabilities	17,19	356,193	200,197
Other liabilities	18,19	1,482,358	1,537,003
Deferred tax liabilities	32	2,362,063	1,474,011
Total non-current liabilities		40,784,540	35,988,765
Total liabilities		73,620,239	69,152,273
Shareholders' equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,158,988	4,114,010
Other capital items	22	(1,128,779)	(1,128,779)
Accumulated other comprehensive income	23	(473,373)	375,281
Retained earnings	24	39,993,230	32,263,528
Equity attributable to the owners of the Parent Company		44,039,059	37,113,033
Non-controlling interests		3,878,516	3,214,669
Total shareholders' equity		47,917,575	40,327,702
Total liabilities and shareholders' equity		₩ 121,537,814	₩ 109,479,975

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	NOTES	2012		2011	
		(In millions of Korean Won, except per share amounts)			
Sales	25,38	₩	84,469,721	₩	77,797,895
Cost of sales	30		64,972,145		58,902,023
Gross profit			19,497,576		18,895,872
Selling and administrative expenses	26,30		11,060,629		10,867,043
Operating income			8,436,947		8,028,829
Gain on investments in joint ventures and associates, net	27		2,579,906		2,403,753
Finance income	28		969,726		747,546
Finance expenses	28		624,473		779,666
Other income	29		1,231,360		1,030,593
Other expenses	29, 30		988,336		983,945
Income before income tax			11,605,130		10,447,110
Income tax expense	32		2,548,853		2,342,247
Profit for the year		₩	9,056,277	₩	8,104,863
Profit attributable to:					
Owners of the Parent Company			8,561,825		7,655,871
Non-controlling interests			494,452		448,992
Earnings per share attributable to the owners of the Parent Company:	31				
Basic earnings per common share		₩	31,515	₩	28,200
Diluted earnings per common share		₩	31,515	₩	28,200

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
	(In millions of Korean Won)	
Profit for the year	₩ 9,056,277	₩ 8,104,863
Other comprehensive income (expenses):		
Loss on valuation of available-for-sale financial assets, net	(80,693)	(91,860)
Gain on valuation of cash flow hedge derivatives, net	55,471	4,004
Changes in valuation of equity-accounted investees, net	(293,487)	158,977
Actuarial loss on defined benefit obligations, net	(247,197)	(175,500)
Loss on foreign operations translation, net	(636,824)	(147,280)
Total other comprehensive expenses	(1,202,730)	(251,659)
Total comprehensive income	₩ 7,853,547	₩ 7,853,204
Comprehensive income attributable to:		
Owners of the Parent Company	7,378,454	7,415,551
Non-controlling interests	475,093	437,653
Total comprehensive income	₩ 7,853,547	₩ 7,853,204

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In millions of Korean Won)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
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 year	-	-	-	-	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 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

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	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, 2012	₩ 1,488,993	₩ 4,114,010	₩ (1,128,779)	₩ 375,281	₩ 32,263,528	₩ 37,113,033	₩ 3,214,669	₩ 40,327,702
Comprehensive income:								
Profit for the year	-	-	-	-	8,561,825	8,561,825	494,452	9,056,277
Gain (Loss) on valuation of available-for-sale financial assets, net	-	-	-	(81,330)	-	(81,330)	637	(80,693)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	29,746	-	29,746	25,725	55,471
Changes in valuation of equity-accounted investees, net	-	-	-	(189,602)	(102,759)	(292,361)	(1,126)	(293,487)
Actuarial loss on defined benefit obligations, net	-	-	-	-	(231,958)	(231,958)	(15,239)	(247,197)
Loss on foreign operations translation, net	-	-	-	(607,468)	-	(607,468)	(29,356)	(636,824)
Total comprehensive income	-	-	-	(848,654)	8,227,108	7,378,454	475,093	7,853,547
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(480,105)	(480,105)	(43,262)	(523,367)
Increase in subsidiaries' stock	-	42,866	-	-	-	42,866	232,050	274,916
Disposal of subsidiaries' stock	-	2,112	-	-	-	2,112	(10)	2,102
Other	-	-	-	-	(17,301)	(17,301)	(24)	(17,325)
Total transactions with owners, recorded directly in equity	-	44,978	-	-	(497,406)	(452,428)	188,754	(263,674)
Balance at December 31, 2012	₩ 1,488,993	₩ 4,158,988	₩ (1,128,779)	₩ (473,373)	₩ 39,993,230	₩ 44,039,059	₩ 3,878,516	₩ 47,917,575

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	NOTES	2012	2011
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the year		₩ 9,056,277	₩ 8,104,863
Adjustments		7,123,391	6,918,040
Changes in operating assets and liabilities		(8,311,579)	(8,596,090)
		7,868,089	6,426,813
Interest received		617,736	550,026
Interest paid		(1,660,401)	(1,722,736)
Dividend received		744,132	605,273
Income tax paid		(2,229,870)	(1,727,257)
Net cash provided by operating activities		5,339,686	4,132,119
Cash flows from investing activities:			
Purchase of short-term financial instruments, net		(1,900,099)	(337,862)
Proceeds from disposal of other financial assets		448,109	764,699
Proceeds from disposal of other receivables		93,261	412,462
Proceeds from withdrawal of long-term financial instruments		-	5
Proceeds from disposal of property, plant and equipment		69,230	108,727
Proceeds from disposal of intangible assets		1,935	11,047
Proceeds from disposal of investments in joint ventures and associates		241,806	355,584
Acquisition of other financial assets		(539,551)	(764,965)
Acquisition of other receivables		(97,098)	(394,144)
Purchase of long-term financial instruments		(1,160,000)	(500,000)
Acquisition of property, plant and equipment		(3,000,038)	(2,899,177)
Acquisition of intangible assets		(798,607)	(763,234)
Acquisition of investments in subsidiaries		(290,989)	-
Acquisition of investments in joint ventures and associates		(275,104)	(3,105,180)
Other cash receipts (payments) from investing activities, net		8,012	(4,057)
Net cash used in investing activities		(7,199,133)	(7,116,095)

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	NOTES	2012	2011
		(In millions of Korean Won)	
Cash flows from financing activities:			
Repayment of short-term borrowings, net		₩ (1,363,213)	₩ (1,084,499)
Proceeds from long-term debt and debentures		23,448,538	15,501,739
Paid in capital increase in subsidiaries		277,476	10,618
Repayment of long-term debt and debentures		(18,890,467)	(10,436,527)
Repayment of other financial liabilities		(341,484)	-
Purchase of treasury stock		-	(400,137)
Dividends paid		(523,367)	(457,650)
Other cash payments from financing activities, net		(34,652)	(24,740)
Net cash provided by financing activities		2,572,831	3,108,804
Effect of exchange rate changes on cash and cash equivalents		(185,992)	(108,697)
Net increase in cash and cash equivalents		527,392	16,131
Cash and cash equivalents, beginning of the year		6,231,946	6,215,815
Cash and cash equivalents, end of the year		₩ 6,759,338	₩ 6,231,946

See accompanying notes to consolidated financial statements.

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, 2012, 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, 2012 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%	
Hyundai KEFICO Corporation	″	″	100.00%	
Green Air Co., Ltd.	″	″	51.00%	Hyundai Rotem 51.00%
Hyundai Autron Co., Ltd. (Formerly, Hyundai Carnes Co., Ltd.)	R&D	″	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	″	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	″	53.66%	
Maintrans Co., Ltd.	Services	″	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	″	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	″	85.00%	HMA 85.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	″	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	″	″	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	″	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%	
Rotem USA Corporation	Manufacturing	″	100.00%	Hyundai Rotem 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%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	″	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	″	100.00%	Hyundai Capital Services 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%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	″	″	100.00%	BJMSS 100.00%
Beijing Xinhuaxiaqiyuetong Motor Chain Co., Ltd.	″	″	100.00%	BJMSS 100.00%
Beijing Hines Millennium Real Estate Development	Real estate development	″	99.00%	CMEs 99.00%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	China	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	〃	〃	100.00%	Hyundai KEFICO 100.00%
KEFICO VIETNAM COMPANY LIMITED	〃	Vietnam	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 Motor Czech s.r.o (HMCZ)	Sales	〃	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	〃	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	〃	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	〃	100.00%	HME 100%
Hyundai Capital Europe GmbH	Financing	〃	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	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 Capital Services Limited Liability Company	Financing	〃	100.00%	Hyundai Capital Europe 100.00%
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	89.29%	
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S	〃	〃	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	〃	Italy	100.00%	
Hyundai Motor Espana. S.L (HMES)	〃	Spain	100.00%	
Hyundai Motor France SAS (HMF)	〃	France	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	〃	Poland	100.00%	
Hyundai Motor Norway AS (HMN)	〃	Norway	100.00%	
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	Mexico	99.99%	HT 99.99%
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
Autopia Thirty-Fifth ~ Thirty-Seventh Asset Securitization Specialty Company (*)	Financing	Korea	0.90%	Hyundai Capital Services 0.90%
Autopia Thirty-Ninth ~ Fortieth Asset Securitization Specialty Company (*)	〃	〃	0.90%	〃
Autopia Forty-Second ~ Forty-Seventh Asset Securitization Specialty Company (*)	〃	〃	0.90%	〃
Autopia Forty-Ninth Asset Securitization Specialty Company (*)	〃	〃	0.90%	〃
HB the Third Securitization Specialty Company (*)	〃	〃	0.90%	〃
Privia the Second ~ Third Securitization Specialty Co., Ltd. (*)	〃	〃	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	〃	USA	100.00%	HCA 100.00%
Hyundai CHA Funding Corporation	〃	〃	100.00%	〃

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Lease Titling Trust	Financing	USA	100.00%	HCA 100.00%
Hyundai HK Funding, LLC	″	″	100.00%	″
Hyundai HK Funding One, LLC	″	″	100.00%	″
Hyundai HK Funding Two, LLC	″	″	100.00%	″
Hyundai Auto Lease Funding, LLC	″	″	100.00%	″
Hyundai ABS Funding Corporation	″	″	100.00%	″
Hyundai Capital Insurance Services, LLC	″	″	100.00%	″
HK Real Properties, LLC	″	″	100.00%	″
Hyundai Auto Lease Offering, LLC	″	″	100.00%	″
Hyundai HK Lease, LLC	″	″	100.00%	″
Hyundai Protection Plan, Inc.	Insurance	″	100.00%	″
Hyundai Protection Plan Florida, Inc.	″	″	100.00%	″
Hyundai Capital Insurance Company	″	″	100.00%	″

(*) 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, 2012 is as follows:

Name of subsidiaries	Assets	Liabilities	Sales(*2)	Net income(*2)
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*1)	₩ 21,907,264	₩ 18,867,513	₩ 3,541,681	₩ 432,014
Hyundai Card Co., Ltd. (*1)	11,252,264	9,059,973	2,525,635	191,329
Hyundai Rotem Company (*1)	3,670,360	2,487,134	3,116,629	99,384
Hyundai KEFICO Corporation (*1)	946,741	631,845	1,524,399	71,950
HCA (*1)	20,262,576	18,485,874	2,817,208	256,454
HMA	6,062,965	3,478,837	17,106,517	469,676
HMMC	2,743,127	1,548,297	5,310,664	399,834
HMMA	2,640,184	1,186,305	6,992,135	420,798
HMI (*1)	2,233,585	1,253,787	5,096,544	226,660
HMCIS	876,788	601,754	3,900,218	219,958
HAC (*1)	895,104	468,638	3,426,476	87,167
HMCA	742,880	590,751	2,325,213	28,334
HAOSVT	767,940	528,930	1,575,678	21,331
HMUK	422,809	378,326	1,290,656	7,418

(*1) Based on the subsidiary's consolidated financial statements.
(*2) Accumulated amounts for the year ended December 31, 2012.

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)
		(In millions of Korean Won)		
Hyundai Capital Services, Inc. (*)	₩ 21,918,910	₩ 19,262,421	₩ 3,331,479	₩ 507,404
Hyundai Card Co., Ltd. (*)	10,851,934	8,855,251	2,408,325	238,648
Hyundai Rotem Company (*)	3,585,340	2,480,259	2,769,856	68,474
HCA (*)	15,788,141	14,368,216	1,481,226	145,639
HMA	5,712,084	3,006,242	14,229,624	494,472
HMMC	2,490,710	1,642,716	4,350,894	207,294
HMMA	2,555,982	1,248,197	6,199,652	314,284
HMI (*)	2,262,319	1,278,787	5,051,549	181,956
HMCIS	1,016,579	954,235	3,373,468	126,317
HAC (*)	790,649	430,263	3,122,086	64,913
HMCA	765,249	551,751	2,197,141	55,811
HAOSVT	672,550	552,360	1,477,433	(18,194)
HMUK	521,556	483,267	955,774	6,189

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

(3) The financial statements of all subsidiaries, which are used in the preparation of the consolidated financial statements, are prepared for the same reporting periods as the Company's.

(4) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the year ended December 31, 2012 are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Motor Deutschland GmbH	Acquisition
	Hyundai Motor France SAS	
	Hyundai Automobiles Services SAS (HAS)	
	Hyundai Accessories & Parts SARL (HAAP)	
	GE Capital Korea, Ltd.	
	Hyundai Protection Plan, Inc.	
	Privia the Third Securitization Specialty Co., Ltd.	
	Hyundai Protection Plan Florida, Inc.	
	Hyundai Capital Insurance Company	
	Hyundai Capital India Private Limited (HCI)	
	Hyundai Motor Sport GmbH (HMSG)	
	Autopia Forty-Ninth Asset Securitization Specialty Company	
	HB the Third Securitization Specialty Company	
	Hyundai KEFICO Corporation	Capital reduction
	KEFICO Automotive Systems (Beijing) Co., Ltd.	
	KEFICO VIETNAM COMPANY LIMITED	
Excluded	Hyundai Automobiles Services SAS	Merger
	Hyundai Accessories & Parts SARL	
	GE Capital Korea, Ltd.	
	Privia the First Securitization Specialty Co., Ltd.	Dissolution

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean Won and prepares its consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from Korean language consolidated financial statements. Certain information included in Korean language consolidated financial statements, but not required for a fair presentation of the Group's consolidated statements of financial position, income, 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 has prepared the consolidated financial statements in accordance with K-IFRS for the annual periods beginning on January 1, 2011.

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements for the year ended December 31, 2011, except for the adoption effect of K-IFRS 1107 and K-IFRS 1001.

1) New standards that have been applied from the year beginning on January 1, 2012 are as follows:

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

The Group discloses the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Group is exposed, the carrying amounts of the transferred assets and the associated liabilities and other requirements for each class of transferred financial assets that are not derecognized in their entirety in accordance with the amendment to K-IFRS 1107.

- K-IFRS 1001(Amendment): 'Presentation of Financial Statements'

The Group changed the presentation of the operating income by deducting cost of sales and selling and administrative expenses from sales in accordance with the amendment to K-IFRS 1001. The Group was required to apply the impact of the amendment retrospectively, and hence the consolidated statement of income for the year ended December 31, 2011 is restated accordingly.

2) New standards that have been issued but are not yet effective for the year beginning on January 1, 2012 and that have not been applied earlier by the Group are as follows:

- K-IFRS 1001(Amendment): 'Presentation of Financial Statements'

The amendments to K-IFRS 1001 require that other comprehensive income shall be presented and classified by "items not to be reclassified subsequently to profit or loss" and "items to be reclassified subsequently to profit or loss". The amendments to K-IFRS 1001 are effective for annual periods beginning on or after July 1, 2012.

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

The amendments to K-IFRS 1019 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. Interest income on plan assets is calculated using the rate used to discount the defined benefit obligation. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013.

- K-IFRS 1032(Amendment): 'Financial Instruments: Presentation'

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. The Group's right of set-off must not be contingent upon any future events but enforceable anytime during the contract period in all of the circumstances; in the event of default, insolvency or bankruptcy of the entity or the counterparties as well as in the ordinary course of business. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014.

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

The amendments to K-IFRS 1107 require disclosures about offsetting financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013.

- K-IFRS 1110(Enactment): 'Consolidated Financial Statements'

K-IFRS 1110 provides a single basis to determine control with three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. K-IFRS 1110 is effective for annual periods beginning on or after January 1, 2013.

- K-IFRS 1111(Enactment): 'Joint Arrangements'

K-IFRS 1111 classifies joint arrangements of which two or more parties have joint control into two types, joint operations and joint ventures depending on the rights and obligations of the parties to the arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Group is a joint ventures, the Group is to account for that investment using the equity method accounting. K-IFRS 1111 is effective for annual periods beginning on or after January 1, 2013.

- K-IFRS 1112(Enactment): 'Disclosure of Interests in Other Entities'

K-IFRS 1112 is the standard which requires disclosures of entities that have an interest in a subsidiary, an associate, a joint arrangement or an unconsolidated structured entity. K-IFRS 1112 is effective for annual periods beginning on or after January 1, 2013.

- K-IFRS 1113(Enactment): '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.

The Group does not anticipate that the standards referred above will have any significant effect on the Group's consolidated financial statements and accompanying notes.

3) Presentation of consolidated financial statements

The Group changed the presentation of operating income in accordance with the amendments to K-IFRS 1001 and restated its accompanying consolidated statement of income for the year ended December 31, 2011 to provide comparative information for the presentation and disclosure. As a result of the change in accounting policies, other income of ₩1,231,360 million and other expenses of ₩988,336 million for the year ended December 31, 2012 and other income of ₩1,030,593 million and other expenses of ₩983,945 million for the year ended December 31, 2011, which included in the operating income according to the standard before amendments, excluded from the operating income. The operating income for the years ended December 31, 2012 and 2011 decreased by ₩243,024 million and ₩46,648 million, respectively. In addition, certain cash flows arising from investing and financing activities are presented on a net basis in accordance with K-IFRS 1007. The accompanying consolidated statement of cash flows for the year ended December 31, 2011was restated to provide comparative information.

Such changes in presentation of consolidated financial statements have no effect on the net assets as of December 31, 2012 and 2011, profits and cash flows for the years then ended.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except otherwise stated in the accounting policies below. Historical cost is usually measured at the fair value of the consideration given to acquire the assets.

(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 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

Where 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 end of reporting period.

The percentage of completion of a contract activity is reliably measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, by surveys of work performed or by 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. Where 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. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

(6) Foreign currency translation

The individual financial statements of each entity in the Group are measured and 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 occurring in currencies other than their functional currency (foreign currencies) are recorded 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.

Foreign exchange gains or losses are 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 ("HTM") financial assets, 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) HTM financial assets

HTM financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. HTM financial assets 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 short-term receivables for which the discount effect is not material.

4) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM financial assets nor financial assets at FVTPL. AFS 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 is 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 profit 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 are carried at cost because their 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 investments in equity instruments classified as AFS are not 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 the identified cost method.

(11) Investments in associates

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

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

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

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

(12) Interests in joint ventures

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

(13) Property, plant and equipment

Property, plant and equipment is to be recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset to the company can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in case the recognition criteria are met, the subsequent costs will be added to the carrying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

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

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

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

(14) Investment property

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

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

Land is not depreciated, and 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 is not amortized but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash generating units ("CGU") of the Group expected to have synergy effect from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment. If recoverable amount of a 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 for 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.

3) Intangible assets acquired separately

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

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

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

Club membership 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 are not amortized but tested for impairment at least annually.

(17) Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria is considered to be met only if the asset (or disposal group) is available for immediate sale in its present condition and its sale is highly probable. The management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal group) as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(18) 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 liabilities 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.

(19) 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.

(20) 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 the fair value of plan assets and an 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.

(21) 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, the Group recognizes provisions 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.

(22) 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 income before income tax as reported in the consolidated statements of 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 consolidated 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 reverse 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.

(23) 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.

(24) 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 and the definitions of financial liability and equity instrument.

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 instruments issued by the Group are recognized at issuance amount net of direct issuance costs.

2) Financial guarantee liabilities

A financial guarantee contract is a contract that requires 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.

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.

(25) 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. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event 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 the forecast transaction results in the recognition of a non-financial asset or liability, 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 accounting 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.

(26) 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 continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The main accounting estimates and assumptions related to the significant risks that may make significant changes to the carrying amounts of assets and liabilities after the reporting period are as follows:

1) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

2) Warranty provision

The Group recognizes provisions for the warranties of its products as described in Note 2.(21). The amounts are recognized based on the best estimate of amounts necessary to settle the present and future warranty obligation.

3) Post-employment benefit obligations

The Group operates defined retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, expected rate of return on plan assets and expected rate of salary increase. The estimation of post-employment benefit obligation includes significant uncertainties due to its long-term characteristic and assumptions used. The characteristic of post-employment benefit plan which serves for the long term period causes significant uncertainties when the post-employment benefit obligation is estimated.

4) Taxation

The Group recognizes current tax and deferred tax based on the best estimates of income tax effect to be charged in the future as the result of operating activities until the end of the reporting period. However, actual final income tax to be charged in the future may differ from the relevant assets and liabilities recognized at the end of the reporting period and the difference may affect income tax charged or credited, or deferred tax assets and liabilities in the period in which the final income tax determined.

5) Fair value of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The Group makes judgements on the choice of various valuation methods and assumptions based on the condition of the principal market at the end of the reporting period.

6) Measurement and useful lives of property, plant, equipment or intangible assets

If the Group acquires property, plant, equipment or intangible assets from business combination, it is required to estimate the fair value of the assets at the acquisition date and determine the useful lives of such assets for depreciation and amortization.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2011 Current	December 31, 2011 Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩3,716,367	₩ 48,513	₩3,885,863	₩ 82,628
Allowance for doubtful accounts	(29,543)	-	(40,346)	-
Present value discount accounts	-	(4,712)	-	(5,785)
	₩3,686,824	₩ 43,801	₩3,845,517	₩ 76,843

(2) Aging analysis of trade receivables

As of December 31, 2012 and 2011, total trade notes and accounts receivable that are past due but not impaired are ₩390,632 million and ₩293,025 million, respectively; of which trade notes and accounts receivable that are past due less than 90 days but not impaired are ₩335,898 million and ₩235,267 million, respectively. As of December 31, 2012 and 2011, the impaired trade notes and accounts receivable are ₩29,543 million and ₩40,853 million, respectively.

(3) Transferred trade notes and accounts receivable that are not derecognized

As of December 31, 2012, total trade notes and accounts receivable which the Group transferred to financial institutions but did not qualify for derecognition, are ₩1,889,307 million. The Group recognize the carrying amount of the trade notes and accounts receivable continuously due to the fact that the risks and rewards were not transferred substantially, and cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings.

(4) The changes in allowance for doubtful accounts for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Beginning of year	₩ 40,346	₩ 30,355
Impairment loss	10,161	9,986
Write-off	(25,246)	(174)
Effect of foreign exchange differences	(1,075)	179
Changes in scope of consolidation	5,357	-
End of year	₩ 29,543	₩ 40,346

4. OTHER RECEIVABLES:

Other receivables as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2011 Current	December 31, 2011 Non-current
	(In millions of Korean Won)			
Accounts receivables-other	₩ 1,458,809	₩ 761,943	₩ 1,405,249	₩ 707,051
Due from customers for contract work	781,136	-	762,263	-
Lease and rental deposits	54,924	259,040	64,474	236,347
Deposits	11,293	23,594	8,283	29,354
Other	3,489	-	4,389	18,728
Allowance for doubtful accounts	(5,241)	-	(4,176)	-
Present value discount accounts	-	(7,968)	-	(4,273)
	₩ 2,304,410	₩ 1,036,609	₩ 2,240,482	₩ 987,207

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2011 Current	December 31, 2011 Non-current
	(In millions of Korean Won)			
Financial assets at FVTPL	₩ 67,666	₩ 19,486	₩ 18,645	₩ 72,448
Derivative assets that are effective hedging instruments	15,060	20,745	306,791	171,142
AFS financial assets	12,394	1,544,141	22,960	1,642,632
HTM financial assets	27	35	-	-
Loans	14,152	10,057	8,048	11,721
	₩ 109,299	₩ 1,594,464	₩ 356,444	₩ 1,897,943

(2) Available for sale financial assets which are measured at fair value as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Acquisition cost	December 31, 2012 Valuation difference	December 31, 2012 Book value	December 31, 2011 Book value
	(In millions of Korean Won)			
Debt instruments	₩ 14,872	₩ 202	₩ 15,074	₩ 24,739
Equity instruments	676,781	864,680	1,541,461	1,640,853
	₩ 691,653	₩ 864,882	₩ 1,556,535	₩ 1,665,592

(3) Equity instruments classified into AFS financial assets as of December 31, 2012 and 2011 consist of the following:

Name of company	Ownership percentage	December 31, 2012 Acquisition cost	December 31, 2012 Valuation difference	December 31, 2012 Book value	December 31, 2011 Book value
	(%)	(In millions of Korean Won)			
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 473,056	₩ 529,980	₩ 562,830
Hyundai Glovis Co., Ltd.	4.88	210,688	194,865	405,553	351,540
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	100,887	251,973	385,514
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	83,756	137,490	130,097
Seoul Metro Line Nine Corporation (*)	25.00	41,779	-	41,779	41,779
Hyundai Green Food Co., Ltd.	2.36	15,005	24,226	39,231	37,270
Hyundai Merchant Marine Co., Ltd.	0.45	9,161	7,194	16,355	17,394
Doosan Capital Co., Ltd.	7.14	10,000	3,508	13,508	16,406
Hyundai Finance Corporation	9.29	9,888	1,177	11,065	10,427
Hyundai Development Company	0.60	9,025	718	9,743	7,560
KT Corporation	0.09	8,655	(132)	8,523	8,559
Ubivelox Co., Ltd.	5.20	1,710	6,150	7,860	9,310
NICE Information Service Co., Ltd.	2.25	3,312	417	3,729	3,189
NICE Holdings Co., Ltd.	1.42	3,491	(364)	3,127	2,497
Hyundai Asan Corporation	2.07	22,500	(20,383)	2,117	4,239
NESSCAP, Inc.	4.53	1,997	(798)	1,199	2,804
Other		67,826	(9,597)	58,229	49,438
		₩ 676,781	₩ 864,680	₩ 1,541,461	₩ 1,640,853

(*) 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 percent.

As of December 31, 2012, the valuation difference between the book value and the acquisition cost of AFS equity instruments includes the cumulative impairment loss of ₩27,680 million.

6. INVENTORIES:

Inventories as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Finished goods	₩ 3,476,869	₩ 3,293,273
Merchandise	294,875	242,583
Semi-finished goods	382,434	332,892
Work in progress	367,896	304,958
Raw materials	1,110,764	1,050,361
Supplies	170,736	173,195
Materials in transit	544,688	420,601
Other	424,602	419,889
	₩ 6,772,864	₩ 6,237,752

7. OTHER ASSETS:

Other assets as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012		December 31, 2011	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 403,645	₩ 329	₩ 310,286	₩ -
Advanced payments	517,543	-	387,116	-
Prepaid expenses	247,320	44,095	230,561	1,288
Prepaid value added tax and other	736,937	-	209,899	-
	₩ 1,905,445	₩ 44,424	₩ 1,137,862	₩ 1,288

8. NON-CURRENT ASSETS HELD FOR SALE:

Non-current assets held for sale as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Land	₩ 19,995	₩ -
Buildings	3,312	-
	₩ 23,307	₩ -

As of December 31, 2012, the Group entered into a contract for disposal of land and buildings classified as non-current assets held for sale and the assets will be disposed within 12 months. No impairment loss on non-current assets held for sale is recognized for the year ended December 31, 2012.

9. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of December 31, 2012 and 2011 consist of the following:

	December 31, 2012			December 31, 2011		
Description	Acquisition cost	Accumulated Depreciation(*)	Book value	Acquisition cost	Accumulated Depreciation(*)	Book value
			(In millions of Korean Won)			
Land	₩ 5,799,466	₩ -	₩ 5,799,466	₩ 5,637,917	₩ -	₩ 5,637,917
Buildings	6,407,132	(1,819,636)	4,587,496	5,935,208	(1,665,627)	4,269,581
Structures	945,595	(401,122)	544,473	889,454	(346,082)	543,372
Machinery and equipment	11,634,177	(5,801,023)	5,833,154	10,737,165	(5,294,546)	5,442,619
Vehicles	301,304	(119,340)	181,964	266,248	(102,961)	163,287
Dies, molds and tools	5,625,044	(4,139,372)	1,485,672	5,215,788	(3,790,600)	1,425,188
Office equipment	1,434,032	(1,063,004)	371,028	1,353,668	(998,755)	354,913
Other	55,519	(21,226)	34,293	83,167	(30,755)	52,412
Construction in progress	1,902,312	-	1,902,312	1,658,759	-	1,658,759
	₩ 34,104,581	₩ (13,364,723)	₩ 20,739,858	₩ 31,777,374	₩ (12,229,326)	₩ 19,548,048

(*) Accumulated impairment is included.

The changes in property, plant and equipment("PP&E") for the year ended December 31, 2012 are as follows:

Description	Beginning of year	Acquisition	Acquisition from business combinations	Transfer within PP&E	Disposal	Depreciation	Other (*)	End of year
				(In millions of Korean Won)				
Land	₩ 5,637,917	₩ 68,809	₩ 36,189	₩ 78,717	₩ (14,386)	₩ -	₩ (7,780)	₩ 5,799,466
Buildings	4,269,581	51,471	46,892	528,634	(8,207)	(195,561)	(105,314)	4,587,496
Structures	543,372	5,541	1,712	61,022	(1,143)	(54,579)	(11,452)	544,473
Machinery and equipment	5,442,619	18,010	159,058	1,141,672	(37,977)	(734,094)	(156,134)	5,833,154
Vehicles	163,287	46,389	12,525	27,112	(16,878)	(38,500)	(11,971)	181,964
Dies, molds and tools	1,425,188	8,278	7,421	607,580	(8,813)	(508,605)	(45,377)	1,485,672
Office equipment	354,913	61,840	2,844	113,323	(8,289)	(148,294)	(5,309)	371,028
Other	52,412	3,858	4,112	(10,817)	(1,796)	(9,489)	(3,987)	34,293
Construction in progress	1,658,759	2,735,842	29,213	(2,547,243)	(3,406)	-	29,147	1,902,312
	₩ 19,548,048	₩3,000,038	₩ 299,966	₩ -	₩ (100,895)	₩ (1,689,122)	₩ (318,177)	₩ 20,739,858

(*) 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, 2011 are as follows:

Description	Beginning of year	Acquisition	Transfer within PP&E	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
	₩ 18,514,209	₩ 2,899,177	₩ -	₩ (178,858)	₩ (1,584,701)	₩ (101,779)	₩ 19,548,048

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

10. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Acquisition cost	Accumulated depreciation	Book value	December 31, 2011 Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)					
Land	₩ 62,874	₩ -	₩ 62,874	₩ 46,757	₩ -	₩ 46,757
Buildings	330,853	(124,830)	206,023	339,065	(117,731)	221,334
Structures	18,303	(4,368)	13,935	18,303	(3,967)	14,336
	₩ 412,030	₩ (129,198)	₩ 282,832	₩ 404,125	₩ (121,698)	₩ 282,427

(2) The changes in investment property for the year ended December 31, 2012 are as follows:

Description	Beginning of year	Transfer	Depreciation	Effect of exchange differences	End of year
	(In millions of Korean Won)				
Land	₩ 46,757	₩ 16,117	₩ -	₩ -	₩ 62,874
Buildings	221,334	-	(11,252)	(4,059)	206,023
Structures	14,336	-	(401)	-	13,935
	₩ 282,427	₩ 16,117	₩ (11,653)	₩ (4,059)	₩ 282,832

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

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

(3) The fair value of investment property as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Land	₩ 62,874	₩ 46,757
Buildings	367,472	380,249
Structures	15,223	15,223
	₩ 445,569	₩ 442,229

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, 2012, 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, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Rental income	₩ 30,683	₩ 26,093
Operating and maintenance expenses	12,862	11,308

11. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Acquisition cost	December 31, 2012 Accumulated amortization(*)	December 31, 2012 Book value	December 31, 2011 Acquisition cost	December 31, 2011 Accumulated amortization(*)	December 31, 2011 Book value
	(In millions of Korean Won)					
Goodwill	₩ 303,444	₩ (2,433)	₩ 301,011	₩ 179,652	₩ (2,498)	₩ 177,154
Development costs	5,135,038	(3,280,432)	1,854,606	4,922,873	(3,074,841)	1,848,032
Industrial property rights	104,100	(71,659)	32,441	89,334	(66,557)	22,777
Software	419,119	(188,446)	230,673	308,234	(126,518)	181,716
Other	447,223	(131,356)	315,867	404,030	(113,931)	290,099
Construction in progress	148,620	-	148,620	140,331	-	140,331
	₩ 6,557,544	₩ (3,674,326)	₩ 2,883,218	₩ 6,044,454	₩ (3,384,345)	₩ 2,660,109

(*) Accumulated impairment is included.

(2) The changes in intangible assets for the year ended December 31, 2012 are as follows:

Description	Beginning of year	Internal development development and separate acquisition	Acquisition from business combinations	Transfer within intangible assets	Disposal	Amortization	Impairment	Other (*)	End of year
				(In millions of Korean Won)					
Goodwill	₩ 177,154	₩ -	₩ 125,721	₩ -	₩ -	₩ -	₩ -	₩ (1,864)	₩ 301,011
Development costs	1,848,032	632,776	74,776	23,555	-	(725,716)	(153)	1,336	1,854,606
Industrial property rights	22,777	292	455	9,638	-	(6,071)	-	5,350	32,441
Software	181,716	29,430	4,212	22,740	(553)	(60,837)	-	53,965	230,673
Other	290,099	38,512	1,940	22,024	(1,549)	(30,520)	(513)	(4,126)	315,867
Construction in progress	140,331	97,597	-	(77,957)	(32)	-	-	(11,319)	148,620
	₩ 2,660,109	₩ 798,607	₩ 207,104	₩ -	₩ (2,134)	₩ (823,144)	₩ (666)	₩ 43,342	₩ 2,883,218

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

The changes in intangible assets for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Internal development and separate acquisition	Transfer within intangible assets	Disposal	Amortization	Impairment	Other(*)	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
	₩ 2,651,568	₩ 763,234	₩ -	₩ (11,185)	₩ (738,676)	₩ (79,204)	₩ 74,372	₩ 2,660,109

(*) 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, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Development costs	₩ 632,776	₩ 621,313
Ordinary development (manufacturing cost)	312,288	191,952
Research costs (administrative expenses)	686,606	632,003
	₩ 1,631,670	₩ 1,445,268

(4) Impairment test of goodwill

Goodwill allocated amongst the Group's cash-generating units as of December 31, 2012 and 2011 is as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Vehicle	₩ 199,130	₩ 96,327
Finance	1,911	482
Other	99,970	80,345
	₩ 301,011	₩ 177,154

The recoverable amount of the Group's CGU are measured at its value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management and the pre-tax discount rates applied to the cash flow projections is 17.2%. Cash flows projection beyond the next five-year period are extrapolated by using the estimated growth rate which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. No impairment loss is recognized based on the impairment test for the years ended December 31, 2012 and 2011, respectively.

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2012 consist of the following:

Name of company	Nature of business	Location	Ownership Percentage	Book value
			(%)	(In millions of Korean Won)
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00%	₩ 1,657,185
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	"	"	22.00%	107,253
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	"	50.00%	103,450
Kia Motors Corporation	Manufacturing	Korea	33.88%	5,638,238
Hyundai engineering & construction Co., Ltd.	Construction	"	20.95%	3,023,813
Hyundai HYSCO Co., Ltd.	Manufacturing	"	29.37%	615,271
Hyundai WIA Corporation	"	"	26.79%	484,518
Hyundai Powertech Co., Ltd.	"	"	37.58%	299,075
HMC Investment Securities Co., Ltd.	Securities brokerage	"	26.27%	217,187
Hyundai Dymos Inc.	Manufacturing	"	47.27%	233,660
Eukor Car Carriers Inc. (*2)	Transportation	"	12.00%	127,881
Hyundai Commercial Inc.	Financing	"	50.00%	121,597
Other				488,603
				₩ 13,117,731

(*1) Joint venture.
(*2) 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.

Investments in joint ventures and associates as of December 31, 2011 consist of the following:

Name of company	Nature of business	Location	Ownership Percentage	Book value
			(%)	(In millions of Korean Won)
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00%	₩ 1,553,871
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	"	"	22.00%	81,260
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	"	50.00%	128,318
Kia Motors Corporation	Manufacturing	Korea	33.99%	4,565,683
Hyundai engineering & construction Co., Ltd.	Construction	"	20.95%	3,011,421
Hyundai HYSCO Co., Ltd.	Manufacturing	"	26.13%	449,438
Hyundai WIA Corporation	"	"	33.33%	482,996
Hyundai Powertech Co., Ltd.	"	"	37.58%	254,066
HMC Investment Securities Co., Ltd.	Securities brokerage	"	26.27%	210,511
Hyundai Dymos Inc.	Manufacturing	"	47.27%	194,332
Eukor Car Carriers Inc. (*2)	Transportation	"	12.00%	111,312
Hyundai Commercial Inc.	Financing	"	50.00%	122,364
Other				543,666
				₩ 11,709,238

(*1) Joint venture.
(*2) 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 changes in investments in joint ventures and associates for the year ended December 31, 2012 are as follows:

Name of company	Beginning of year	Acquisition / (Disposition)	Gain on valuation	Other (*)	End of year
	(In millions of Korean Won)				
BHMC	₩ 1,553,871	₩ -	₩ 672,287	₩ (568,973)	₩ 1,657,185
WAE	81,260	14,606	17,448	(6,061)	107,253
HMGC	128,318	-	59,980	(84,848)	103,450
Kia Motors Corporation	4,565,683	-	1,255,166	(182,611)	5,638,238
Hyundai engineering & construction Co., Ltd	3,011,421	-	46,798	(34,406)	3,023,813
Hyundai HYSCO Co., Ltd.	449,438	101,711	73,663	(9,541)	615,271
Hyundai WIA Corporation	482,996	(98,597)	112,285	(12,166)	484,518
Hyundai Powertech Co., Ltd.	254,066	-	47,652	(2,643)	299,075
HMC Investment Securities Co., Ltd.	210,511	-	7,298	(622)	217,187
Hyundai Dymos Inc.	194,332	-	38,616	712	233,660
Eukor Car Carriers Inc.	111,312	-	32,153	(15,584)	127,881
Hyundai Commercial Inc.	122,364	-	23,275	(24,042)	121,597
Other	543,666	139,927	57,145	(252,135)	488,603
	₩11,709,238	₩ 157,647	₩2,443,766	₩(1,192,920)	₩13,117,731

(*) Other consists of decrease by ₩723,742 million due to declaration of the dividends, changes in accumulated other comprehensive income, changes in ownership percentage and others.

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 on valuation	Other (*)	End of year
	(In millions of Korean Won)				
BHMC	₩ 1,231,700	₩ 86,569	₩ 579,016	₩ (343,414)	₩ 1,553,871
WAE	66,215	-	11,366	3,679	81,260
HMGC	93,822	-	77,518	(43,022)	128,318
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 HYSCO Co., Ltd.	376,298	-	77,951	(4,811)	449,438
Hyundai WIA Corporation	377,072	-	79,258	26,666	482,996
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
Eukor Car Carriers Inc.	82,259	-	32,413	(3,360)	111,312
Hyundai Commercial Inc.	90,043	-	35,234	(2,913)	122,364
Other	775,563	(333,720)	137,536	(35,713)	543,666
	₩ 6,909,451	₩2,942,194	₩2,272,605	₩ (415,012)	₩11,709,238

(*) Other consists of decrease by ₩583,464 million due to declaration of the dividends, changes in accumulated other comprehensive income, changes in ownership percentage and others.

(3) Condensed financial information of the Group’s major joint ventures and associates as of and for the year ended December 31, 2012 is as follows:

Name of company	Assets	Liabilities	Sales	Net income
	(In millions of Korean Won)			
BHMC	₩ 7,650,248	₩ 4,293,581	₩ 14,519,399	₩ 1,344,871
WAE	1,282,756	795,244	1,168,745	78,737
HMGC	466,286	243,563	2,024,745	103,915
Kia Motors Corporation	32,398,314	15,550,252	47,242,933	3,864,704
Hyundai engineering & construction Co., Ltd.	12,746,829	7,990,893	13,324,821	566,960
Hyundai HYSCO Co., Ltd.	5,403,067	3,549,366	8,405,083	260,155
Hyundai WIA Corporation	4,573,489	2,691,371	7,021,086	424,564
Hyundai Powertech Co., Ltd.	2,013,016	1,188,248	2,954,852	121,410
HMC Investment Securities Co., Ltd. (*)	4,257,135	3,582,773	1,104,413	21,511
Hyundai Dymos Inc.	1,368,385	879,442	1,926,637	76,404
Eukor Car Carriers Inc.	2,497,136	1,432,406	2,867,224	323,517
Hyundai Commercial Inc.	3,932,124	3,583,222	347,735	52,327

(*) Although the closing date of the fiscal year of HMC Investment Securities Co., Ltd. is March, 31, the financial statements, used for applying the equity method, are prepared for the same reporting periods as the Company’s.

Condensed financial information of the Group's major 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
	(In millions of Korean Won)			
BHMC	₩ 6,692,470	₩ 3,547,238	₩ 12,405,949	₩ 1,177,038
WAE	995,381	626,017	926,476	51,664
HMGC	622,038	333,536	2,336,190	165,184
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 HYSCO Co., Ltd.	4,720,646	3,087,008	8,170,343	297,785
Hyundai WIA Corporation	4,252,849	2,757,406	6,392,708	240,884
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
Eukor Car Carriers Inc.	2,671,900	1,744,300	2,558,996	270,115
Hyundai Commercial Inc.	3,465,237	3,114,580	325,819	76,247

(*) Although the closing date of the fiscal year of HMC Investment Securities Co., Ltd. is March, 31, the financial statements, used for applying the equity method, are prepared for the same reporting periods as the Company's.

(4) The market price of listed equity securities as of December 31, 2012 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	₩ 56,500	137,318,251	₩ 7,758,481
Hyundai engineering & construction Co., Ltd.	70,000	23,327,400	1,632,918
Hyundai HYSCO Co., Ltd.	45,450	23,554,188	1,070,538
Hyundai WIA Corporation	173,000	6,893,596	1,192,592
HMC Investment Securities Co., Ltd.	14,200	7,705,980	109,425

13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Loans	₩ 27,922,539	₩ 26,478,053
Card receivables	9,744,711	9,394,236
Financial lease receivables	2,836,499	2,307,352
Other lease receivables	6,951	4,656
	40,510,700	38,184,297
Allowance of doubtful accounts	(749,166)	(729,047)
Loan origination fee	(259,716)	(333,573)
Present value discount accounts	(7,587)	(11,548)
	₩ 39,494,231	₩ 37,110,129

(2) Aging analysis of financial services receivables

As of December 31, 2012 and 2011, total financial services receivables that are past due but not impaired are ₩1,384,125 million and ₩1,098,415 million, respectively; of which financial services receivables that are past due less than 90 days but not impaired are ₩1,384,125 million and ₩1,098,415 million, respectively. As of December 31, 2012 and 2011, the impaired financial services receivables are ₩631,406 million and ₩347,906 million, respectively.

(3) Transferred financial services receivables that are not derecognized

As of December 31, 2012, the Group issued asset backed securities, which have recourse to the underlying assets, based on loans, card receivables and others. As of December 31, 2012, the carrying amounts of the transferred financial assets that are not derecognized and the associated liabilities are ₩13,186,895 million and ₩9,912,680 million, respectively. In addition, as of December 31, 2012, the fair values of the transferred financial assets and the associated liabilities are ₩13,156,258 million and ₩10,007,119 million, respectively, and the net position is ₩3,149,139 million.

(4) The changes in allowance for doubtful accounts of financial services receivables for the years ended December 31, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Beginning of year	₩ 729,047	₩ 615,599
Impairment loss	498,823	494,526
Write-off	(398,137)	(322,469)
Effect of foreign exchange differences	(14,359)	3,262
Transfer and other	(77,150)	(61,871)
Changes in scope of consolidation	10,942	-
End of year	₩ 749,166	₩ 729,047

(5) Gross investments in financial lease and its present value of minimum lease receipts as of December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
Description	Gross investments in financial lease	Present value of minimum lease receipts	Gross investments in financial lease	Present value of minimum lease receipts
	(In millions of Korean Won)			
Within 1 year	₩ 1,366,499	₩ 1,093,879	₩ 986,287	₩ 810,018
Within 5 years more than 1 year	1,812,227	1,742,481	1,617,005	1,482,345
More than 5 years	140	139	77	76
	₩ 3,178,866	₩ 2,836,499	₩ 2,603,369	₩ 2,292,439

(6) Unearned interest income of financial lease as of December 31, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 3,178,866	₩ 2,603,369
Net lease investments		
Present value of minimum lease receipts	2,836,499	2,292,439
Present value of unguaranteed residual value	-	14,913
	2,836,499	2,307,352
Unearned interest income	₩ 342,367	₩ 296,017

14. OPERATING LEASE ASSETS:

(1) Operating lease assets as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Acquisition cost	₩ 9,008,006	₩ 5,922,955
Accumulated depreciation	(1,121,592)	(618,093)
Accumulated impairment loss	(56,326)	(36,608)
	₩ 7,830,088	₩ 5,268,254

(2) Future minimum lease receipts related to operating lease assets as of December 31, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Within 1 year	₩ 1,643,559	₩ 1,232,216
Within 5 years more than 1 year	1,842,246	1,339,767
More than 5 years	2	4
	₩ 3,485,807	₩ 2,571,987

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2012 and 2011 consist of the following:

Description	Lender	Annual interest rate December 31, 2012	December 31, 2012	December 31, 2011
		(%)	(In millions of Korean Won)	
Overdrafts	Citi Bank and other	0.51~4.40	₩ 198,630	₩ 107,616
General loans	Kookmin Bank and other	0.31~4.97	2,361,415	3,779,392
Loans on trade receivables collateral	Korea Exchange Bank and other	LIBOR+0.35~0.60	1,889,307	2,034,557
Banker's Usance	Kookmin Bank and other	LIBOR+0.70~0.85	596,229	714,299
Short-term debentures	Daewoo Securities and other	2.91~3.84	879,630	229,930
Commercial paper	Shinhan Bank and other	2.90~3.96	730,000	920,000
Other	Citi Bank and other	0.31~2.21	126,538	94,220
			₩ 6,781,749	₩ 7,880,014

(2) Long-term debt as of December 31, 2012 and 2011 consists of the following:

Description	Lender	Annual interest rate December 31, 2012	December 31, 2012	December 31, 2011
		(%)	(In millions of Korean Won)	
General loans	Shinhan Bank and other	0.20~5.80	₩ 2,265,859	₩ 1,369,128
Facility loan	Korea Development Bank and other	1.26~5.85	796,486	1,206,574
Commercial paper	SK Securities and other	3.07~4.15	343,000	320,000
Asset backed securities	JP Morgan and other	0.53~0.95	3,369,345	1,050,777
Other	Kookmin Bank and other	0.10~3.00	290,324	640,620
			7,065,014	4,587,099
Less: present value discounts			158,398	180,259
Less: current maturities			2,764,143	922,713
			₩ 4,142,473	₩ 3,484,127

(3) Debentures as of December 31, 2012 and 2011 consist of the following:

Description	Latest maturity date	Annual interest rate December 31, 2012	December 31, 2012	December 31, 2011
		(%)	(In millions of Korean Won)	
Guaranteed public debentures	June 8, 2017	3.75~4.50	₩ 1,604,827	₩ 1,726,687
Guaranteed private debentures	April 25, 2015	5.68	80,333	86,498
Non-guaranteed public debentures	July 31, 2019	2.72~8.76	17,434,701	20,903,643
Non-guaranteed private debentures	October 2, 2017	1.63~5.15	2,613,559	2,910,714
Asset backed securities	February 15, 2019	0.23~3.15	9,880,999	5,494,645
			31,614,419	31,122,187
Less: discount on debentures			95,532	70,381
Less: current maturities			5,148,198	7,397,481
			₩ 26,370,689	₩ 23,654,325

16. PROVISIONS:

(1) Provisions as of December 31, 2012 and 2011 consist of the followings:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Warranty	₩ 5,908,719	₩ 5,850,285
Other long-term employee benefit	609,589	586,628
Other	490,450	210,240
	₩ 7,008,758	₩ 6,647,153

(2) The changes in provisions for the year ended December 31, 2012 are as follows:

Description	Warranty	Other long-term employee benefit	Other
		(In millions of Korean Won)	
Beginning of year	₩ 5,850,285	₩ 586,628	₩ 210,240
Charged	712,587	66,354	452,907
Utilized	(795,880)	(46,574)	(154,684)
Amortization of present value discounts	144,566	-	-
Changes in expected reimbursements by third parties	2,343	-	-
Effect of foreign exchange differences	(72,024)	(6)	(28,189)
Changes in scope of consolidation	66,842	3,187	10,176
End of year	₩ 5,908,719	₩ 609,589	₩ 490,450

The changes in provisions for the year ended December 31, 2011 are as follows:

Description	Warranty	Other long-term employee benefit	Other
		(In millions of Korean Won)	
Beginning of year	₩ 5,252,340	₩ 431,518	₩ 301,720
Charged (reversed)	1,169,889	214,622	(25,353)
Utilized	(728,419)	(59,370)	(63,115)
Amortization of present value discounts	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

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2011 Current	December 31, 2011 Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL (*)	₩ 1	₩ 4,161	₩ 426,897	₩ 16,004
Derivative liabilities that are effective hedging instruments	24,604	331,699	20,482	43,058
Financial lease liabilities	8,458	20,333	8,535	31,390
Other	115,248	-	-	109,745
	₩ 148,311	₩ 356,193	₩ 455,914	₩ 200,197

(*) As of December 31, 2011, debentures designated as financial liabilities at FVTPL of ₩404,666 million are included and the debentures have been redeemed wholly as of December 31, 2012.

18. OTHER LIABILITIES:

Other liabilities as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2011 Current	December 31, 2011 Non-current
	(In millions of Korean Won)			
Advance received	₩ 412,792	₩ 51,549	₩ 482,899	₩ 84,173
Withholdings	1,402,652	554,677	963,451	626,011
Accrued expenses	1,288,105	-	1,102,940	-
Unearned income	482,160	339,549	374,175	299,210
Accrued dividends	77	-	77	-
Due to customers for contract work	497,948	-	467,868	-
Other	207,370	536,583	85,206	527,609
	₩ 4,291,104	₩ 1,482,358	₩ 3,476,616	₩ 1,537,003

19. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of December 31, 2012 consist of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	HTM financial assets	Derivatives designated as hedging instruments	Book value	Fair value
			(In millions of Korean Won)				
Cash and cash equivalents	₩ -	₩ 6,759,338	₩ -	₩ -	₩ -	₩ 6,759,338	₩ 6,759,338
Short-term and long-term financial instruments	-	12,385,416	-	-	-	12,385,416	12,385,416
Trade notes and accounts receivable	-	3,730,625	-	-	-	3,730,625	3,730,625
Other receivables	-	2,559,883	-	-	-	2,559,883	2,559,883
Other financial assets	87,152	24,209	1,556,535	62	35,805	1,703,763	1,703,763
Other assets	-	403,974	-	-	-	403,974	403,974
Financial services receivables	-	39,494,231	-	-	-	39,494,231	39,894,670
	₩ 87,152	₩ 65,357,676	₩ 1,556,535	₩ 62	₩ 35,805	₩67,037,230	₩ 67,437,669

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

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
			(In millions of Korean Won)			
Cash and cash equivalents	₩ -	₩ 6,231,946	₩ -	₩ -	₩ 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

(2) Categories of financial liabilities as of December 31, 2012 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	₩ -	₩ 6,841,326	₩ -	₩ 6,841,326	₩ 6,841,326
Other payables	-	4,550,278	-	4,550,278	4,550,278
Borrowings and debentures	-	45,207,252	-	45,207,252	46,237,968
Other financial liabilities	4,162	144,039	356,303	504,504	504,504
Other liabilities	-	1,288,182	-	1,288,182	1,288,182
	₩ 4,162	₩ 58,031,077	₩ 356,303	₩ 58,391,542	₩ 59,422,258

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

(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, 2012 are as follows:

	December 31, 2012			
Description	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial Assets:				
Financial assets at FVTPL	₩ -	₩ 87,152	₩ -	₩ 87,152
Derivatives designated as hedging instruments	-	35,805	-	35,805
AFS financial assets	1,287,409	5,023	264,103	1,556,535
HTM financial assets	-	62	-	62
	₩ 1,287,409	₩ 128,042	₩ 264,103	₩ 1,679,554
Financial Liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 4,162	₩ -	₩ 4,162
Derivatives designated as hedging instruments	-	356,303	-	356,303
	₩ -	₩ 360,465	₩ -	₩ 360,465

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2011 are as follows:

	December 31, 2011			
Description	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	1,388,503	4,019	273,070	1,665,592
	₩ 1,388,503	₩ 573,045	₩ 273,070	₩ 2,234,618
Financial Liabilities:				
Financial liabilities at FVTPL	₩ 404,666	₩ 38,235	₩ -	₩ 442,901
Derivatives designated as hedging instruments	-	63,540	-	63,540
	₩ 404,666	₩ 101,775	₩ -	₩ 506,441

The changes in financial instruments classified as Level 3 for the year ended December 31, 2012 are as follows:

Description	Beginning of year	Purchases	Disposals	Valuation	Transfer	End of year
			(In millions of Korean Won)			
AFS financial assets	₩ 273,070	₩ 9,042	₩ (21,162)	₩ 3,153	₩ -	₩ 264,103

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

(4) Interest income, dividend income and interest expenses by categories of financial instruments for years ended December 31, 2012 and 2011 consist of the following:

Description	2012 Interest income	2012 Dividend income	2012 Interest expenses	2011 Interest income	2011 Dividend income	2011 Interest expenses
	(In millions of Korean Won)					
Non-financial services:						
Loans and receivables	₩ 586,507	₩ -	₩ -	₩ 461,359	₩ -	₩ -
Financial assets at FVTPL	-	-	-	11,198	-	-
AFS financial assets	3,769	15,024	-	3,071	17,584	-
HTM financial assets	1	-	-			
Financial liabilities at FVTPL	-	-	-	-	-	30,794
Financial liabilities carried at amortized cost	-	-	311,113	-	-	353,426
	₩ 590,277	₩ 15,024	₩ 311,113	₩ 475,628	₩ 17,584	₩ 384,220
Financial services:						
Loans and receivables	2,757,278	-	-	2,775,731	-	-
Financial liabilities at FVTPL	-	-	14,464	-	-	24,822
Financial liabilities carried at amortized cost	-	-	1,430,910	-	-	1,454,303
	₩ 2,757,278	₩ -	₩ 1,445,374	₩ 2,775,731	₩ -	₩ 1,479,125

(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, 2012 and 2011 are ₩1,616,825 million and ₩1,615,068 million, respectively. In addition, the fee expenses (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, 2012 and 2011 are ₩808,147 million and ₩687,019 million, respectively.

20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of December 31, 2012 and 2011 consist of the following:

(1) Common stock

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won, except par value)	
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

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

(2) Preferred stock

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

As of 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.

21. CAPITAL SURPLUS:

Capital surplus as of December 31, 2012 and 2011 consists of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Other	837,654	792,676
	₩ 4,158,988	₩ 4,114,010

22. 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, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(Number of shares)	
Common stock	11,006,710	11,006,710
1st preferred stock	1,950,960	1,950,960
2nd preferred stock	1,000,000	1,000,000

23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 678,559	₩ 760,361
Loss on valuation of AFS financial assets	(2,372)	(2,844)
Gain on valuation of cash flow hedge derivatives	4,614	4,722
Loss on valuation of cash flow hedge derivatives	(5,726)	(35,580)
Gain on valuation of equity-accounted investees	21,532	154,623
Loss on valuation of equity-accounted investees	(287,108)	(230,597)
Loss on foreign operations translation, net	(882,872)	(275,404)
	₩ (473,373)	₩ 375,281

24. RETAINED EARNINGS AND DIVIDENDS:

(1) Retained earnings as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Legal reserve (*)	₩ 423,124	₩ 375,113
Discretionary reserve	26,531,647	19,046,647
Unappropriated	13,038,459	12,841,768
	₩ 39,993,230	₩ 32,263,528

(*) 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, 2012 is as follows:

Description	Common shares	1st Preferred shares	2nd Preferred shares	3rd 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	38%	39%	40%	39%
Dividends declared	397,612	45,160	73,228	4,833
Dividends per share	₩ 1,900	₩ 1,950	₩ 2,000	₩ 1,950
Market price per share	218,500	69,300	75,600	54,500
Dividend yield ratio	0.9%	2.8%	2.6%	3.6%

The computation of the dividends for the year ended December 31, 2011 is as follows:

Description	Common shares	1st Preferred shares	2nd Preferred shares	3rd 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%

25. SALES:

Sales for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Sales of goods	₩ 75,002,314	₩ 69,345,485
Rendering of services	1,238,936	954,521
Royalties	151,770	179,857
Other	176,141	234,333
Financial services revenue	7,900,560	7,083,699
	₩ 84,469,721	₩ 77,797,895

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 994,234	₩ 930,114
Overseas market expenses	385,112	518,060
Advertisements and sales promotion	2,163,739	2,205,031
Sales commissions	531,536	676,161
Expenses for warranties	954,764	1,326,365
Transportation expenses	283,515	226,067
	5,312,900	5,881,798
Administrative expenses :		
Payroll	2,163,291	2,069,589
Post-employment benefits	143,241	125,026
Welfare expenses	313,181	278,140
Service charges	1,116,815	896,874
Research	686,606	632,003
Other	1,324,595	983,613
	5,747,729	4,985,245
	₩ 11,060,629	₩ 10,867,043

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Gain on valuation of equity-accounted investees, net	₩ 2,443,766	₩ 2,272,605
Gain on disposal of investments in associates, net	136,140	131,148
	₩ 2,579,906	₩ 2,403,753

28. FINANCIAL INCOME AND EXPENSES:

(1) Financial income for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Interest income	₩ 590,277	₩ 475,628
Gain on foreign exchange transaction	89,945	44,360
Gain on foreign currency translation	147,653	112,751
Dividend income	15,024	17,584
Income on financial guarantee	3,673	5,949
Gain on valuation of financial liabilities at FVTPL	53,920	16,537
Gain on disposal of AFS financial assets	-	2,182
Gain on valuation of derivatives	67,655	69,683
Other	1,579	2,872
	₩ 969,726	₩ 747,546

(2) Financial expenses for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Interest expenses	₩ 426,698	₩ 511,617
Loss on foreign exchange transaction	45,809	58,475
Loss on foreign currency translation	122,943	173,406
Loss on disposal of trade notes and accounts receivable	15,330	12,318
Loss on disposal of AFS financial assets	100	27
Impairment loss on AFS financial assets	2,123	-
Loss on valuation of derivatives	11,470	23,823
	₩ 624,473	₩ 779,666

29. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Gain on foreign exchange transaction	₩ 420,252	₩ 269,418
Gain on foreign currency translation	204,726	157,766
Gain on disposal of property, plant and equipment	31,366	13,681
Commission income	36,586	45,165
Rental income	86,280	69,839
Other	452,150	474,724
	₩ 1,231,360	₩ 1,030,593

(2) Other expenses for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Loss on foreign exchange transaction	₩ 394,426	₩ 323,553
Loss on foreign currency translation	180,835	194,662
Loss on disposal of property, plant and equipment	62,983	83,779
Donations	70,301	69,847
Other	279,791	312,104
	₩ 988,336	₩ 983,945

30. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2012 and 2011 consist of the following:

Description	2012	2011
	(In millions of Korean Won)	
Changes in inventories	₩ (296,076)	₩ (565,926)
Raw materials and merchandise used	47,306,979	43,996,939
Employee benefits	7,397,554	6,659,791
Depreciation	1,700,775	1,596,081
Amortization	823,144	738,676
Other	20,088,734	18,327,450
Total (*)	₩ 77,021,110	₩ 70,753,011

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

31. 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 years ended December 31, 2012 and 2011 as there are no dilutive items during the periods.

Basic earnings per common share for the years ended December 31, 2012 and 2011 are computed as follows:

Description	2012	2011
	(In millions of Korean Won, except per share amounts)	
Profit attributable to owners of the Parent Company	₩ 8,561,825	₩ 7,655,871
Profit available to preferred stock	(1,966,766)	(1,759,059)
Profit available to common share	6,595,059	5,896,812
Weighted average number of common shares outstanding (*)	209,269,769 shares	209,104,580 shares
Basic earnings per common share	₩ 31,515	₩ 28,200

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

32. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2012 and 2011 consists of the following:

Description	2012	2011
	(In millions of Korean Won)	
Income tax currently payable	₩ 1,576,461	₩ 1,687,332
Adjustments recognized in the current year in relation to the prior years	(39,836)	(16,380)
Changes in deferred taxes due to:		
Temporary differences	694,868	1,304,792
Tax credits and deficits	162,391	(613,795)
Items directly charged to equity	96,957	54,352
Current tax directly charged to equity	-	(62,243)
Effect of foreign exchange differences	61,644	(11,811)
Changes in scope of consolidation	(3,632)	-
Income tax expense	₩ 2,548,853	₩ 2,342,247

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

Description	Beginning of year	Changes	End of year
	(In millions of Korean Won)		
Provisions	₩ 1,569,408	₩ 103,132	₩ 1,672,540
AFS financial assets	(253,238)	23,267	(229,971)
Subsidiaries, associates and joint ventures	(521,821)	(332,354)	(854,175)
Reserve for research and manpower development	(169,400)	(70,777)	(240,177)
Derivatives	(75,379)	18,951	(56,428)
Property, plant and equipment	(2,754,400)	(477,624)	(3,232,024)
Accrued income	(50,970)	18,536	(32,434)
Loss (gain) on foreign currency translation	41,275	(40,660)	615
Other	232,173	62,661	294,834
	(1,982,352)	(694,868)	(2,677,220)
Accumulated deficit and tax credit carryforward	966,628	(162,391)	804,237
	₩ (1,015,724)	₩ (857,259)	₩ (1,872,983)

The changes in deferred tax assets (liabilities) for the year ended December 31, 2011 are as follows:

Description	Beginning of year	Changes	End of year
	(In millions of Korean Won)		
Provisions	₩ 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)

(3) The components of items charged to equity as of December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Income tax charged or credited to:		
Gain on disposal of treasury stock	₩ -	₩ (62,243)
Deferred tax charged or credited to:		
Loss (gain) on valuation of AFS financial assets, net	25,818	(2,297)
Gain on valuation of derivatives, net	(7,599)	(10,392)
Actuarial loss on defined benefit obligations, net	69,330	67,041
Changes in retained earnings of equity-accounted investees	9,408	-
	₩ 96,957	₩ 54,352

(4) The temporary differences not recognized as deferred tax liabilities related to subsidiaries, associates and joint ventures are ₩4,793,848 million and ₩3,946,606 million as of December 31, 2012 and 2011.

33. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Paid in cash	₩ 6,049	₩ 6,190
Recognized liability	957	916
	₩ 7,006	₩ 7,106

(2) Actuarial assumptions used by the Company and its subsidiaries, respectively, as of December 31, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
Discount rate	3.39~8.25%	4.21~8.00%
Expected return on plan assets	2.78~8.00%	4.08~8.25%
Expected rate of salary increase	1.50~6.00%	1.50~5.60%

(3) Profit and losses in relation to defined benefit plans for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Current service cost	₩ 399,983	₩ 329,122
Interest expense	106,189	96,293
Expected return on plan assets	(72,906)	(59,788)
	433,266	365,627
Cost of sales (Manufacturing cost)	234,341	195,882
Selling and administrative expenses	139,440	122,063
Other	59,485	47,682
	₩ 433,266	₩ 365,627

(4) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2012 and 2011 consist of the following:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 2,975,771	₩ 2,249,240
Fair value of plan assets	(2,154,022)	(1,600,601)
Defined benefit obligations	₩ 821,749	₩ 648,639

(5) Changes in present value of the defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Beginning of year	₩ 2,249,240	₩ 1,808,027
Current service cost	399,983	329,122
Interest expenses	106,189	96,293
Transfer in (out)	979	9,976
Actuarial loss	328,491	247,029
Benefits paid	(127,710)	(259,737)
Changes in scope of consolidation	28,402	-
Effect of foreign exchange differences and other	(9,803)	18,530
End of year	₩ 2,975,771	₩ 2,249,240

(6) Changes in fair value of the plan assets for the years ended December 31, 2012 and 2011 are as follows:

Description		2012		2011
	(In millions of Korean Won)			
Beginning of year	₩	1,600,601	₩	1,318,430
Expected return on plan assets		72,906		59,788
Actuarial gain		12,333		4,146
Transfer in (out)		(1,126)		4,050
Contributions from plan participants		531,609		330,420
Benefits paid		(68,292)		(122,230)
Changes in scope of consolidation		16,945		-
Effect of foreign exchange differences and other		(10,954)		5,997
End of year	₩	2,154,022	₩	1,600,601

The actual returns on plan assets for the years ended December 31, 2012 and 2011 were ₩85,239 million and ₩63,934 million, respectively.

(7) Fair value of the plan assets as of December 31, 2012 and 2011 consist of the following:

Description		December 31, 2012		December 31, 2011
	(In millions of Korean Won)			
Insurance instruments	₩	1,948,010	₩	1,428,546
Debt instruments		50,859		29,346
Other		155,153		142,709
	₩	2,154,022	₩	1,600,601

34. <u>CASH GENERATED FROM OPERATIONS</u>:

Cash generated from operations for the years ended December 31, 2012 and 2011 is as follows:

Description		2012		2011
	(In millions of Korean Won)			
Profit for the year	₩	9,056,277	₩	8,104,863
Adjustments:				
Post-employment benefits		433,266		365,627
Depreciation		1,700,775		1,596,081
Amortization of intangible assets		823,144		738,676
Provision for warranties		712,587		1,169,889
Income tax expense		2,548,853		2,342,247
Loss (gain) on foreign currency translation, net		(48,601)		97,551
Loss on disposal of property, plant and equipment, net		31,617		70,098
Interest expenses (income), net		(163,579)		35,989
Gain on valuation of equity-accounted investees, net		(2,443,766)		(2,272,605)
Gain on disposal of investments in associates, net		(136,140)		(131,148)
Cost of sales (revenue) from financial services, net		3,300,405		2,775,142
Other		364,830		130,493
		7,123,391		6,918,040
Changes in operating assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable		297,742		(813,966)
Decrease in other receivables		371,695		235,836
Decrease in other financial assets		155,604		7,459
Increase in inventories		(538,355)		(961,690)
Decrease (increase) in other assets		(710,477)		56,187
Increase in trade notes and accounts payable		16,971		342,451
Increase in other payables		1,415,433		1,747,476
Increase in other liabilities		945,772		186,666

Description	2012	2011
	(In millions of Korean Won)	
Decrease in other financial liabilities	(168,904)	(52,370)
Changes in retirement benefit obligation	(529,504)	(311,961)
Payment of severance benefits	(59,418)	(137,507)
Decrease in provisions	(997,138)	(850,904)
Changes in financial services receivables	(4,160,902)	(4,475,606)
Increase in operating lease assets	(4,415,826)	(3,548,013)
Other	65,728	(20,148)
	(8,311,579)	(8,596,090)
Cash generated from operations	₩ 7,868,089	₩ 6,426,813

Meanwhile, the Group changed the presentation of increase or decrease in short-term financial instruments and short-term borrowings arising from investing and financing activities on the consolidated statements of cash flows from a gross basis to a net basis, and proceeds from and repayment of long-term debt and debentures which had been separately presented was combined as described in Note 2.(1).

35. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of December 31, 2012 and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Total liabilities	₩ 73,620,239	₩ 69,152,273
Total equity	47,917,575	40,327,702
Debt to equity ratio	153.6%	171.5%

(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 an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

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 exchange risk by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR and JPY.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its the exchange rate forecast. The Group uses foreign exchange 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 currencies on income before income tax as of December 31, 2012, is as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 1,198	₩ (1,198)
EUR	(47,176)	47,176
JPY	(7,549)	7,549

The sensitivity analysis includes the Group's monetary assets, liabilities and derivative assets, liabilities but excludes items of income statements such as changes of sales and cost of sales due to exchange rate fluctuation.

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, 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 rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in markets conditions and the adjustments in 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, 2012 is as follows;

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 5,752	₩ (5,752)
Short-term financial instruments and other financial assets	807	(807)
Borrowings and debentures	(55,614)	55,614

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from AFS equity instruments. As of December 31, 2012, the amount of AFS equity instruments measured at fair value is ₩1,541,461 million.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in financial loss to the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the 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 the guarantee of indebtedness discussed in Note 37, the book value of financial assets on the financial statements represents the maximum amounts of exposure to credit risk

3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its 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 minimizes 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 period before expiration as of December 31, 2012 is as follows:

Description	Within 1 year	Within 5 years more than 1 year	More than 5 years	Total
	Remaining contract period (In millions of Korean Won)			
Non interest-bearing liabilities	₩ 12,786,763	₩ 8,019	₩ 252	₩ 12,795,034
Interest-bearing liabilities	15,938,536	30,473,960	1,794,305	48,206,801
Financial guarantee	754,952	72,215	179,655	1,006,822

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date that payments including both principal and interest, which should be made.

(3) Derivative instrument

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

As of December 31, 2012 and 2011, the Group deferred a net loss of ₩1,112 million and ₩30,858 million, respectively, in accumulated other comprehensive loss, on 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, 2012.

For the years ended December 31, 2012 and 2011, the Group recognized a net loss of ₩410,510 million and a net gain of ₩171,847 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.

36. RELATED PARTY TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

(1) Significant transactions arising from operations for the years ended December 31, 2012 and 2011 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	2012 Sales/proceeds	2012 Purchases/expense	2011 Sales/proceeds	2011 Purchases/expense
	(In millions of Korean Won)			
Related parties:				
Entity with significant influence over the Company	₩ 630,445	₩ 8,785,788	₩ 511,319	₩ 7,907,032
Joint ventures and associates	4,609,762	8,722,623	5,116,055	8,952,433
Other related parties	15,677	1,341,143	12,970	1,111,019
Affiliates by Act:	1,164,960	6,182,864	519,911	4,796,922

(2) As of December 31, 2012 and 2011 significant balances arising from operations related to the transactions between the Group and related parties or affiliates by Act are as follows:

Description	December 31, 2012		December 31, 2011	
	Receivables	Payables	Receivables	Payables
	(In millions of Korean Won)			
Related parties:				
Entity with significant influence over the Company	₩ 227,839	₩ 1,370,080	₩ 146,745	₩ 1,238,695
Joint ventures and associates	1,044,898	1,394,439	923,052	1,282,713
Other related parties	4,415	368,329	7,504	329,323
Affiliates by Act:	383,874	923,755	76,273	866,699

(3) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
	(In millions of Korean Won)	
Short-term employee salaries	₩ 163,126	₩ 143,201
Post-employment benefits	29,000	26,840
Other long-term benefits	504	550
	₩ 192,630	₩ 170,591

37. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2012, the debt guarantees provided by the Group, excluding the Company's subsidiaries, are as follows:

Description	Domestic	Overseas (*)
	(In millions of Korean Won)	
Associates	₩ -	₩ 103,897
Others	143,776	973,338
Customer financing and lease financing	42,876	-
	₩ 186,652	₩ 1,077,235

(*) 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, 2012.

(2) As of December 31, 2012, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and other. The Group obtains insurances for potential losses which may result from product liabilities and other lawsuits. The Group is currently unable to estimate the outcome or the potential financial impact of such lawsuits but expects it will not have a material effect on its consolidated financial statements.

(3) As of December 31, 2012, the Group's property, plant and equipment are pledged as collateral for various loans up to ₩859,007 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 receivables held by the Company's foreign subsidiaries such as financial services receivables are pledged as collateral for their borrowings.

(4) In 2006, the Group sold 10,658,367 shares of Hyundai Rotem Company, a subsidiary of the Company, 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.

(5) Hyundai Capital Services, Inc., a subsidiary of the Company, has a Revolving Credit Facility Agreement with the following financial institutions:

Financial institutions	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	110,000 million
Citi Bank, Seoul	KRW	50,000 million
Standard Chartered, Seoul Branch	KRW	50,000 million
Societe Generale, Seoul Branch	KRW	55,000 million
Bank of China, Seoul	KRW	30,000 million
DBS Bank, Seoul	KRW	100,000 million
Credit Agricole, Seoul	KRW	100,000 million
RBS, Seoul	KRW	110,000 million
Kookmin Bank	KRW	200,000 million
Korea Development Bank	KRW	60,000 million
Kyobo life insurance co., ltd.	KRW	50,000 million

(6) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement with the following financial institutions:

Financial institutions	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
NH bank	KRW	100,000 million
Citibank, Seoul	KRW	50,000 million

(7) Hyundai Card Co., Ltd., a subsidiary of the Company, has an asset backed securitization agreement, which provides 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 events, Hyundai Card Co., Ltd. is obligated to make early redemption of its asset-backed securities.

(8) 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.

38. 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 the vehicle segment or the finance segment.

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

	For the year ended December 31, 2012				
	Vehicle	Finance	Other	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩103,878,093	₩ 8,799,513	₩ 5,348,113	₩ (33,555,998)	₩ 84,469,721
Inter-company sales	(32,571,552)	(136,556)	(847,890)	33,555,998	-
Net sales	71,306,541	8,662,957	4,500,223	-	84,469,721
Operating income	6,711,117	1,177,513	254,552	293,765	8,436,947

	For the year ended December 31, 2011				
	Vehicle	Finance	Other	Consolidation adjustments	Total
	(In millions of Korean Won)				
Sales	₩ 94,381,955	₩ 7,401,809	₩ 3,895,091	₩ (27,880,960)	₩ 77,797,895
Inter-company sales	(27,253,897)	(113,783)	(513,280)	27,880,960	-
Net sales	67,128,058	7,288,026	3,381,811	-	77,797,895
Operating income	6,633,588	1,203,430	146,324	45,487	8,028,829

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

	As of December 31, 2012				
	Vehicle	Finance	Other	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 77,264,305	₩ 53,424,342	₩ 5,742,620	₩ (14,893,453)	₩121,537,814
Total liabilities	31,596,447	46,410,502	3,729,628	(8,116,338)	73,620,239
Borrowings and debentures	5,424,506	40,721,836	1,875,225	(2,814,315)	45,207,252

	As of December 31, 2011				
	Vehicle	Finance	Other	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 71,314,560	₩ 48,539,075	₩ 4,441,339	₩ (14,814,999)	₩109,479,975
Total liabilities	31,209,912	42,476,276	3,013,981	(7,547,896)	69,152,273
Borrowings and debentures	6,330,586	36,683,570	1,544,696	(1,220,192)	43,338,660

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

	For the year ended December 31, 2012						
	Korea	North America	Asia	Europe	Other	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 53,231,743	₩ 31,515,158	₩ 7,576,598	₩25,287,990	₩414,230	₩(33,555,998)	₩84,469,721
Inter-company sales	(14,576,806)	(6,802,632)	(737,897)	(11,438,663)	-	33,555,998	-
Net sales	38,654,937	24,712,526	6,838,701	13,849,327	414,230	-	84,469,721

	For the year ended December 31, 2011						
	Korea	North America	Asia	Europe	Other	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 51,565,160	₩ 26,029,355	₩ 7,387,760	₩20,696,366	₩ -	₩(27,880,746)	₩77,797,895
Inter-company sales	(12,866,279)	(6,199,585)	(364,463)	(8,450,419)	-	27,880,746	-
Net sales	38,698,881	19,829,770	7,023,297	12,245,947	-	-	77,797,895

(5) Non-current assets by region where the Group′s entities are located in as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Korea	₩ 18,596,981	₩ 17,143,139
North America	1,598,120	1,724,270
Asia	1,127,336	1,111,898
Europe	2,132,063	2,175,648
Other	491,205	365,926
	23,945,705	22,520,881
Consolidation adjustments	(39,797)	(30,297)
Total (*)	₩ 23,905,908	₩ 22,490,584

(*) 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, 2012 and 2011.

39. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction from construction in progress as of December 31, 2012, and 2011 are as follows:

Description	December 31, 2012	December 31, 2011
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 5,980,499	₩ 7,356,916
Accumulated income	660,495	1,286,987
Accumulated loss	-	(164,938)
Accumulated construction in process	6,640,994	8,478,965
Progress billing	(6,357,806)	(8,184,570)
Due from customers	781,136	762,263
Due to customers	(497,948)	(467,868)

40. BUSINESS COMBINATIONS:

(1) The Company acquired 100% of the shares in HMF, HAS and HAAP, respectively, as of January 3, 2012 to improve sales networks in Europe market, and HMF has merged with HAS and HAAP as of August 31, 2012. In addition, the Company has obtained control over HMD to improve sales networks by acquiring additional shares (the Company has owned 100% of shares after acquisition) as of January 3, 2012. None of the goodwill recognized is expected to deductible for tax purposes.

1) Considerations for acquisition and the fair value of the assets acquired and liabilities assumed at the acquisition date are as follows:

Description	HMF	HAS	HAAP	HMD
	(In millions of Korean Won)			
Considerations transferred	₩ 112,379	₩ 23,904	₩ 7,275	₩ 136,463
Assets acquired and liabilities assumed:				
Cash and cash equivalent	57,994	32	1,724	24
Other current assets	156,136	13,899	4,837	363,377
Non-current assets	5,518	27	-	24,460
Current liabilities	(142,917)	(5,141)	(2,511)	(238,075)
Non-current liabilities	(8,812)	(69)	(114)	(55,035)
Fair value of identifiable net assets	67,919	8,748	3,936	94,751
Goodwill	₩ 44,460	₩ 15,156	₩ 3,339	₩ 41,712

2) Sales and net income (loss) for the year ended December 31, 2012 after the acquisition date included in the consolidated statements of income are as follows:

Description	HMF	HAS	HAAP	HMD
	(In millions of Korean Won)			
Sales	₩ 634,045	₩ 18,093	₩ 7,365	₩ 1,490,908
Net income (loss)	(3,221)	2,102	257	(12,083)

3) Contractual gross amounts for trade receivables and expected uncollectable amounts assumed at acquisition date are as follows:

Description	HMF	HAS	HAAP	HMD
	(In millions of Korean Won)			
Contractual gross amounts	₩ 63,740	₩ 13,638	₩ 4,133	₩ 18,306
Expected uncollectable amounts	(4,704)	(1)	(114)	(652)

(2) Hyundai KEFICO Corporation reduced the capital through the compensational cancellation of 1,670,000 shares among its common shares as of August 1, 2012. As a result of the capital reduction, the Company has owned 100% of shares and obtained control over Hyundai KEFICO Corporation after the capital reduction. The Company measured goodwill by using the acquisition-date fair value of its interests.

1) Considerations for acquisition and the amounts of the assets acquired and liabilities assumed at the acquisition date are as follows:

Description	Amounts
	(In millions of Korean Won)
Acquisition-date fair value of the interests	₩ 185,451
Assets acquired and liabilities assumed:	
Cash and cash equivalent	53,548
Other current assets	414,762
Non-current assets	430,290
Current liabilities	(582,640)
Non-current liabilities	(150,134)
Fair value of identifiable net assets	165,826
Goodwill	₩ 19,625

2) Sales of ₩643,567 million and net income of ₩36,040 million arising after the acquisition date are included in the consolidated statement of income. Had the acquisition date been as of January 1, 2012, sales and net income included in the consolidated statement of income for the year ended December 31, 2012 would be ₩1,524,399 million and ₩71,950 million, respectively. Contractual gross amounts for trade receivables are ₩266,577 million and the contractual amounts not expected to be collected are ₩50 million at the acquisition date.

(3) Hyundai Capital Services, Inc., a subsidiary of the Company, obtained control of GE Capital Korea, Co., Ltd. by acquiring 100% of its shares as of July 3, 2012.

1) Considerations for acquisition and the amounts of the assets acquired and liabilities assumed at the acquisition date are as follows:

Description	Amounts
	(In millions of Korean Won)
Considerations transferred	₩ 193,625
Assets acquired and liabilities assumed:	
Cash and cash equivalent	31,985
Loans	120,143
Financial lease receivables	225,014
Operating lease assets	15,996
Borrowings	(168,654)
Other	(32,288)
Fair value of identifiable net assets	192,196
Goodwill	₩ 1,429

2) Hyundai Capital Services, Inc. should adjust the difference which will occur from the impairment of the financial receivables and changes in the remaining value of the leased assets for the term of guarantee of loss of three years in accordance with contract of compensation for loss with GE Capital Asia Investments, Inc. No indemnification assets based on the term are recognized at the acquisition date.

3) Sales of ₩20,554 million arising after the acquisition date are included in the consolidated statements of income. Had the acquisition date been as of January 1, 2012, sales included in the consolidated statement of income for the year ended December 31, 2012 would be ₩49,486 million.

41. AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS:

The accompanying consolidated financial statements for the year ended December 31, 2012 were authorized for issue by the Board of Directors on January 24, 2013.