

GROWTH **PASSIO** MOBILITY HEART DESIRE BLUE
CHANGE PROSPERITY **Π W TOMORRO** CREATIVE
WILLINGNESS **RELA IONS IP** FUTURE LIFESTYLE CONCEPT
KNOWHOW PEOPLE **RESPONS BILITY** REALIZE SCULPTURE
LEADERSHIP INTUITION JOY **CO VENIENT EEP** PROFILE
SUCCESS UNEXPECTED **POSS BILITIES IN OVATION** CAPABILITY
EXPERIENCE SOLUTION OPPORTUNITY **REEN** BRAND
ENERGY BRILLIANT COMMUNICATION EXPECTATION
QUALITY **EEDS Π XT** GLOBALITY SUSTAINABILITY SOCIAL
PROGRESSIVE CARING **NET ORK** IMPECCABLE PLEASURE
ORIGINAL SIMPLE LIFE **HILOSOPHY** IDEA **T GETHER** VISION
ONE CHANGE **CON UMER MART** HAPPY ECO **FR ENDLY**
TRUE PROUD **SENSI LE PREM UM** SHARE **OVE** STRATEGY
VALUE INSPIRATION **REAL TY PLANE** HUMAN **H STORY**
BEAUTY COLLABORATION **PARTN RSHIP** DREAM MARKET
FLUIDIC MODERN BETTER TECHNOLOGY **UPERIOR** DESIGN
ACTIVITIES GOAL IN HYUNDAI MOTOR COMPANY

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**HYUNDAI MOTOR COMPANY IN 2011—
SURPASSING AUTOMOTIVE POWERHOUSES,
CAPTIVATING THE ENTIRE WORLD.**

No. 1 in Germany's AutoBild Qualitätsreport; No. 1 in America's J.D. Power Customer Retention Award. Hyundai Motor Company satisfied the seemingly insurmountable barriers and demanding standards of automotive powerhouses in 2011. With passion and competitiveness, it will continue its leap forward to become the new leader in the automotive industry.





2012

**BRINGING THE WORLD TOGETHER—
SUPPORTING PASSION, ROOTING FOR DREAMS.**

Official sponsor of the Union of European Football Associations (UEFA) and the Fédération Internationale de Football Association (FIFA) since 1999, Hyundai Motor Company continued in its support of the passionate game of football through the 2006 Germany World Cup, Euro 2008, and the 2010 South Africa World Cup to name a few. In 2012, Hyundai Motor Company will plant the seeds for more passion in the hearts of customers worldwide through its Team Hyundai composed of five top-class international footballers acting as ambassadors for Euro 2012.



4,059,438

DESPITE FIERCE COMPETITION,
CREATING GROWTH AND OPPORTUNITIES,
OPENING A BRIGHT FUTURE.

4,059,438 cars sold worldwide in 2011. Achieving a sharp increase in sales despite the continued global economic crisis, Hyundai Motor Company is captivating the hearts of people all over the world through its strategy of localization and differentiation. It will keep up its efforts to be appreciated by even more customers by continuing to swiftly grasp their fast-changing needs.

SPREADING GREEN ON EARTH,
PLANTING HOPE AND HAPPINESS
FOR THE FUTURE.

5,000m² of grassland that Hyundai Motor Company is creating in an effort to conserve our planet's ecosystem. Hyundai is expanding the grounds for a tomorrow where everyone can be happy together through a project that seeks to transform the arid Chakanor district of Inner Mongolia into grassland. Not only that, it is developing eco-friendly cars that do not pollute the environment. Hyundai will go beyond being a company that makes cars to one that creates the future.

5,000

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF INCOME

<Unit: KRW Million>

For the Year	K-GAAP				K-IFRS*	
	2007	2008	2009	2010	2010	2011
Sales Revenue**	69,601,516	79,736,351	91,463,064	112,589,679	66,985,271	77,797,895
Operating Income	2,848,022	3,072,043	5,620,241	9,117,742	5,918,492	8,075,477
Margin (%)	4.1	3.9	6.1	8.1	8.8	10.4
Net Income***	1,956,087	1,092,552	4,043,436	7,982,924	6,001,182	8,104,863
Margin (%)	2.8	1.4	4.4	7.1	9.0	10.4
Basic EPS (KRW)****	5,813	2,499	10,947	20,052	20,516	28,200

* From FY 2011, the company adopted Korean International Financial Reporting Standards (K-IFRS)
 ** Business results of BHMIC is accounted in equity income accounting

*** Net income includes non-controlling interest
 **** Basic earnings per common share attributable to the owners of the Parent Company

CREDIT RATING

		2007	2008	2009	2010	2011
Domestic	KIS	AA	AA	AA	AA+	AA+
	PIICE	AA	AA	AA	AA+	AA+
	Korea Ratings	AA	AA	AA	AA+	AA+
Overseas	S&P	BBB-	BBB-	BBB-	BBB	BBB
	Moody's	Baa3	Baa3	Baa3	Baa2	Baa2

FY 2011 FINANCIAL SUMMARY BY DIVISION

NET REVENUE TOTAL **77,797,895**

OPERATING INCOME TOTAL **8,075,477**

<Unit: KRW Million>

FY 2011	Vehicle	Finance	Other	Consolidation Adjustments
Net Revenue	94,381,955	7,401,809	3,895,091	-27,880,960
Operating Income	6,813,767	1,208,389	192,249	-138,928

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<Unit: KRW Million>

	2007	2008	2009	2010	2011
K-GAAP	83,847,526	103,205,783	102,324,934	118,077,818	108,429,978
ASSETS					
K-IFRS	94,714,131	108,429,978			

At Year End	K-GAAP				K-IFRS	
	2007	2008	2009	2010	2010	2011
Liabilities	60,133,890	77,853,886	73,363,274	81,342,217	61,826,158	69,152,273
Shareholder's Equity	23,713,636	25,351,897	28,961,660	36,735,601	32,887,973	40,327,702
Liabilities to Equity Ratio (%)	253.6	307.1	253.3	221.4	188.0	171.5

R&D EXPENSE

<Unit: KRW Million>

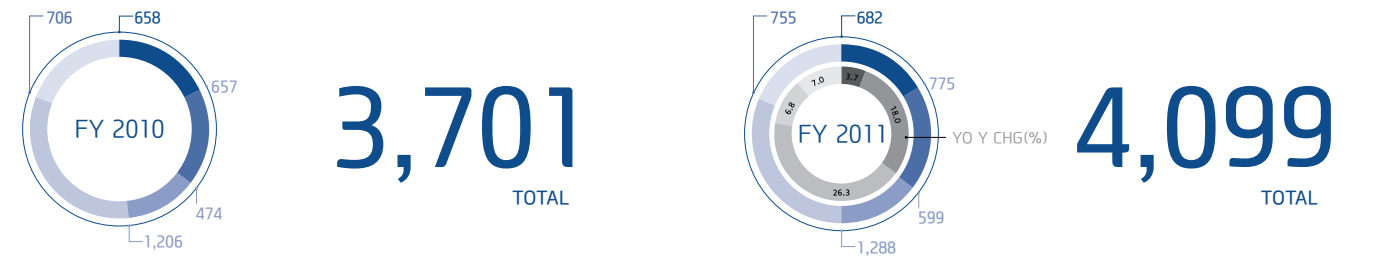
	2010	2011
K-GAAP	2,416,204	1,388,776
K-IFRS	1,388,776	1,445,268

For the Year	K-GAAP				K-IFRS	
	2007	2008	2009	2010	2010	2011
R&D Expense	1,879,160	2,190,476	2,239,471	2,416,204	1,388,776	1,445,268

BUSINESS HIGHLIGHTS

GLOBAL RETAIL SALES

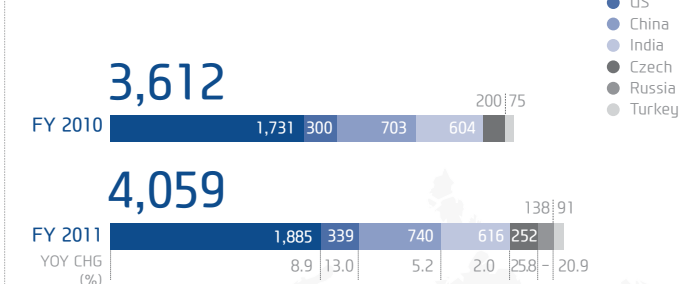
SALES BY REGION <Unit: Thousand>



* Sales by BHMIC (Joint Venture in China / Accounted in equity income accounting) are included in sales figure for Asia

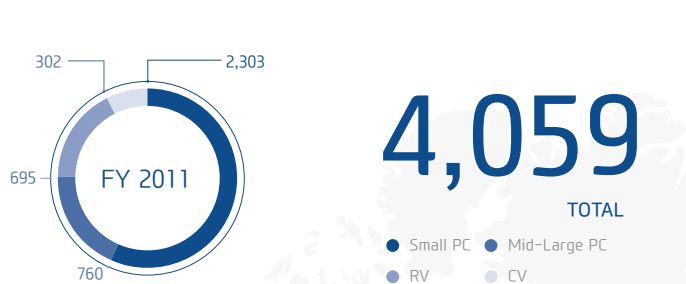
GLOBAL PLANT OPERATION

SALES BY PLANT <Unit: Thousand>



* Sales units for "China" represents unit sales by BHMIC (Joint Venture in China / Accounted in equity income accounting)

SALES BY SEGMENT <Unit: Thousand>



* PC: Passenger Car / RV: Recreational Vehicle / CV: Commercial Vehicle

PRODUCTION BY PLANT <Unit: Thousand>





Celebrating its 45th anniversary this year, Hyundai Motor Company has continuously strived to create innovative ways to satisfy customers. Hyundai Motor Company would not have been able to lead Korea's auto industry and become a major global auto company without the love and support of you, our customers. Executives and employees alike at Hyundai know this by heart and will never cease to search for ways to maximize customer satisfaction.

Despite the ongoing economic difficulties worldwide last year, Hyundai Motor Company worked hard to expand its sales and presence in key markets to position itself as a leading automaker. We posted sales of 4.06 million units in 2011, and according to the brand consulting group Interbrand, our brand value rose to over USD 6 billion, ranking 61st among the world's top 100 brands. In China, which has become the world's largest and most competitive auto market, Hyundai posted record sales of 740,000 units last year, while sales grew significantly in the Central and South American markets and in the emerging markets. In the U.S., Hyundai's Genesis sedan was chosen as the highest-ranked model in the mid-sized premium car category in the 2012 J.D. Power and Associates Vehicle Dependability Study. Hyundai Elantra won a number of prizes around the world, including the prestigious North American Car of the Year award. Hyundai was also ranked as the highest among all automotive brands in the J.D. Power 2012 Customer Retention Study. In Europe, leading German motoring magazine AutoBild awarded Hyundai top position in its Auto Bild Qualitätsreport for the second year in a row. Beating all other manufacturers, including renowned German and Japanese brands, Hyundai took the prestigious honor, which was based on a comprehensive analysis of reliability, long-term quality, and customer satisfaction.

As a group, the Hyundai Motor Group officially began operations at its No. 1 and No. 2 blast furnaces at Hyundai Steel. Construction of a third blast furnace has begun, completing the Group's business portfolio and boosting synergy to provide everything from molten steel to autos by circulating resources in the most eco-friendly method.

In 2012, Hyundai Motor Company plans to focus on solid internal growth in order to lay the foundation for becoming a leading global automaker. To achieve this, we will strengthen our ongoing quality management with the aim of providing more premium quality features and services to our customers. With the completion this year of our third manufacturing plant in Beijing and a new plant in Brazil, we will stabilize our global production bases. At the same time, we will work to improve communication and cooperation between our production facilities and sales subsidiaries to respond proactively to rapid market changes.

HYUNDAI MOTOR COMPANY WILL FOCUS ON SOLID INTERNAL GROWTH IN ORDER TO LEAP FORWARD AS A LEADING GLOBAL AUTOMAKER.

Hyundai Motor Company offers premium quality to maximize customer satisfaction and strengthen its systems and R&D capabilities to respond proactively to rapid market changes and secure core technologies.

We will also ensure future growth opportunities and meet changing market demands by strengthening our R&D capabilities at Namyang and our overseas R&D centers. In particular, we will focus on securing key engineers and gradually increasing investment to develop core technologies for eco-friendly cars, such as hybrid and electric vehicles, as well as advanced in-vehicle electronic technology.

Our striving to become a top brand in the auto sector also continues through our sponsorship of UEFA EURO 2012™, participation in major international motor shows, and diverse marketing activities to communicate with global customers. These are all a part of our efforts to realize our very own "NEW THINKING. NEW POSSIBILITIES." Hyundai Motor Company will also fulfill its duties as a global corporate citizen through its widespread corporate social responsibility programs, all the while boosting cooperation with its suppliers.

Our passion to build better cars only gets bigger when your love and trust for us grows. We promise to continuously challenge convention and create innovation to fulfill our vision of becoming a lifetime partner in automobiles and beyond and a leader in the global automotive industry.

Thank you.

May 2012

CHUNG, MONG-KOO
Chairman and CEO



In 2012, Hyundai Motor Company will pursue a management strategy of further solidifying our quality management and focusing on internal growth. To do so, we will reinforce our presence in emerging markets, maximize the momentum that we gained through the launch of new models in various parts of the world and continue in our efforts to strengthen our social contributions and put into practice programs that foster mutual growth with the communities around us.

Dear honorable shareholders,

The global economy witnessed turmoil throughout 2011, including political unrest in the Middle East and the economic crisis in Europe. Looking at the automotive industry alone, the demand in the U.S. fell far short of the level prior to the recession, and the European market continued to face major uncertainties due to the financial crisis. The growth rates in China and the emerging markets also showed signs of a slowdown.

Despite such headwinds, however, Hyundai Motor Company sold 4.06 million units at home and abroad last year, a 12 percent increase over 2010. Overall, 1.89 million units were produced in domestic plants—the highest in Hyundai history—among which 680,000 units were sold in Korea and 1.2 million units overseas. At the same time, we recorded sales of 2.18 million units from our overseas plants, surpassing the 2 million mark for the first time.

At the end of last year, Hyundai's Gamma engine, developed for our small cars, followed in the footsteps of our larger Tau engine by being selected as one of Ward's Auto's 10 Best Engines. This was an important recognition of our world-class ability in the core automotive technology of engines, from small to large vehicles. Early this year, Hyundai had another

occasion for celebration when our Elantra was named North American Car of the Year, the same award that Genesis won in 2009.

All these achievements were possible thanks to the support and encouragement that you, our shareholders, have given Hyundai Motor Company over the years, and I want to express my sincerest appreciation on behalf of the company.

We believe that the global economic situation and the business environment surrounding the automotive industry will be even tougher in 2012.

The global economy is still in recession with the ongoing financial crisis in Europe and the slowdown of economic growth in emerging markets, and the automotive market will not be an exception to ever-growing competition. In particular, Japanese automakers are expected to normalize their supply chains and recover from the effects of the deadly earthquake and tsunami in Japan and flooding in Thailand.

In the midst of such circumstances, Hyundai will pursue a management strategy of further strengthening our quality management and focusing on internal growth to produce and sell 4.29 million units in 2012, a 6 percent increase over last year.

To achieve our goal, we plan to concentrate on the following key areas:

First, we will reinforce our presence in emerging markets. We will open a third plant in China where we will produce Elantra, which has received rave reviews in the U.S., in an effort to expand sales in China's biggest automotive segment: small- and mid-sized cars. A plant in Brazil will also be completed this year, which will serve as a strategic foothold for deeper entry into the Central and South American markets.

Second, we will maximize the momentum that we gained through the launch of new models in various regions of the world. We will expand the European market with the i40, introduced last year, and the new-generation i30, launched in March of this year. In the U.S. and India, Genesis and Eon, respectively, will act as major players to expand sales.

We will also increase our investment in the development of eco-friendly vehicles. With high oil prices and even tighter environmental regulations expected in the future, developing eco-friendly technology and cars with superior fuel efficiency will be a decisive factor in

determining which automakers will survive in the global market. As such, Hyundai will establish growth by expanding our investment not only in hybrid vehicles but also in electric and hydrogen fuel-cell cars.

Last but not least, we will continue our efforts to strengthen our social contributions and develop practical programs that foster mutual growth with the communities around us so that we may be an even better corporate citizen.

In an era of ever-intensifying competition, we must change and innovate constantly to keep growing and moving forward.

Hyundai Motor Company does not settle for the present; instead, we relentlessly challenge ourselves to become the world's best and most-loved automaker. We look forward to your continuous interest and support in our march forward.

We wish you and your family health and happiness in the many years ahead. Thank you!

Sincerely,

May 2012

Choong Ho Kim
President & CEO

HYUNDAI MOTOR GROUP MANAGEMENT CONCEPT

Hyundai Motor Group's Beliefs and Passion

Hyundai Motor Group has continued in its path of success by upholding and practicing the spirit and values handed down from the company's founders. As such, the Management Concept, which reflects the company's future-oriented values and the direction of its evolution, serves to bring everyone together in the making of new history. By sharing its management philosophy, vision, and core values with everyone involved, Hyundai promises to give concrete results.

Hyundai, Existing for the Dreams and Happiness of Humanity

The management philosophy is the spirit on which all management activities depend and the reason for Hyundai's existence. Hyundai is spreading its management philosophy of "realizing the dream of humankind by creating a new future through ingenious thinking and continuously challenging new frontiers" in order to become a great company that is respected worldwide and contributes to society.

Five Core Values, the DNA That Will Ensure Hyundai's Continued Legendary Success

The core values are the DNA of success inherent in the organizations and the employees of Hyundai Motor Group. They are also the concrete expressions of the behaviors that the Group is developing for a better future. The core values—customer, challenge, collaboration, people, and globality—will drive the Group to achieve its vision even faster by fostering an advanced corporate culture befitting a global company.



Customer First

We promote a customer-driven corporate culture by providing the best quality and impeccable service with all values centered on our customers.



Challenging Performance

We refuse to be complacent, embrace every opportunity for greater challenge, and are confident in achieving our goals with unwavering passion and ingenious thinking.



Communication and Cooperation

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



Respect for Talent

We believe that the future of our organization lies in the hearts and capabilities of individual members, and will help them develop their potential by creating a corporate culture that respects talent.



Global Orientation

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

New Vision for the Future: "Lifetime Partner in Automobiles and Beyond"

Hyundai Motor Group established a new vision, "Together for a better future," in order to fulfill its role and responsibility as a trusted global firm. Hyundai Motor Company defined its vision of being a "Lifetime partner in automobiles and beyond" to come one step closer to its customers and become their beloved brand. The car is no longer simply a means of transportation that links people to people; it has become a life space that occupies a central role in people's lives. As such, Hyundai seeks to become a lifetime partner in the everyday lives of customers and their happiness. At this very moment, Hyundai is developing eco-friendly and human-oriented technologies for the future and setting up optimized global management systems in order to provide the best experience to its customers.

HYUNDAI MOTOR GROUP MAIN AFFILIATE COMPANIES



Automobile			Parts		
Steel					
Construction					
Logistics			Rolling Stock / Heavy Industry		
Finance / Service					
IT / Software					

NEW THINKING. NEW POSSIBILITIES.

HYUNDAI'S BRAND SLOGAN, NEW THINKING. NEW POSSIBILITIES.

A brand slogan embodies the essence of a brand, from its philosophy to its vision and identity. Hyundai's brand slogan "NEW THINKING. NEW POSSIBILITIES." reflects the will of Hyundai Motor Company to create new possibilities to benefit the world and its people by encouraging and developing new thinking. All members of Hyundai have the brand slogan deeply engraved in their hearts as they move forward in their effort to provide new values and experiences desired by today's customers through innovative ways that are unique to the brand, driven by new thinking about customers and cars.

HYUNDAI'S BRAND DIRECTION, MODERN PREMIUM

Hyundai's brand direction "Modern Premium" does not just mean luxury cars; it is about providing new values and experiences to get more customers of today through ways that are unique to the brand and which go beyond what customers expect by combining exceptional performance with reasonable price and emotional elegance. Being simple but perfect, staying faithful to the basics yet different from the others, and not forgetting the big picture while paying attention to the smallest details; developing cars that cater to the diverse lifestyles of customers and propose an advanced automobile life and culture; enriching the lives of customers who have an active and positive approach to life—that is the Modern Premium of Hyundai Motor Company.



New concept hatchback-style hybrid car i-oniq

**TO LEAVE A BIG MARK
TOMORROW RATHER THAN
MAKE A SMALL ACHIEVEMENT
TODAY, HYUNDAI IS READER
THAN EVER.**

Hyundai celebrates its 45th anniversary this year. Beyond all expectations, it has emerged as a new big player among the world's top automotive companies. However, Hyundai will not settle for that, and will continue to seek out bigger possibilities with the same passion and spirit of challenge as at the beginning. From providing cars to being a lifetime partner, Hyundai will accompany people all over the world in their everyday lives.

1967~2000

- 1967 • Incorporation of Hyundai Motor Company
- 1968 • Mass production of Cortina
- 1976 • Launch of Hyundai Pony, the first Korean passenger car
- 1983 • Incorporation of the Canadian subsidiary HMC
- 1984 • Launch of Excel
- 1985 • Incorporation of the U.S. subsidiary HMA
- 1986 • Launch of Grandeur, Hyundai's large-sized luxury car; first export of Excel to the U.S.
- 1987 • Best sales of Excel in U.S. compact car category for the 3rd consecutive year
- 1988 • Launch of Sonata, Hyundai's mid-sized luxury sedan
- 1989 • Excel exceeds 1 million units in overseas exports
- 1990 • Launch of Elantra, Scoupe
- 1991 • Release of the first Korean-developed Alpha engine
• Development of electric car: launch of Galloper
- 1992 • Development of HCD-I, Korea's first concept car
- 1993 • Launch of Sonata II: development of concept car HCD-II
- 1994 • Hyundai exceeds 1 million units in annual production: launch of Accent
• Development of solar-powered and hydrogen fuel cell vehicles
- 1995 • Launch of Avante: development of concept car HCD-III
- 1996 • Hyundai exceeds 10 million units in cumulative production (all models combined)
• Completion of Namyang Technical Research Center
• Launch of Dynasty, Tiburon
- 1997 • Completion of Turkey plant: independent development Epsilon engine
- 1998 • Acquisition of Kia Motors: completion of India plant
• Launch of Grandeur XG, EF Sonata: development of 2nd solar-powered vehicle
• Independent development of world-class high-performance V6 Delta engine
- 1999 • Development of Korea's first automotive fuel cell battery
• Launch of ultra-large sedan Equus, Verna, Trajet XG
- 2000 • Development of Korea's first passenger diesel engine and large commercial engine
• Development of Korea's first fuel cell vehicle
• Launch of Santa Fe, Avante XD
• Incorporation as Korea's first automotive group
• Official sponsor of Euro 2000 Football Championship



Tau Engine, Selected among 10 Best Engines in the U.S. for Three Straight Years

Leading U.S. auto publication Ward's Auto picked Hyundai's Tau engine as one of the industry's 10 Best Engines for the third year in a row. Entirely developed with proprietary technology, it is a state-of-the-art engine that has made high performance, improved fuel efficiency, and reduced emissions a reality.

2001~2006

- 2001 • Launch of sports coupe Tuscani, Terracan, Lavita
• Santa Fe selected as No. 1 in U.S. customer satisfaction survey
• HMA receives J.D. Power's presidential award
• Unveiling of Korea's first fuel cell-powered Santa Fe
• Unveiling of concept car HCD-VI
- 2002 • Launch of Chinese-produced Elantra model
• Sonata selected as No. 1 by J.D. Power in performance, driving, and design research
• Completion of California Design & Technical Center
- 2003 • Hyundai exceeds 1 million units and USD 10 billion in exports
• Completion of Europe Technical Center
• Hyundai is the first to rank No. 1 in Korean Industry Customer Satisfaction for the 10th consecutive year
• Hyundai is the first in the automotive industry to officially proclaim "Global Environmental Management"
• Avanta exceeds 2 million units in production; Sonata exceeds 2.5 million units in production
- Completion of U.S. Design Center and groundbreaking of proving ground
• Development of world's first ultra high pressure hydrogen storage system for fuel cell vehicles
- 2004 • Hyundai breaks national record by exceeding 10 million units in exports
• Establishment of joint venture plant for commercial vehicles in China
• Development of 2nd generation Tucson fuel cell vehicle
• President Mong-Koo Chung named as Best CEO of 2004 by Business Week
- 2005 • Click is selected as India's Best Car of 2005
• Completion of U.S. proving ground, Technical Center, and plant in Alabama
• Unveiling of the New Grandeur, HED-1 at the Geneva Motor Show
• Hyundai is selected as the Official Partner of FIFA from 2007 to 2014
• Hyundai exceeds 1 million units in exports to Africa and the Middle East
- President Mong-Koo Chung named Best CEO in the automotive sector by Automotive
• Hyundai enters 100 Best Global Brands
• Completion of eco-friendly Vehicle Recycling Center
- 2006 • Hyundai Motor Group exceeds KW 1 trillion in sales
• Hyundai Motor Group selected as the top Chinese automotive brand
• Launch of construction of 2nd Hyundai plant in Beijing
• Hyundai ranks No. 1 in the general brand category of J.D. Power's Initial Quality Study (IQS) index
• Hyundai Motor Group reaches 6th worldwide in total production
• Hyundai exceeds 1 million units in cumulative exports to Central and South Americas
• Independent development of world-class V6 diesel S-engine
• Unveiling of concept cars Hellion, Arnejs, Genus, Talus
• Hyundai selected among 100 Best Global Brands for 2nd consecutive year



World-Class Transmission Technology

Independent development of Hyundai's FWD six-speed transmission technology began in 2003 and was completed and mass produced for the first time in 2008. It was featured on the premium large-sized sedan Grandeur. In 2010, Hyundai unveiled its independently-developed eight-speed automatic transmission, and showed the world the exceptional level of its transmission development and production technologies.

Ultra Large-Sized Sedan Equus

Equus, first launched in 1999 as Hyundai's flagship sedan, underwent various improvements, and is today Korea's most representative car in the ultra large sedan category. The all new Equus introduced in 2009 features the Tau engine that incorporates all of Hyundai's latest engine technologies, and has once again raised the bar for ultra large sedans.



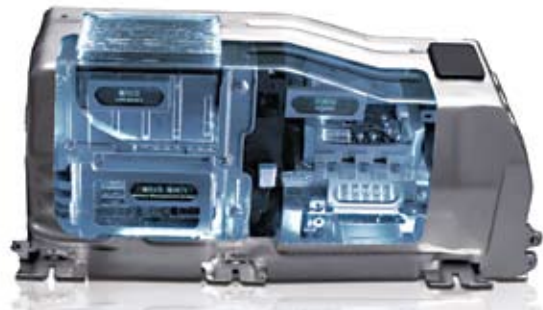
HISTORY & HIGHLIGHTS 2

2007~2009

- 2007 • Verna awarded Best Car of the Year by the Indian auto magazine Overdrive
- Unveiling of concept cars HED-IV (QarmaQ), HND-III (Veloster)
- Grandeur ranks No. 1 in J.D. Power's customer satisfaction survey for 2nd consecutive year
- Hyundai exceeds 5 million units in cumulative sales in U.S.; completion of Brazil plant CKD
- Unveiling of the 3rd generation fuel cell concept car iBlue at the Frankfurt Motor Show
- Launch of the next-generation compact car i10 by Hyundai Motor India Limited (HMIL)
- i30 selected as Australia's Best Car of the Year
- Launch of Korea's first global CSR website
- Hyundai awarded President's Medal by Korean gov't for environmental management

- 2008 • Launch of Genesis, Genesis Coupe, i30cw
- Hyundai Beijing breaks record of 1 million units in cumulative production in the shortest time
- World premiere of the eco-friendly concept car i-mode at the Geneva Motor Show
- Completion of the 2nd plant in Beijing with annual production capacity of 3 million units
- Hyundai achieves No. 1 in National Customer Satisfaction Index for 8th consecutive year
- Development of next-generation eco-friendly passenger diesel R-engine
- Tau engine selected among Ward's Auto 10 Best Engines in U.S.
- 2009 • Main sponsor of U.S. Super Bowl
- Unveiling of i20 3-door and concept car ix-onic at the Geneva Motor Show
- Genesis awarded North American Car of the Year
- Hyundai selected as best automotive company in China's warranty service satisfaction survey

- Hyundai exceeds 1 million units in cumulative exports to Africa
- Hyundai ranks No. 1 in the general brand category by J.D. Power's 2009 new car quality survey; Avante ranks No. 1 in the mid-sized car category; Genesis ranks No. 1 in the new models category
- Unveiling of ix-Metro and ix35 at the Frankfurt Motor Show
- Hyundai reaches 69th in global brand value as published by Business Week
- Completion of Czech plant with annual production capacity of 300,000 units
- First unveiling of independently-developed next-generation high performance Zeta GDi engine
- Tau engine selected among Ward's Auto 10 Best Engines for 2nd consecutive year and receives 2009 Korean Technology Award's Presidential Prize

**Lithium Ion Polymer Battery**

The lithium ion polymer battery that is used on Hyundai's Sonata Hybrid and Avante Hybrid models is small, light, durable, and emits minimum heat. By securing maximum safety through a four-fold safety design including automatic power block and a battery control system, it is one of the core elements of Hyundai's hybrid vehicle technology.

GENESIS & GENESIS PRADA

The dynamic luxury sedan Genesis has been recognized for its excellence worldwide since its birth, including being named as North American Car of the Year in 2009 and the "safest car" by the Insurance Institute for Highway Safety (IIHS) and ranking first in customer satisfaction in the U.S. in 2010. In 2011, it joined forces with the world-leading luxury fashion brand Prada to create Genesis Prada, a limited edition that is offering its privileged owners a taste of true luxury.



2010~2011

- 2010 • Unveiling of hybrid concept car i-flow at the Geneva Motor Show
- Hyundai selected as No. 1 Asian brand in customer service satisfaction and No. 1 in durability for 3rd consecutive year by J.D. Power
- World premiere of Sonata Hybrid at the New York Motor Show
- Genesis and Tucson ix selected as "safest car" by U.S. IIHS and No. 1 in U.S. customer satisfaction
- Sonata exceeds 5 million units in cumulative sales
- Official sponsor of the 2010 South Africa World Cup
- President Mong-Koo Chung selected as top CEO in Asia in the automotive industry
- World premiere of eco-friendly electric car BlueOn
- Completion of Russia plant
- World premiere of small minivan ix20 at the Paris Motor Show
- Debut of the independently-developed Nu-Tau GDi engine, RWD 8-speed automatic transmission
- Official car sponsor of G20 Summit

- Development of Korea's first CNG hybrid bus Blue City
- Tau engine selected among Ward's Auto 10 Best Engines in U.S. for 3rd consecutive year
- Hyundai exceeds 500,000 units in annual sales in U.S.
- Development of hydrogen fuel cell vehicle Tucson ix
- 2011 • Introduction of Blue Link at the 2011 Consumer Electronics Show (CES) in U.S.
- World premiere of HCD-XII Curb concept vehicle at the Detroit International Auto Show
- World debut of Veloster at the North American International Auto Show
- Official announcement of Hyundai's new brand direction and slogan "NEW THINKING. NEW POSSIBILITIES." at the North American International Auto Show
- Launch of 5th generation Grandeur
- Launch of production at the Russia plant HMMR in Saint Petersburg
- Signing of deal to become the first official car partner of the International Cricket Council (ICC) from 2011 to 2015
- World premiere of i40 wagon

- ix20 awarded highest five-star Euro NCAP rating
- Launch of construction of Brazil plant in Piracicaba
- Unveiling of D-segment i40 sedan at the Barcelona Motor Show
- Hyundai begins sales of Genesis Prada
- Hyundai exceeds 5 million units in cumulative sales in Europe
- Hyundai ranks 11th among Interbrand's 50 Best Global Green Brands
- World debut of EON by Indian subsidiary HMIL
- i40 awarded 2011 EuroCarBody Golden Award
- Hyundai exceeds 2 million units in sales in cumulative exports to Central and South Americas
- Unveiling of Genesis Coupe
- Hyundai ranks No. 1 in AutoBild's Qualitätsreport for 2nd consecutive year
- Elantra awarded North American Car of the Year
- Gamma engine selected among Ward's Auto 10 Best Engines in U.S.

Progress and Innovation in the Name of Safety

Hyundai has been developing safe car bodies that apply such technologies as special reinforced structures that disperse and absorb shock energy in case of frontal collisions, steel sheets with exceptional absorption power in case of side collisions, and double-structured door impact beams and bars. It has also led the development of automotive air bag systems with the development of its driver and passenger seat air bags, side and curtain air bags, and the recently added knee air bags.





THE RESULT OF
NEW THINKING.
NEW POSSIBILITIES.

Quality and service management, which Hyundai has stuck by without exception, and valuable accomplishments and awards over the past year—all are results of “NEW THINKING. NEW POSSIBILITIES.” A slogan that is at the heart of all Hyundai executives and employees, the premiums contained in every Made in Hyundai car and the emotional services that move every Hyundai customer—all are expressions of “New Thinking. New Possibilities.”

MANAGEMENT PERFORMANCE

THE MOST MEANINGFUL RESULT IS THE SATISFACTION, EMOTION, AND TRUST EXPERIENCED BY THE CUSTOMERS.

Hyundai has been quick to respond to the changing needs of its customers worldwide. As a result, it not only saw its brand value go up in 2011, but also many of the brand's models won awards along the way. As they are meaningful achievements that reflect the satisfaction and trust of the customers, Hyundai will strive even harder in 2012.

Exceptional Results Even amidst the Global Economic Crisis

In 2011, Hyundai Motor Company achieved the significant accomplishment of increasing global sales by 12.4% over 2010 and selling 4.05 million vehicles in the midst of the ongoing global economic crisis. The feat is the result of the good sales of Hyundai's new releases that secured both economic fuel efficiency and attractive design as well as the company's unwavering stance on quality management. Customer trust in Hyundai's cars is on the rise, with the Elantra (Avante), Sonata, and Azera (Grandeur) all surpassing 100,000 units in annual sales each in the Korean market while the Elantra recorded over 180,000 units in sales overseas. In 2012, Hyundai will overcome the global crisis with a lineup of compact and mid-sized cars with superior fuel efficiency. At the same time, it will solidify its basis for sustainable growth even further by expanding its investment and R&D efforts in future growth engines including the continued development of eco-friendly vehicles.

Selected among Best 100 Global Brands for the Seventh Year in a Row

Hyundai Motor Company was included in the 2011 100 Best Global Brands published by the brand consulting company Interbrand for the seventh straight year. After joining the 100 Best Global Brands in 2005 at position 84 with a brand value of USD 3.5 billion, Hyundai steadily increased its position, reaching 61st in 2011. It also achieved the feat of exceeding USD 6 billion in brand value for the first time in its history. In particular, it attained the status of "Fastest Growing Brand" for

the second straight year with a 19.3% increase over 2010. Such an accomplishment was made possible by Hyundai's active pursuit of a global brand management strategy aimed at producing products of world-class quality and competitiveness under the new global brand slogan "NEW THINKING. NEW POSSIBILITIES." that the company established and introduced in 2011. Hyundai will continue to bring new values and experiences that go beyond the expectations of customers through ways that are unique to the brand in an effort to become one of the most beloved brands in the world.

Hyundai's Gamma Engine Recognized among "10 Best Engines" for the Fourth Year

Hyundai's 1.6 Gamma GDI engine was selected by the leading U.S. auto publication Ward's Auto as one of the year's 10 Best Engines in 2012. Another great accomplishment that follows in the footsteps of the Tau engine, which had been picked as one of the 10 Best Engines for three years in a row right before, and proof of Hyundai's competitive edge in engine technology ranging from large to small engines. Developed over 32 months starting from 2007, the Gamma, with a maximum output of 140 ps and a maximum torque of 17.0 kg-m, is a direct injection engine that boasts remarkable performance, high fuel efficiency, and eco-friendliness. It is also Hyundai's highest selling engine, and its designation as one of the 10 Best Engines is expected not only to enhance the brand's image but contribute greatly to increased sales.

▼ Bird's eye view of the Brazil Factory
▼ Gamma 1.6 GDI engine



2011 INTERBRAND RANKING (AUTOMOTIVE)

Ranking	Brand	Brand Value (USD Billion)	+/- vs 2010	2011 Overall Ranking	2010 Overall Ranking	
					Overall	Automotive
1	TOYOTA	27.8	+6%	11	11	1
2	MERCEDES BENZ	27.4	+9%	12	12	2
3	BMW	24.6	+10%	15	15	3
4	HONDA	19.4	+5%	19	20	4
5	VOLKSWAGEN	7.9	+14%	47	53	6
6	FORD	7.5	+4%	50	50	5
7	AUDI	6.2	+13%	59	63	7
8	HYUNDAI	6.0	+19%	61	65	8
9	PORSCHE	4.6	+14%	72	72	9
10	NISSAN	3.8	new	90	-	-

MANAGEMENT PERFORMANCE

Highest in Customer Retention according to J.D. Power and Associates

Hyundai Motor Company ranked the highest among automotive brands in the 2012 Customer Retention Study conducted by the global marketing information company J.D. Power and Associates. The study was based on responses from 117,001 new vehicle buyers and lessees, of which 73,733 replaced a vehicle that was previously acquired new, and measured the rate at which automotive brands retain their existing customers and examined the reasons why customers remain loyal, reflecting such factors as their satisfaction on quality, performance, residual value, maintenance, and after service. Hyundai was recognized as the brand with the highest customer loyalty in the U.S. among 33 ranked brands, with a retention rate of 64%. Meanwhile, Hyundai also ranked third among general brands in the 2011 Vehicle Dependability Study (VDS), a first for the brand, which assesses the number of complaints per every 100 cars three years after purchase in 202 categories that include engine, transmission, driving, and steering. Hyundai went on to receive excellent reviews once again in 2012. Hyundai Motor Company will continue in its steadfast pursuit of quality management and grow as a brand where the customers are the first to recognize the level of the quality of its products.

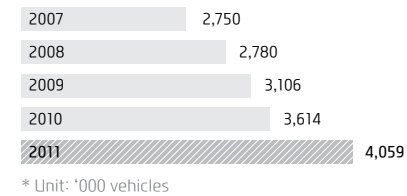
Proven Customer Satisfaction in Product Quality in Germany and America

Leading German motoring magazine AutoBild awarded Hyundai top position in its 2011 AutoBild Qualitätsreport (Quality Report) for the second year running. Beating all other manufacturers, Hyundai won the prestigious honor based on a comprehensive analysis of reliability, long-term quality, and customer satisfaction. One of the most respected quality surveys in the industry, AutoBild's Qualitätsreport award clearly demonstrates the gains Hyundai has made in the quality and competitiveness of its products in Europe, the home of automobiles. Meanwhile, Kelley Blue Book's www.kbb.com reported that for the first time ever, Hyundai took the No. 1 spot in brand loyalty, proving once again the high satisfaction level of Hyundai car drivers.

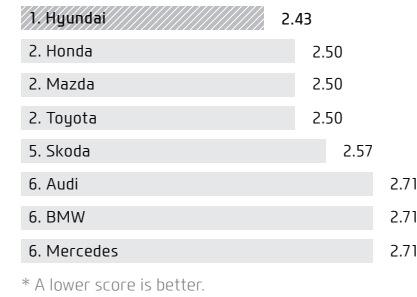
Elantra and Sonata Win the Hearts of Americans

Elantra took top honors in the most exclusive award in North America by being named 2012 North American Car of the Year. Elantra's bold design, which exemplifies Hyundai's Fluidic Sculpture design principles, and its Environmental Protection Agency (EPA)-rated standard fuel economy of 29 mpg city and 40 mpg highway were among the biggest factors in its victory over its competitors. On another note, the Sonata snatched the Best-in-Segment position in Strategic Vision's 2011 Total Quality Index (TQI) in the U.S. The study directly reflects the opinions of customers on the cars they own on such criteria as quality reliability, fuel efficiency, and resale value. Results of the TQI show that Sonata overshadows its competitors in the mid-sized car segment the U.S. in terms of quality, performance, and design. Hyundai will continue to push forward so that customers not only in the U.S. but the world over will be moved by their experience of Hyundai's Modern Premium.

Global Sales Trend



AutoBild 2011 Customer Satisfaction Survey



▼ No. 1 two years in a row in Germany's AutoBild Qualitätsreport
▼ Elantra named 2012 North American Car of the Year



▼ Sonata snatches top spot in the 2011 Total Quality Index mid-sized passenger car segment



AWARDS

**NOW, THE RUSH IS
IN THE HEARTS OF PEOPLE
ALL OVER THE WORLD.**

Made in Hyundai cars are receiving rave reviews from the world's leading automotive assessment agencies in all areas including quality, performance, and design. Hyundai will continue to pour its best into each and every car it develops and produces so as not to disappoint the high expectations of its customers.



CENTENNIAL (EQUUS)

- 2011 No. 1 / luxury sedans, J.D. Power's Automotive Performance, Execution and Layout Study (APEAL), U.S.
- 2011 Top Safety Pick, Insurance Institute for Highway Safety (IIHS), U.S.



GENESIS

- 2011 Best Value Luxury Sedan, Consumer Reports, U.S.
- 2010 No. 1 / near luxury car segment, Strategic Vision's Total Quality Index (TQI), U.S.
- 2010 Special award for highest score, AutoPacific's Vehicle Satisfaction Award (VSA), U.S.
- 2009 North American Car of the Year, U.S.
- 2009 Selected as highly recommended car model / luxury vehicle category, Consumer Digest, U.S.
- 2009 No. 1, J.D. Power's Vehicle Launch Index (VLI), U.S.
- 2009 No. 1 / midsize premium cars, J.D. Power's APEAL Study, U.S.



AZERA (GRANDEUR)

- 2011 Best Car of the Year, Saudi Arabia
- 2011 Best Used Cars Honors, edmunds.com, U.K.



SONATA

- 2011 Top 10 Family Cars of 2011, Kelley Blue Book, U.S. • 2010 Top Safety Pick, IIHS, U.S.
- 2010 Highest score, USA Today's Family Sedan Shootout, U.S.
- 2010 Received highest five-star rating, National Highway Traffic Safety Agency (NHTSA)'s new car evaluation, U.S.
- 2010 Best Mid-size Car of the Year, Middle East Motor Awards, UAE



ELANTRA (AVANTE)

- 2012 North American Car of the Year, U.S. • 2012 Canadian Car of the Year, Canada
- 2011 Residual Value Award, ALG, U.S. • 2011 Top Safety Pick, IIHS, U.S.
- 2011 Middle East Motor Awards (MEMA), Middle East
- 2011 Best Used Cars Honors, edmunds.com, U.K.
- 2011 Received five-star safety rating, Australasian New Car Assessment Program (ANCAP)
- 2011 No. 1 / small car, Consumer Reports' New Top Picks for 2011, U.S.
- 2010 No. 1 in class, 2010 Customer Satisfaction Survey, China Association for Quality, China
- 2009 Most Ideal Car / compact cars, AutoPacific, U.S.



VELOSTER

- 2012 Urban Car of the Year, U.S. • 2011 Canadian Car of the Year, Canada
- 2011 AutoBild & ETG Residual Value Award, Germany
- 2011 Received highest five-star rating, Euro NCAP, EU



ACCENT

- 2011 Canadian Car of the Year, Canada
- 2011 MEMA, Middle East
- 2010 No. 1 / small cars, J.D. Power's Initial Quality Study (IQS), U.S.



i40

- 2011 Received highest five-star rating, Euro NCAP, EU
- 2011 EuroCarBody Golden Award, EuroCarBody Conference



i30

- 2011 Car of the Year, Brazil • 2011 No. 1 Compact Family, Auto Express, U.K.
- 2010 Best Buy / medium hatchbacks, Which?, U.K.
- 2010 Named as UK's most satisfying car, Auto Express, U.K.
- 2010 Selected as Australia's Best Cars for 3rd consecutive year, Australia



i20

- 2010 Australia's Best Cars, Australia
- 2008 Received highest five-star rating, Euro NCAP, EU



TUCSON ix (ix35)

- 2011 Canada 2011 Best New SUV/CUV of the Year, Canada
- 2011 Russia 2011 Car of the Year, Russia • 2011 Spain Car of the Year 2011, Spain
- 2010 No. 1 / compact crossover SUV class, AutoPacific Vehicle Satisfaction Awards (VSA), U.S.
- 2010 Received highest five-star rating, Euro NCAP, EU
- 2010 No. 1 in class, 2010 Customer Satisfaction Survey, China Association for Quality, China



ix20

- 2011 Best Supermini MPV, Auto Express, U.K.
- 2011 Received highest five-star rating, Euro NCAP, EU

QUALITY / SERVICE MANAGEMENT

**FROM QUALITY TO SERVICE,
MOVING CUSTOMERS
IN EVERY WAY.**

Hyundai's quest for exceptional performance, fuel efficiency, and design is an endless mission. On top of that, different ideas and efforts are being put into place so that customers will be moved beyond their expectation every time they meet a Hyundai car.

Quality Management, the First Step to Becoming the Most Coveted Brand

Hyundai's philosophy is that top quality is its most important promise to customers. To keep the promise, Hyundai is making top quality a reality and expanding its high quality image by ceaselessly educating its employees on its way toward becoming the most wanted brand. Thus, rather than content itself with the remarkable growth it has achieved in recent years in terms of quality performance, it continues to pursue actions across the board to improve its quality competitiveness, have zero defects, and attain a luxury image. Through these efforts, Hyundai will come one step closer to becoming a world-leading company armed with global sales competitiveness.

Maximizing Customer Satisfaction through Special Services That Surpass Expectations

Hyundai touches customers with diverse services that go beyond their expectations in terms of care and attention. It was the first to introduce the customer-oriented "before-service" program in the automotive industry, which ensures the safe driving of customers and effective maintenance of their cars. The newly adopted Home-to-Home Service provides pick-up and delivery services to customers at the time and place they want so that they do not need to visit the repair shops themselves. With other value added services in addition to repairs, the program is receiving an avid response from customers. Hyundai tries to be the first to understand what customers really want and puts its findings to practice through services that surpass their expectations, and ultimately, truly move them.

Providing the Highest Value Based on Real Substance Within

Hyundai is making changes from within so that it can continue providing the highest value products and services to its customers. To do so, it nurtures high quality service employees and provides them with high-tech support. To strengthen the technical standard and service mind of Hyundai's service advisors and repairs staff, who are at the forefront of the company's products and services, diverse training programs and certification systems are in place to foster automotive experts who can provide premium value to customers. Since 1995, a Hyundai World Skill Olympics is held every two years to promote the technical capabilities of overseas repairs staff as well as boost their morale. A Global Service Support Center (GSSC) provides next-generation remote diagnosis and support services for difficult repairs, and is garnering the avid response of customers for the speedy and accurate repairs of hard-to-fix problems, which they can receive anywhere in the world. Such efforts reflect Hyundai's service mind that strives to give more benefits to customers, as a result of which they are able to experience the true love and happiness that automotive life can offer.

▼ Before-Service program



▼ Home-to-Home service poster



▼ The 9th Hyundai World Skill Olympics
▼ Global Service Support Center (GSSC)





THE BASIS OF
NEW THINKING.
NEW POSSIBILITIES.

From sales networks to technical research centers, design centers, proving grounds, and factories, Hyundai's bases at home and abroad are the foundation as well as the fruit of "NEW THINKING. NEW POSSIBILITIES." To provide newer, more pleasant automotive life experiences by actively reflecting the needs of local customers, Hyundai continues to mobilize its networks worldwide.



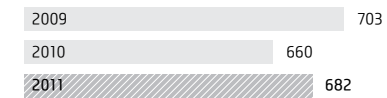


GLOBAL SALES / R&D NETWORKS

HYUNDAI'S FUTURE COMPETITIVENESS LIES IN THE STRENGTH OF ITS SALES AND R&D NETWORKS.

Today's meaningful achievements were made possible by stories of satisfied customers and developments filled with sweat and passion, which go into every Hyundai car. Hyundai is fervently preparing its next products that will once again touch customers worldwide through its global sales and R&D networks.

Domestic Sales



* Unit: '000 vehicles

Overseas Sales



* Unit: '000 vehicles

A Global Sales Network Reaching the Four Corners of the World

Hyundai introduces a diverse product lineup armed with world-class competitiveness to customers in 200 countries through some 6,000 dealers and 32 overseas sales and production subsidiaries.

In addition, by establishing production bases in the central areas of each region, Hyundai actively targets the local markets. Hyundai has been responding to the needs of each market by operating production facilities in the large emerging markets of India and China (both with their second factories), Turkey, Czech Republic, and Russia. Hyundai will expand its global network further with a third plant in Beijing, China, and a new factory in Brazil.

Technical Research Centers, the Base Camp for Global Leadership

Namyang Technical Research Center, Korea

Hyundai's Namyang Technical Research Center in Hwaseong City, Gyeonggi Province, is a world-class integrated research complex equipped with a planning center, design center, power train center, wide tunnel facilities, collision testing facilities, and a comprehensive proving ground. Over 10,000 researchers are working constantly to develop the world's best vehicles in performance, quality, and eco-friendliness.

Mabuk Environmental Technology Center, Korea

The Mabuk Environmental Technology Center in Yongin City, Gyeonggi Province, is pushing forward in the research of technologies that will lead the eco-friendly automobile industry, such as the development of next-generation eco-friendly vehicles including hydrogen fuel cell cars, automotive recycling technologies, and eco-friendly clean production technologies.

Korea Central Research Institute

The Korea Central Research Institute in Uiwang City, Gyeonggi Province, focuses on fundamental research in cutting-edge materials and new analytical technologies as well as studies in the fields of environment and energy, intelligent safety, and human engineering for the purpose of developing new frontiers for future growth.

U.S. Technical Center

With headquarters in Ann Arbor, Michigan, and a technical center and proving ground in California, the U.S. Technical Center is a cutting-edge institute that oversees automotive research and development focused on meeting American driving expectations.

Europe Technical Center

Located near Frankfurt, Germany, the Europe Technical Center is a high-tech multifunctional building that comprises engineering centers for developing high quality automobiles as well as engines that meet European environmental regulations.

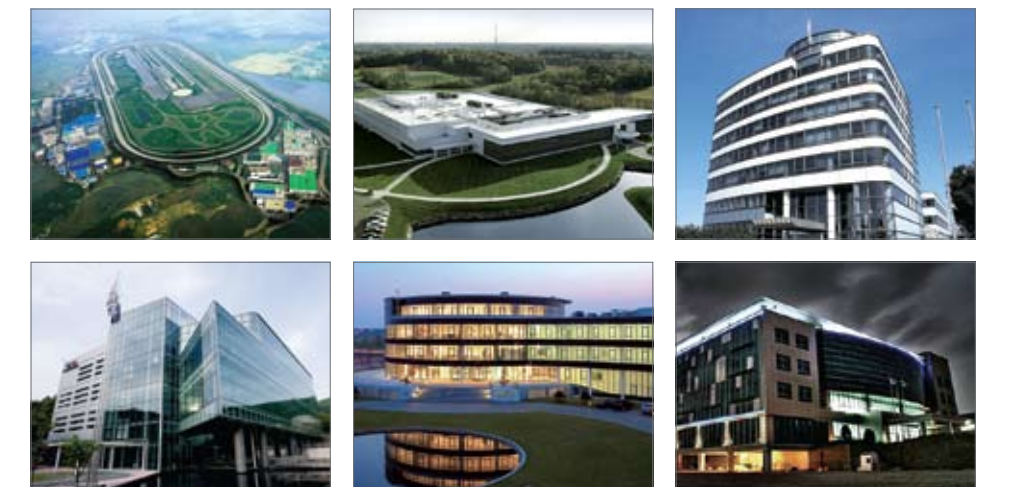
Japan Technical Center

Located in Yokohama, the Japan Technical Center concentrates on developing cutting-edge electronic and hybrid technologies.

India Technical Center

Located in Hyderabad, India's "IT city," the India Technical Center is actively supporting the design and analytic research of automobiles as well as the development of products suited to the local market.

- ▼ Namyang Technical Research Center
- ▼ U.S. Technical Center
- ▼ Japan Technical Center
- ▼ Mabuk Environmental Technology Center
- ▼ Europe Technical Center
- ▼ India Technical Center



Design Centers, Creator of Global Trends

Namyang Design Center

With a video evaluation area, interior evaluation area, CAVE system, supercomputers, and other cutting-edge design facilities, over 400 top designers create global trends at this center through vehicle interior and exterior styling, computer-assisted digital simulations, and new color developments.

U.S. Design Center

Located in Irvine, California, the U.S. Design Center sprawls across 33,058 m² of land where top designers gather to swiftly analyze market preferences and create designs that cater to the tastes of local customers.

Europe Design Center

In collaboration with the Europe Technical Center in Frankfurt, Germany, this center plays a central role in the development of designs that are suited to the needs and lifestyles of European customers as well as the development of high quality vehicles.

Proving Grounds, Ensuring Strict Testing through Advanced Equipments

Ulsan Proving Ground, Korea

The comprehensive proving ground in Ulsan, the first of its kind in Korea, has 19 tracks and high speed circuits on an area of 660,000 m².

Namyang Technical Research Center Proving Ground, Korea

The Namyang Technical Research Center Proving Ground is a facility of world-class scale, with 34 tracks including Belgian and low friction routes spread over a 1.7 million m² site. It features a 4.5 km long high-speed track with other test circuits totaling more than 70 km.

California Proving Ground, U.S.

The California Proving Ground is 10 times the size of the Namyang facility, sprawling over 17,520,740 m² with more than 250 km of track. It cost USD 60 million to construct this vast test drive facility in the Mohave Desert. The largest high speed circuit has a 10.4 km long elliptical three-lane track, on which cars can be driven at speeds of up to 250 km/h. It is used for various high speed and durability tests including maximum speed testing.

▼ U.S. Design Center
▼ Europe Design Center



▼ High-temperature testing



▼ California Proving Ground, U.S.
▼ Electronic system test



**EUROPE
MIDDLE EAST
AFRICA**

- Sales companies
- Research centers
- Local headquarters

- Hyundai Motor CIS (HMCIS)
- Hyundai Motor Norway AS (HMN)
- Hyundai Motor United Kingdom, Ltd. (HMUK)
- Hyundai Motor Espana, S.L. (HMES)
- Hyundai Motor Europe Technical Center GmbH (HMETC)
- Hyundai Motor France SAS (HMF)
- Hyundai Motor Company Italy (HMCI)
- Hyundai Motor Europe GmbH (HME)
- Hyundai Motor Deutschland GmbH (HMD)
- Hyundai Motor Czech s.r.o. (HMCZ)
- Hyundai Motor Poland (HMP)
- Eastern Europe regional headquarters
- Africa regional headquarters
- Eastern Europe regional headquarters for commercial vehicles
- Middle East regional headquarters
- Africa & Middle East regional headquarters for commercial vehicles



**NORTH AMERICA
CENTRAL &
SOUTH AMERICAS**

- Sales companies
- Research centers
- Local headquarters

- Hyundai Auto Canada (HAC)
- Hyundai America Technical Center Inc. (HATCI)
- Hyundai Translead (HT)
- Hyundai Motor America (HMA)
- Hyundai U.S. Design Center
- Central & South America regional headquarters



ASIA & PACIFIC

- Production/sales companies
- Sales companies
- Research centers
- Local headquarters

- Hyundai Motor Japan Technical Center
- Hyundai Motor Japan (HMJ)
- Beijing Hyundai Motor Company (BHMC)
- Hyundai Motor Group China (HMGC)
- Global support center (China)
- India production/sales corporation (HMI)
- India Technical Center
- Asia-Pacific regional commercial headquarters
- Asia-Pacific regional headquarters
- Hyundai Motor Company Australia (HMCA)



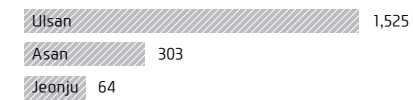


GLOBAL PRODUCTION SYSTEMS

**ENLARGING HYUNDAI'S
STAGE WORLDWIDE
THROUGH STRATEGIC
AND LOCALIZED GLOBAL
PRODUCTION SYSTEMS.**

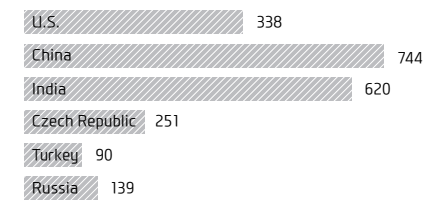
Hyundai is strategically setting up state-of-the-art global production systems around the globe to accurately grasp and swiftly reflect the lifestyles and preferences of local customers. This not only is received favorably by customers, but is helping Hyundai enlarge its foothold worldwide.

2011 Productions (Korea Factories)



* Unit: '000 vehicles

2011 Productions (Overseas Factories)



* Unit: '000 vehicles

▼ Ulsan Factory

▼ Asan Factory



**The World's Biggest and Best Working
Environments, Right Here in Korea**

Ulsan Factory, the World's Largest Single Factory
Ulsan is Hyundai's main factory with an annual capacity of 1.5 million units, made up of five independent manufacturing facilities on a 5,050,000 m² site where over 34,000 employees produce an average of 6,000 vehicles per day. In addition, it has a dedicated pier where three 50,000 ton ships can dock at once. With some 590,000 planted trees and state-of-the-art environmental protection facilities, it is also widely known to locals as the "forest factory."

**Asan Factory, Where Good Working Conditions
Translate to Good Cars**

Asan is a fully self-sufficient factory that produces 300,000 units of mid- and large-sized cars annually for strategic export. With a bright and pleasant working environment centered on people and nature, this factory proves that the quality of the working environment translates directly to the quality of the products.

**Jeonju Factory, the World's Biggest Production
Center for Commercial Vehicles**

The Jeonju Factory, with an annual production capacity of 125,000 vehicles, is a plant specializing in commercial vehicles. It produces trucks that weigh 2.5 tons or more, mid- and large-sized buses seating 25 passengers or more, and specially equipped vehicles.

**State-of-the-Art Factories in the Major
Centers of the World**

**Alabama Factory, Playing a Leading Role in
Opening Up the U.S. Market**

Inaugurated in May 2005 in the heart of the U.S. market, the biggest battleground of global auto-makers, continuously improved productivity and quality have added to the renown of the Alabama Factory. After reaching the 10th place among 37 North American factories in its first year of operations, the press factory for three years in a row since 2009 and the engine factory and the Sonata model for two years in a row since 2010 have topped the North American automaker productivity survey of the Harbor Report. Elantra, one of the models produced in Alabama, received the honor of being selected as the 2012 North American Car of the Year. After reaching the 300,000 unit threshold in 2010, the Alabama Factory in 2011 surpassed 1 million units in cumulative production for the Sonata model and set an annual production record of 338,127 units, proving both in name and reality its leading role in Hyundai's global success.

**China Factories, Optimum Production Systems
to Preempt the Chinese Market**

In 2011, the China Factories recorded 740,000 units in production and sales, making China the biggest market for Hyundai. Currently, the first and second factories in Beijing produce 300,000 units each, totaling an annual production capacity of 600,000 units. To keep pace with the steadily growing Chinese market, a third factory with an annual capacity of 400,000 units is under construction and will be finished by July 2012, bringing the total Chinese production capacity to 1 million vehicles per year and serving as a firm foothold for Hyundai's expansion into the Chinese automotive market.



GLOBAL PRODUCTION SYSTEMS

India Factories, World-Class Center for the Production and Sales of Small Cars

The India Factories are a comprehensive production facility that can independently handle functions ranging from R&D to testing, manufacturing, and sales of products adapted to local needs. A second factory was built in 2008, raising the annual capacity to 600,000 units. India is the production base for the exclusive overseas small-sized models EON, i10, and the i20 targeting the European market, which are exported to 120 countries around the world. Through diverse actions from pursuing a strict strategy of localization up to sponsoring the International Cricket Council (ICC) Cricket World Cup, India achieved the valuable feat of producing 619,785 vehicles and selling 616,039 in 2011.

Czech Factory, a Bridge for Expanding Market Share in Europe

The Czech Factory, located in Central Europe, exceeded 300,000 units in total production in November 2010, only two years after it began operations in November 2008. In addition, Hyundai was the first automotive manufacturer to be awarded the Star Plus Quality Award by the Czech Quality Award Association, which further solidified the plant's role as a bridge for expanding market share in Europe.

Turkey Factory, Preparing a Foothold into the European Market

The Turkey Factory, which increased its annual production capacity from 60,000 to 100,000 units in March 2007, is in a strategic location that links Europe, Africa, and the Middle East. Through the localized manufacturing of the Accent and i20, the plant is contributing greatly to the expansion of exports in the region.

Russia Factory, the Fastest Growing Car Manufacturer in Russia

The Hyundai Motor Manufacturing Russia (HMMR) plant, with an annual production capacity of 150,000 units, began mass production of cars with the Solaris (Accent) model in January 2011. In May, it started manufacturing Solaris in hatchback body. In October, HMMR celebrated the production of its 100,000th vehicle, and by the end of 2011, the Russian plant was the leading car manufacturing enterprise in Saint Petersburg, covering more than 54% of the city's total car production. It was proclaimed "Investor of the Year" by one of the country's most influential economic magazines Expert. The Solaris model produced at the plant has also been awarded by leading Russian car industry media such as Za Rulem and Klaxon. HMMR increased its manufacturing capacity to 200,000 vehicles a year in end-2011. It will continue its legacy as Hyundai's best factory overseas.

Brazil Factory, Gateway to the Latin American Market

The Brazil Factory will serve as a gateway to Central and South Americas by establishing a production base in the region's biggest market. After the groundbreaking ceremony in February 2011, the plant will begin production of small passenger cars catering to the style, performance, and fuel efficiency needs of the Brazilian market in end-2012, and is expected to greatly contribute to expanding Hyundai's market share in the region.

▼ China manufacturing base
▼ India manufacturing base



▼ Automated facilities in St. Petersburg, Russia



▼ Russia Factory



**EUROPE
MIDDLE EAST
AFRICA**

- Local production companies
- Local assembly plants

- Hyundai Motor Manufacturing Russia LLC (HMMR)
- Hyundai Motor Manufacturing Czech s.r.o. (HMMC)
- Ukraine CKD assembly facility (BOGDAN)
- Hyundai Assan Otomotive Sanayi Ve Ticaret (HAOS)
- Russia CKD assembly facility (TagAZ)
- Egypt CKD assembly facility (ITAMCO)
- Sudan CKD assembly facility (GIAD)



**NORTH AMERICA
CENTRAL &
SOUTH AMERICAS**

- Local production companies
- Local assembly plants

- Hyundai Motor Manufacturing Brazil (HMB)
- Brazil CKD assembly facility (CAOA)
- Venezuela CKD assembly facility (MAV)
- Hyundai de Mexico (HYMEX)
- Hyundai Motor Manufacturing Alabama (HMMA)



ASIA & PACIFIC

- Production/sales companies
- Local assembly plants
- Other

- Taiwan CKD assembly facility
- Beijing Hyundai Motor Company (BHMC)
- China CKD assembly facility
- Beijing Jingxian Motor Safeguard Service Co., Ltd.
- Pakistan local assembly plant
- India production/sales corporation (HMI)
- Vietnam CKD assembly facility
- Malaysia CKD assembly facility 1
- Malaysia CKD assembly facility 2
- Indonesia CKD assembly facility

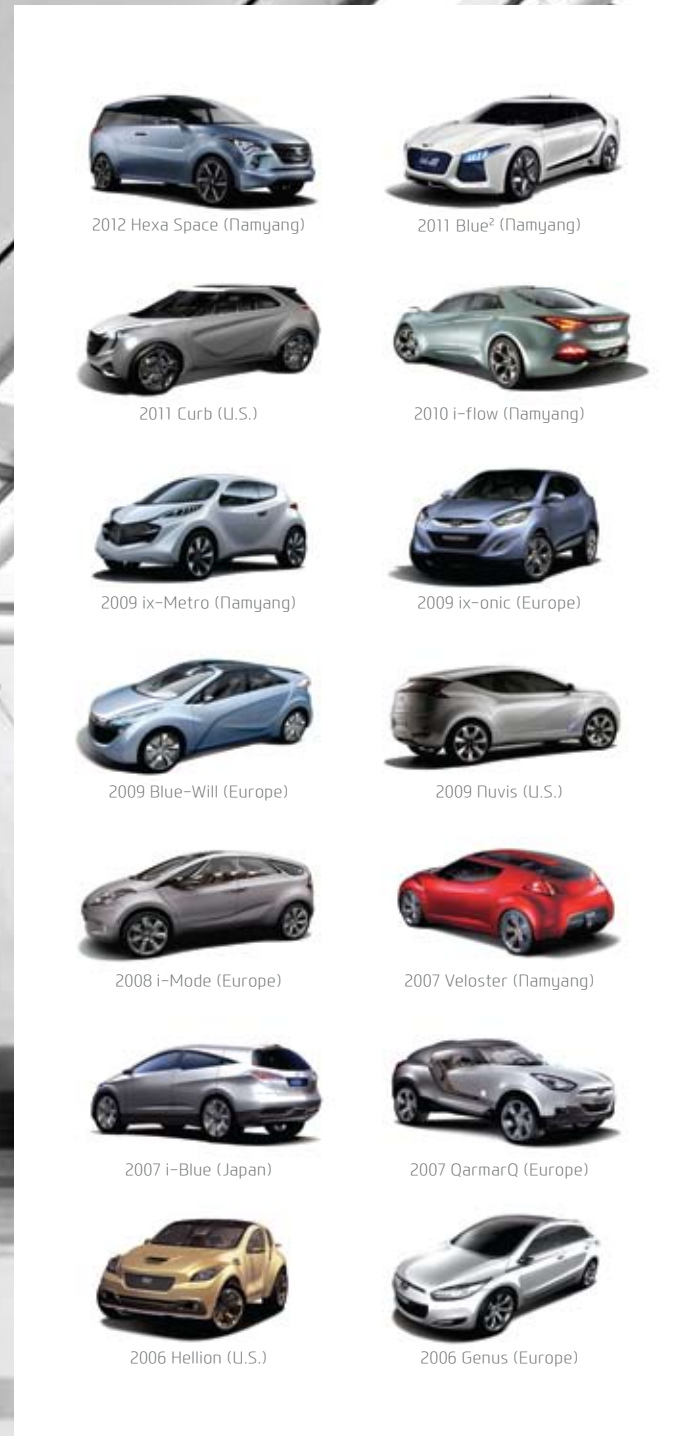




THE VALUE OF
NEW THINKING.
NEW POSSIBILITIES.

Hyundai's NEW THINKING and NEW POSSIBILITIES can also be felt in its design philosophy and technologies. Cars as living works of art that convey the flowing dynamism of nature—that is Hyundai's Fluidic Sculpture design aesthetic. Not only that, Hyundai sponsors many sports games, and constantly explores new ways to communicate with customers using new media. Its ongoing environmental management and contributions to society are now more than just a slogan, and are becoming a way of life that is uniquely Hyundai.





CONCEPT CARS

THROUGH TECHNOLOGY AND DESIGN, MAN'S DREAM CAR AND NATURE'S DREAM CAR BECOME ONE.

Concept cars embody the future direction of an automotive company; they are the epitome of an automaker's R&D competitiveness. Hyundai delivers new values to customers through its concept cars, which are concrete expressions of Hyundai's "NEW THINKING. NEW POSSIBILITIES." and its Modern Premium.

HED Series: Exemplifying Eco-friendliness, Utility, and Design for the European Market

The HED series developed by Hyundai's Europe Design Center began with the small Multi Purpose Vehicle (MPV) concept car HED-I, which was unveiled at the Geneva Motor Show in 2005, and is now at its HED-VIII series. The i-flow (HED-VII), which premiered in 2010, still continues to be in the spotlight worldwide for its design exemplifying Hyundai's Fluidic Sculpture aesthetic and its advanced eco-friendly technology. The i-oniq, which debuted at the 2012 Geneva Motor Show, is a coupe-style hatchback seating four passengers, which was developed with the European market in mind. It is an electric car with extended driving distance, which comes with both a recharging system and an engine. It overcame the limitations of an electric car in terms of driving distance through a system whereby when the battery is charged, the vehicle is switched to the electric car mode, and when the battery is depleted, the motor and engine are activated.

HCD Series: Combining Quality and Sensibility for the Needs of North American Customers

The U.S. Design Center unveiled Nuvis (HCD-XI), a concept car incorporating Blue Drive, Hyundai's strategy on eco-friendly technology development, at the 2009 New York Motor Show where it garnered much enthusiasm. In 2011, Hyundai surprised the world again when it introduced the small CUV concept car Curb (HCD-XII) in Detroit. Curb was hailed for its high-tech design and cutting-edge information technology such as Blue Link, all attractively packaged to appeal to the needs and sensibilities of younger customers.

HND Series: Innovations to Lead Different Automotive Needs

The Namyang Design Center, Hyundai's base camp for car development, triggered a great response from the automobile industry in 2009 with concept cars that blended both design and utility such as the company's first ever plug-in hybrid concept car Blue-Will and the hybrid CUV ix-Metro. The Blue² (HND-VI), which debuted at the 2011 Seoul Motor Show, is a fuel cell vehicle with a sporty and luxury style, which embodies Hyundai's will to preempt the fuel cell vehicle market and develop future-oriented sedans. In January 2012, the company unveiled HEXA SPACE at the Deli Motor Show, an eight-passenger MPV aimed at new emerging markets. The unique seat design, versatility of the seats, innovative door design, and touch screen center fascia are just a few of the details that incorporate the needs of families living in cities. Hyundai will continue its efforts to develop concept cars based on "NEW THINKING. NEW POSSIBILITIES." in the future.



▼ 2012 i-oniq (Europe)



INNOVATIVE TECHNOLOGIES

**INNOVATIVE TECHNOLOGIES
TAKE HYUNDAI ONE STEP
CLOSER TO ACHIEVING
BOTH PERFORMANCE AND
ECO-FRIENDLINESS.**

Eco-friendliness is a key element that is taking on a bigger and bigger importance in the industry. Therefore, developing innovative technologies that allow both great driving performance through exceptional engines, power trains, and exhaust systems, etc. as well as eco-friendliness has become the most important task for all automakers. Through continued R&D, Hyundai now has a full lineup of independently-developed engines in its portfolio, to which it plans to add eco-friendly transmissions and exhaust systems in its march toward the future.

Armed with Both Power and Precision to be the Best in Class Power Trains

From compact cars to passenger and commercial vehicles, the power train center is responsible for developing the heart of every car. With independently made engines, transmissions, and eco-friendly exhaust systems, Hyundai boasts a full lineup of model engines. Hyundai continues to work hard to develop power trains that will be recognized as the best in their class by the world over.

A Wide Range of the Highest Performance Engines Recognized by the World

Hyundai's powerful history in engines dates back to 1991 when it developed the Alpha engine, marking the birth of independent Korean automotive technology. In 2004, Hyundai's Zeta engine became the first to be exported from Korea to a developed country, which displayed the technical ability of the Korean automobile industry to the world and raised the brand's recognition. Hyundai's Tau engine received the Ward's Auto Top 10 Best Engines award, known as the Academy Awards of engines, for three straight years up to 2011. In 2012, the Gamma 1.6 GDI engine, developed for compact cars, followed in the Tau's footsteps, not only giving Hyundai the honor of winning the prestigious award for four straight years, but also proving to the world that it had a comprehensive portfolio of large to small engines of world-class competitiveness. In 2009, Hyundai developed the R passenger diesel engine, the first in Korea to meet Euro-5 regulations and classified as a low-emission engine for the Seoul metropolitan area. In 2010, Hyundai developed a passenger diesel engine for the Europe-specific model U2-1.7, which it successfully launched in Europe, the home of diesel engines, and firmly established itself as a Global Top 5 company.

Next-Generation High Performance Eco-Friendly Transmissions

Hyundai is doing its utmost to develop high performance eco-friendly transmissions that incorporate diverse customer needs in an effort to lead the global transmissions market. In particular, the successful development of the six-speed 2WD automatic transmission and the hybrid continuously variable transmission (CVT) for LPI use in 2009 placed Hyundai in a leading position on the international market. In 2011, the company was the first to debut an eight-speed RWD automatic transmission, displaying once again its world-class technological prowess. As for manual transmissions, Hyundai developed a double clutch transmission (DCT) that automatically syncs the driver's clutch and gear manipulations through an actuator. Mounted on the Veloster, it took the world of manual transmissions a step further by improving fuel efficiency and driving comfort.

Eco-Friendly Exhaust Systems with the Earth in Mind

The power train center is working on ways to improve combustion efficiency, reduce weights, develop low friction and improved motor efficiency technologies, and accelerate the development of power trains for hybrid vehicles in order to obtain better fuel efficiency and minimize air pollution caused by gas emissions. In addition, a highly efficient exhaust gas cleaning system is being developed, which reduces harmful gases emitted from low pollution engines one more time, which not only responds to the increasing restrictions on emissions but also leads the way in the production of eco-friendly vehicles.



GAMMA 1.6 GDI ENGINE

Year of first mass production : 2010
Models : Avante, Accent
Capacity (ℓ) : 1.6
Maximum power (ps) : 140
Maximum torque (kg·m) : 17.0



R 2.2 CRDI ENGINE

Year of first mass production : 2009
Models : Santa-Fe, Tucson
Capacity (ℓ) : 2.0 / 2.2
Maximum power (ps) : 184 / 200
Maximum torque (kg·m) : 40.0 / 44.5



U2-1.7 CRDI ENGINE

Year of first mass production : 2010
Models : i40, ix35
Capacity (ℓ) : 1.6 / 1.7
Maximum power (ps) : 128 / 140
Maximum torque (kg·m) : 26.5 / 33.0

▼ Dual-CVVT



▼ RWD six-speed auto transmission



TAU 5.0 V8 ENGINE

Year of first mass production : 2008
Models : Genesis, Centennial (Equus)
Capacity (ℓ) : 4.6 / 5.0
Maximum power (ps) : 390 / 435
Maximum torque (kg·m) : 46.0 / 52.0

▼ RWD eight-speed auto transmission



PRODUCT LINEUP 1

HYUNDAI, WITH YOU NOW AND ALWAYS.

The many names of Hyundai, offering joy to people all over the world through style and performance, practicality and utility, or by simply being there. With a sense of satisfaction that grows over time, Hyundai will make all the moments customers share with it be remembered as moments of happiness and success.

CENTENNIAL (EQUUS) : Elegant Beauty & Charisma
The essence of Hyundai's advanced engine technology is found on the Centennial, with its Lambda 3.8 MPI and Tau 4.6 MPI engines. Flowing with the times and at the same time leading it, it is Korea's most prestigious luxury sedan.

GENESIS : Elegant and Unique Sedan
Placing first in J.D. Power's 2012 Vehicle Dependability Study (VDS), Genesis continues to be recognized by the world over as Hyundai's most representative luxury sedan.

GENESIS COUPE : Real Luxury Sports Coupe
The newly introduced Genesis Coupe sports a more dynamic and individualistic design and exceptional power to offer a faster-paced, exciting life.

AZERA (GRANDEUR) : Premium-Tech Sporty Sedan
Inspired by the magnificent descent of a soaring eagle, the Azera is synonymous with the history of the luxury sedan in Korea. It has always fulfilled the desires of leaders looking for driving pleasure by featuring Hyundai's latest technologies.

SONATA : A Full-Sized Luxury Sedan
With 27 years of history and renown under its name, Sonata, Hyundai's most famous mid-sized sedan, is back with a design inspired by the fluid dynamism of an orchid and high performance engines.

SONATA HYBRID : Let's Start, Hybrid
Style, dynamic performance, and eco-friendly technologies for a better tomorrow. Hyundai's Sonata Hybrid lets drivers experience the new tomorrow of hybrid vehicles.

ELANTRA (AVANTE) : Sharp & Elegant Sedan
Elantra, beloved by the world over, conveys the very essence of a compact sedan through a dynamic performance. It was named as 2012 North American Car of the Year, the most exclusive award in North America.

VELOSTER : Unique Styling
Veloster was born as Hyundai's communication brand incorporating the innovative cultural and emotional values of the new generation. With one door on the driver's side and two doors on the pas-



senger's side, Veloster's refreshing take on style has captivated the hearts of young people all over the world.

ACCENT : A Small Wonder
New concept near mid-sized sedan equipped with dynamic style and cutting-edge features for the Style Guy living the most passionate and energetic period of his life.

i40 / i40 Sedan : Modern, Simple and Rational
European sensibility and premium exemplified in a new concept CLV that marries style and utility.

i30 : Stylish and Smart
The i30 inspires with its sporty style that appeals to the senses, a truly luxurious interior space, and high performance engines. Stylish and smart, the i30 is always in fashion.

i20 : Carrying on the i Series Legacy
Beloved by Europeans looking for style and efficiency, the all-new i20 is now eco-friendly, too, with a newly developed eco-friendly U2 diesel engine.

i10 : Stylish and Fresh
Whizzing through the backstreets of Europe, the i10 is exactly what Europeans have been waiting for in style, utility, and eco-friendliness.

Veracruz (ix55) : Trust in First Impressions
Veracruz created a new genre in automobiles—the Luxury Utility Vehicle. A majestic and dignified style fused with eco-friendly performance has created Hyundai's most advanced SUV.

Santa Fe : Tough Outside, Comfortable Inside
Santa Fe sets the standard for the family SUV, at home, offroad, or in the suburbs.

TUCSON ix (ix35) : Good Looks Make for Art
Just like its slogan, Tucson ix is the sexiest thing to move. From the SUV's attractive design to the smallest details, Tucson ix is style itself.

ix20 : Multi-Purpose Vehicle
Dynamic style and versatile functionality, on top of a Euro NCAP five-star safety performance, make the ix20 the latest big player in the small MVP category.



PRODUCT LINEUP 2

HYUNDAI'S COMMERCIAL VEHICLES, SHINING THROUGH WITH STYLE AND PERFORMANCE ON AND OFF THE SCENE.

The true value of Hyundai's commercial vehicles starts shining through in the city. Sophisticated style and easy mobility make them stand out on any street. However, the scene of the business is where the performance, durability, and utility of Hyundai's commercial vehicles can be witnessed the best. Hyundai is creating success stories with its customers in diverse business sectors.

H-1 (GRAND STAREX) : Modern and Powerful, the Best Partner for Both Business and Pleasure
A dynamic and urban design, thoughtful consideration of user convenience such as the seat variation feature, maximum five-star EURO NCAP rating, efficient technologies, and robust stability make the H-1 simply perfect for both business and pleasure.

UNIVERSE : Luxury beyond Imagination
Sophisticated style, powerful performance ensured by the independently-developed Powertech engine, comfortable ride, and easy maintenance make the Universe first class all the way.

SUPER AERO CITY : Elegant Journeys Begin Here
Super Aero City provides a superb exterior and an ergonomic driver's seat and instrument panel that offer a comfortable passenger car-like driving experience. Expanded wind shield and vertical-type MFR headlamps not only ensure safe driving but also offer a luxurious feeling.

AEROTOWN : Remarkable Performance Combined with Driving Pleasure
The redesigned front bumper absorbs low impact forces better while stylish headlamps add a note of sophistication. Passenger comfort is maximized with ergonomically contoured seats. On top of it all, Aero Town is easy to drive thanks to the advanced steering system.

COUNTY : A Coach with a Passion for Travel
Futuristic and unique, County's style beautifully harmonizes with its practical personality. Rounded edges and flush fitting surfaces contribute to a clean, simple image.



H-1 (GRAND STAREX)

AEROTOWN

COUNTY



HD120

MIXER TRUCK

CARGO TRUCK



H-100

HD45



TRACKER TRUCK

HD65 / 72 / 78

DUMP TRUCK

H-100 : Fresh Styling and Top Dynamic Performance
The stronger and quieter H100, with its relaxed character lines and a new quality of comfort, comes with an efficient cargo space that allows convenient cargo loading and unloading up to 1 ton, a high performance diesel engine, and a safer and more powerful brake system.

HD45 : Upload Your Dream
Ideal for heavy traffic operation, the narrow 1,760 mm width of the Hyundai HD45 also fits it to city streets. A clean exterior style and integrated details such as the driver's step and rear cab protection means it looks good, too.

HD65 / HD72 / HD78 : Ready, Willing, and Equipped to Deliver
The Hyundai HD series bring a new dynamism and capability to light and medium duty trucks. Tough but stylish, comfortable and dependable, the HD series offer the perfect vehicle to meet the demands of the trucking business.

HD120 : Less Is More
The Hyundai HD120 sets the standard in the medium duty truck category by combining top performance, reliability, and economy.

CARGO TRUCK : Move Ahead with Hyundai
With an unbeatable top performance, the Hyundai cargo truck is built tough to run reliably and economically, working around the clock to carry maximum payloads often under extreme road conditions.

DUMP TRUCK : Outstanding Performance with Enhanced Durability
The newly reinforced heavy-duty Hyundai dump truck provides greater durability and superior performance, responding exactly to customer needs.

MIXER TRUCK : Ready to Take on Heavy Loads
The Hyundai mixer truck offers the best value for money today. Built for construction and ready to take on heavy loads, it offers the perfect "mix" of performance, price, and reliability with top mixing and pouring performance and ruggedized construction for a long service life.

TRACKER TRUCK : Designed for Perfect Business
The Hyundai tractor truck delivers more cost-effectiveness, high payload, and maximum vehicle performance in long-distance transport.



UNIVERSE

SUPER AERO CITY

SUPER AERO CITY



Moving the

World



Together



As an automotive company, Hyundai looks for new ways to contribute to humanity, society, the environment, and the future, and puts them to practice one by one. It is because moving people's hearts is harder and even more valuable than making cars.



GLOBAL MARKETING

INTEREST AND AFFECTION FOR HYUNDAI, GROWING AS STRONG AS THE WORLD'S PASSION FOR SPORTS.

Over the years, Hyundai has continued to sponsor various sports games such as football, which bring the whole world together regardless of race or nationality. It also participates in the leading motor shows of the world where it introduces the company's latest technologies and designs so that customers can get a chance to experience the future of automobiles in advance.

Hyundai's New Football Marketing, NEW THINKING. NEW POSSIBILITIES.

Over the years, Hyundai has been actively participating in various global sports events that bring the whole world together, and has raised its brand value as a result. Recently, it has diversified its sponsorship portfolio to include not only football but also other sports such as cricket and golf to reach sports fans of different regions and classes. Hyundai began to forge connections with the European soccer league UEFA and the international soccer league FIFA in 1999. Starting with the 2002 Korea Japan World Cup, it went on to officially sponsor the 2006 Germany World Cup, Euro 2008, and the 2010 South Africa World Cup. This year, it will operate a "Team Hyundai" composed of five world-class footballers from major national teams at Euro 2010, co-hosted by Poland and Ukraine, as well as organize test drives and cheering events in the streets all over Europe, promising football fans interesting programs and unforgettable memories while raising the brand's awareness across the world. One of Hyundai's most popular street events, the Goodwill Ball, will be newly introduced in a digital version that will allow people to cheer from anywhere in the world and thus help the brand to reach more customers.

Heightened Brand Awareness through Increased Sports Sponsorships

Hyundai participated as an official sponsor of the ICC Cricket World Cup held in February 2011, and bonded with customers through a variety of exciting programs on site including cheering events and First Ball Tour road shows. In the latter half of 2012, Hyundai will sponsor the ICC World T20 championship games to be held in Sri Lanka, and organize various events in Europe and Asia Pacific. Meanwhile, Hyundai once again successfully supported the Hyundai Tournament of Champions as the title sponsor in 2012, which it inaugurated in 2011 as an opening game to kick off the Professional Golfers' Association of America (PGA) season. Hyundai not only provided cars to the players, but also displayed luxury and eco-friendly vehicles in various spots to introduce the quality and advanced technology of its cars to visiting golf fans. In addition, an Equus model car tee marker was developed, a creative branding effort that gained the attention of the press. Other than that, Hyundai started to sponsor the winter sport ski jumping from 2012. The Ski Jumping World Cup series and the Ski Flying Championship organized by the Fédération Internationale de Ski (FIS) will provide an opportunity to Hyundai to strengthen its brand power and product awareness in Northern Europe.



UEFA Euro 2012

UEFA European Football Championship is the main football competition of the men's national football teams governed by UEFA. Held every four years in the even-numbered year between the World Cup games, the first tournament was held in France in 1960. Poland and Ukraine will co-host this year's championship, to be held from June 8 to July 1, where 16 qualifying countries out of a total of 51 countries will compete against each other to win the championship title.



▲ "Team Hyundai" composed of five world-class footballers as ambassadors of the brand

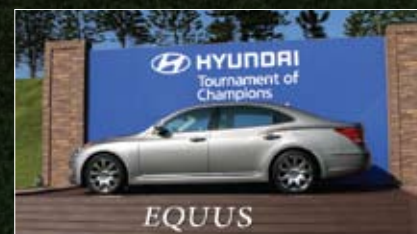


▲ Official Euro 2012 cars

▲ Euro Zone featuring Euro 2012 official mascot and trophy at the Frankfurt Motor Show

▼ Vehicle display at FIS (Fédération Internationale de Ski) championship

▼ Equus showcased at the Hyundai Tournament of Champions



Motor Shows, a Testing Ground for Measuring the Marketing Power of Automakers

Hyundai has been presenting the fruits of its futuristic automotive technologies at not only the world's major motor shows held in Europe and China but also the important motor shows of new emerging markets. It has also been diversifying the content of its exhibitions so that visitors may experience the brand and its Modern Premium concept in new ways. At the same time, it has been introducing new exhibition techniques and showcasing a wide variety of contents ranging from IT exhibits linked to cars to interactive displays. Recently, Hyundai has been diversifying its list of events in an endeavor to raise its image as a leading high-tech automotive brand in various sectors, including the participation in the Consumer Electronics Show (CES) held in Las Vegas, U.S. where it introduced its telematics brand Blue Link to the North American market. In 2011, it conceived a new booth design that could be used for all major motor shows in the world, which it launched with the Frankfurt Motor Show, and thus established a framework for conveying Hyundai's brand identity in a more effective way.

Opportunities to Go Beyond Modern Premium to Deliver "Future Premiums"

Hyundai will keep delivering to customers the message of how its cars are helping to open the way to dreams and a new future through various motor shows held throughout 2012. As a first step, Hyundai participated in the Geneva Motor Show, the first major motor show in Europe of the year, where it communicated its "NEW THINKING. NEW POSSIBILITIES." to consumers in the region and laid the groundwork for changing their preconceived ideas of the brand. Furthermore, it left a deep impression of the superior design and quality of its cars with the unveiling of such new models as the premium hatchback hybrid concept car i-oniq targeted at the European market as well as strategic European models like the i30 wagon and the i20. Meanwhile, Hyundai plans to continue to propose new ways to experience its brand story by setting up a Brand Museum in a separate area of the motor shows and organizing exhibitions that allow for two-way communication with consumers.



▼ World premiere of the concept car i-oniq at the 2012 Geneva Motor Show

▼ CES (Consumer Electronics Show)



▼ Interactive display at the 2011 Geneva Motor Show

▼ Interactive display at the 2011 Frankfurt Motor Show



▼ New FFT booth design at the 2011 Frankfurt Motor Show



NEW MEDIA MARKETING

NEW MEDIA, HELPING HYUNDAI COMMUNICATE AND COME CLOSER TO ITS CUSTOMERS.

With the emergence of diverse new media channels, the platform on which Hyundai can meet its customers has become wider. Customers can now become the main stars on Youtube, and various social network services (SNS) such as Twitter are allowing Hyundai to communicate more directly with them. Hyundai will always look for new ways to offer refreshing emotional experiences to customers.

New Thinker's Index, an Innovative Two-Way Online Campaign

The New Thinker's Index, launched by Hyundai and Microsoft Advertising, is a campaign designed to help consumers realize that they are the new thinkers who are shaping the future. A host of high profile personalities from a variety of disciplines put their own minds to the test in a series of short films, which show them tested in a manner that challenges the way they traditionally think. By giving people the opportunity to compare the way they think to celebrities via a

www.newthinking.uk.msn.com



New York Times Square



fun, interactive online test, people can see how their brain compares to some of the most well known thinkers and most recognized faces of our time as well as understand the science behind why they think the way they do. By experiencing "NEW THINKING. NEW POSSIBILITIES." that Hyundai aspires to through diverse digital media channels, consumers will be able to realize that the power to open a new future lies in their own hands.

Youtube Symphony Orchestra, the Dream Stage of Amateur Performers

Hyundai was the exclusive sponsor of the 2011 Youtube Symphony Orchestra, a large-scale classical music concert participated by music-loving netizens of the world. It was an emotion-charged campaign, where nonprofessional musicians bonded through their love for music and spirit of challenge. The final 101 members from 33 countries of the 2011 Youtube Symphony Orchestra were selected wholly from video auditions that they posted online, which were reviewed by selected members of the London Symphony Orchestra, the San Francisco Symphony Orchestra, and the Seoul Philharmonic



Youtube Symphony Orchestra

Orchestra, then put to a vote among the 15 million members of the Youtube community, after which the final selection was made by the conductor. The collaborative concert by the final members touched many people, not only through the beautiful music that they made together but also through the many stories behind the scene. The entire process, from the auditions up to the selection of the final members and the live broadcast of the concert, was shared worldwide through various SNS channels such as Facebook, Twitter, and blogs. It was a good opportunity for Hyundai to leave a favorable image of the brand and its initiatives to support "NEW THINKING. NEW POSSIBILITIES." with people all over the world.

Effective Rebranding and Launch of New Vehicles Using Facebook

Hyundai leveraged the leading SNS channel Facebook to activate its global rebranding campaign "NEW THINKING. NEW POSSIBILITIES." including the launch of new vehicles across 20 key markets. For Accent, a viral film showcasing its exclusive projection mapping technology was featured in a video-like ad. Video Comment Ads were shown to

people featuring their friends' comments on the film, increasing engagement with the content. For Veloster, fans were asked to create videos themed "Expect the Unexpected" for the launch. Fans voted to select the best video which appeared in an ad on the Facebook homepage. Through the campaign, users were also able to indirectly experience "NEW THINKING. NEW POSSIBILITIES." leading Hyundai fans to become more loyal to the brand and to actual purchase while giving non-fans a chance to get to know the brand better. Hyundai will continue to unlock new thinking and put them to practice so that it can reach more customers in the world in a friendly, intimate way.

Culture Marketing

Good cultural content can bring the world together. As such, it can be an effective way to share a brand's values emotionally. Hyundai's Seoul Philharmonic Orchestra World Tour, launched in 2010, will go on in 2012, with performances led by Maestro Chung Myung-hoon held in major U.S. cities in April. The top-class performances will not only inspire Hyundai customers, but also contribute to further strengthening their brand loyalty.

www.facebook.com/hyundaiworldwide



Maestro Chung Myung-hoon and Seoul Philharmonic Orchestra



ENVIRONMENTAL MANAGEMENT

REALIZING ENVIRONMENTAL MANAGEMENT IS THE PREREQUISITE TO REALIZING A SUSTAINABLE FUTURE.

Right at this moment when the entire world is focused on reducing greenhouse gas emissions, Hyundai is focused on developing technologies to minimize the discharge of harmful substances across the board, from the early stages of production all the way up to the moment of usage. At the same time, it is sparing no effort or investment to develop and produce eco-friendly vehicles with the ultimate goal of one day providing cars that do not emit any CO₂.



Environmental Management Realized through Blue Drive

Starting with the development of the FGV-I HEV concept car in 1995, then the proclamation of global environmental management in 2003, and the establishment of the Environmental Technology Center in 2005, Hyundai has been striving constantly to reduce the environmental impact of its automobiles. These efforts were launched full scale and started becoming more visible with the introduction of the Blue Drive strategy in 2009. Blue Drive is Hyundai's low carbon green technology strategy to reduce CO₂ emissions by automobiles as well as the brand name of the eco-friendly cars that apply the eponymous technologies. In the short term, Hyundai's Blue Drive strategy is focused on increasing fuel efficiency and developing eco-friendly vehicles including bio fuel, hybrid, electric, and hydrogen fuel cell vehicles. Ultimately, it aims to realize cars that do not produce any CO₂ at all. Centered on its Blue Drive strategy, Hyundai will spare no efforts in its environmental management initiatives so that it may contribute to making a future where man, society, and Earth can coexist in happiness.

Hybrid car development and future plans

1st Stage (1995~2004)	2nd Stage (2005~2009)	3rd Stage (2010~)
Ensuring mass-production technology (test production)	Production system constructed (Key parts produced in Korea)	Model diversification (expansion of exports)
1995 First HEV concept car developed 2000 County HEV developed 2004 Click HEV is test-driven	2005 Verna HEV test drive 2009 Elantra LPi HEV mass production 2009 Hybrid city bus distribution	2011 Sonata HEV mass production 2015 Mass production of plug-in hybrids

▼ Sonata Hybrid



Hybrid Cars That Care about the Earth's Future

Hyundai's history with hybrid cars started with the distribution of 50 Click test drive hybrid cars in 2004. In 2005, it succeeded in securing the domestic production of key parts. In 2008, it provided approximately 1,400 Verna hybrids to public and educational institutions. The same year, using homegrown technologies, the LPi hybrid car was successfully developed which, for the first time in the world, combined LPG fuel with an electric motor. Starting from 2009, Hyundai commercialized an LPi hybrid car that combined eco-friendly performance with practicality. In 2011, the Sonata gasoline hybrid, with superior fuel economy and performance, was released in the U.S. and Korean markets, expanding the hybrid vehicle market to mid-sized cars. In 2015, Hyundai plans to release a mid-sized plug-in hybrid car that can be charged with an outside power source. Hyundai's unending march to develop eco-friendly hybrid vehicles will not stop in the future.

▼ Avante LPi hybrid

▼ Diesel hybrid concept car i-flow



▼ Hydrogen fuel cell Tucson

▼ Eco-friendly electric car Blue-On



Hydrogen Fuel Cell Vehicles—Nonpolluting Cars That Use Natural Energy

Hydrogen fuel cell vehicles are nonpolluting cars that emit no harmful substances whatsoever when driven; the only thing that is emitted is water, as hydrogen fuel cell vehicles get their energy by reacting hydrogen with oxygen from the air. Hydrogen reduces the dependence on fossil fuels as it can be produced from diverse energy sources including solar heat, wind, and nuclear power. With twice the efficiency of internal combustion engines, it is also a technology that most effectively uses natural energy. To secure product and price competitiveness in hydrogen fuel cell vehicles, Hyundai has steadfastly invested in developing related technologies. It achieved beating the traditional foe of hydrogen vehicles—cold weather—by developing a technology that enables ignition and operation at -25°C. By stamping thin sheets of stainless steel to produce fuel cells, it has seen the potential for cost-effective mass production by reducing the fuel cell stack price by a sixth. To produce hydrogen fuel cell vehicles of exceptional safety, it is employing diverse safety tests and evaluations such as collision tests and simulated fires. In 2010, Hyundai developed the Tucson hydrogen fuel cell vehicle, which can travel up to 650 km on one charge, boasts a fuel efficiency of 30.2 km/l (UDDS) and a top speed of 160 km/h, and which can be started at -25°C. In 2011, 48 of them were used in Seoul and the surrounding metropolitan area as well as Ulsan for road testing. Starting from 2012, efforts at commercialization have started with small-scale productions. Meanwhile, Hyundai is promoting its eco-friendly technological knowhow in the European market by actively participating in related projects in the region. In October 2011, Hyundai was selected by the European Union as the exclusive provider of hydrogen fuel cell vehicles for test driving by European Parliament Commissioners and EU officials, and was once again selected by the European Commission-backed Fuel Cells and Hydrogen Joint Undertaking (FCH-JU) in November as the provider of demonstration vehicles in two Northern European countries (Denmark, Norway). Third-generation Tucson ix hydrogen fuel cell vehicles were given to the Danish government, which are currently being tested in a real-world environment. Test driving Hyundai's vehicles in a Northern European country with an advanced hydrogen fuel cell infrastructure has served as an occasion to promote the company's eco-friendly technology to the European market and establish a foothold to enter the region's hydrogen fuel cell vehicle market.

Based on the experiences it acquired in developing electric cars, starting from the Sonata in 1991 to the Excel, Accent, and Santa Fe, Hyundai debuted the Blue-On electric car in September 2010, the first Korean electric car capable of high speed operation. The Blue-On electric car can go 140 km on a single charge, and has a maximum speed of 130 km/h and a zero-to-100 km/h acceleration of 13.1 seconds. In addition, the key parts are all produced in Korea, providing a foundation for technological development of electric vehicles. The high voltage parts use a complex safety design so that both safety and reliability are ensured. Hyundai has provided 30 Blue-On vehicles to public agencies and local governments for initial testing from August 2010 to August 2012, and starting from January 2011, has provided 250 more units to government offices and corporations in an endeavor to establish a basis for the commercialization of electric vehicles. In response to a task given by the Korean government under the national policy of "Green Transport Systems Based on Next Generation Electric Cars," Hyundai is also pushing ahead with the plan to develop a near mid-sized electric car by 2014, which can be driven over 200 km on a single charge, has a zero-to-100 km/h acceleration of 11.5 seconds, and which can be fully charged within five hours and speed charged in less than 23 minutes.

High Speed Driving Made Possible with the Blue-On Electric Car

Roadmap for development of hydrogen fuel cell vehicles

1st Stage (~2006)	2nd Stage (2007~2009)	3rd Stage (2009~2012)
Basic technology research	Prototype development	Initial small-scale application
		2012 Small-scale production of fuel cell vehicles 2011 Test distribution in Northern Europe (4 countries)
	2006~2010 U.S. Department of Energy test operation (Tucson fuel cell vehicle) 2004~2010 Domestic monitoring project / mounting of own fuel cell system	
2006 Independent development of fuel cell bus 2003 Independent development of fuel cell hybrid 2000 Participation in California fuel cell partnership (Santa Fe fuel cell vehicle)		

SOCIAL CONTRIBUTIONS

FULFILLING THE RESPONSIBILITIES OF A CORPORATE CITIZEN THROUGH DIVERSE SOCIAL CONTRIBUTIONS THAT TRANSCEND NATIONS AND REGIONS

Hyundai wholeheartedly carries out social contribution activities because, above being a corporation, its reason for existence is about people and society and the future it shares with them. From the production of animation films that help to spread a culture of traffic safety for children and new forms of social contribution actions that invite voluntary participation to grander projects that aim to create grasslands to prevent the desertification of our planet, Hyundai is doing its best to fulfill its responsibilities as a corporate citizen through diverse initiatives that transcend nations and regions.

Hyundai's Take on Spreading Traffic Safety for Kids

In 2011, Hyundai concentrated on the "Safe Move" campaign of its four "Move" corporate social responsibility (CSR) programs. Under the motto "Making Safe Streets Together," Safe Move's first and foremost task is to establish a culture of traffic safety among children. To do so, Hyundai produced a 3D animation film for children featuring Robocar Poli, which is being broadcast on Korea's educational TV channel Educational Broadcasting System (EBS) to the great delight of children all over the nation. On a global scale, it produced the animation DVD "Traffic Safety Story with Poli," and launched an official website and an application for smart phones around the popular character, which it distributed to day care centers, nurseries, schools, and welfare organizations worldwide. Meanwhile, Hyundai also extended its "Three-Leafed Clover Worldwide" program, which grants the wishes of children orphaned by traffic accidents, to give more hope to children of traffic accident victims. Hyundai dealers across the globe, including Croatia and Serbia to name a few, also organized diverse traffic safety programs for kids and teens. Hyundai will continue in its pursuit of diverse initiatives to spread a culture of traffic safety.

Restoring Nature through Hyundai Green Zone China

As a responsible leading global automaker, Hyundai has made "sustainable life" a core value in its actions to improve the Earth's natural ecosys-

tem, and has been pursuing Hyundai Green Zone projects under the motto "Restoring Nature." To alleviate the ever-serious desertification issue, Hyundai has steadfastly engaged in the Hyundai Green Zone China project since 2008, which seeks to restore the Chakanor region of China's Inner Mongolia province to grassland. After four years, 3,000 m² of dry desert has been transformed into grassland as of end-2011. Hyundai hopes to restore a total of 5,000 m² of the area by 2012, and thereby contribute to preventing the desertification of Inner Mongolia and reducing the damages caused by yellow dust storms in Korea. To give the next generation a clean and healthy future, Hyundai will keep up with its programs to protect and care for nature and restore the environment.

Continued Interest and Effort for the Underprivileged in the World

In 2011, Hyundai provided two cars each to five African countries like Nigeria and Ghana, or a total of 10 cars, for the Mobile Clinics operated in the region. They were cars that were specially customized for the poor local road conditions, and came equipped with state-of-the-art digital systems to allow filmless X-rays and remote diagnoses to help reduce operating costs of running the Mobile Clinics. The cars were part of the "Moving the World Together" campaign that Hyundai engaged in with the people of Africa who cannot benefit from advanced medical services. The scope of the company's Global White Band campaign, which seeks to eradicate poverty with



Safe Move

Hyundai is spreading a culture of traffic safety through its Safe Move campaign under the motto "Making Safe Streets Together." It incorporates such initiatives as organizing car accident prevention classes for children, implementing preventive measures against car crashes, and supporting car accident victims.



Social contribution symbol and slogan

As the slogan that expresses Hyundai's entire social contribution philosophy, "world" represents the hopes and dreams of the world, "moving" represents the desire for continuous change and development, and "together" represents the harmonious partnership with society. "Moving the World Together" is thus a slogan that embodies the intention to change the world through love and cooperation with our neighbors. We have translated this slogan into 23 languages.

the participation of all of Hyundai's businesses worldwide, was enlarged significantly as well, while at the end of the year, Hyundai executives and employees became Blue Santas and spread the spirit of sharing.

Inviting Voluntary Participation in Contributing to Society

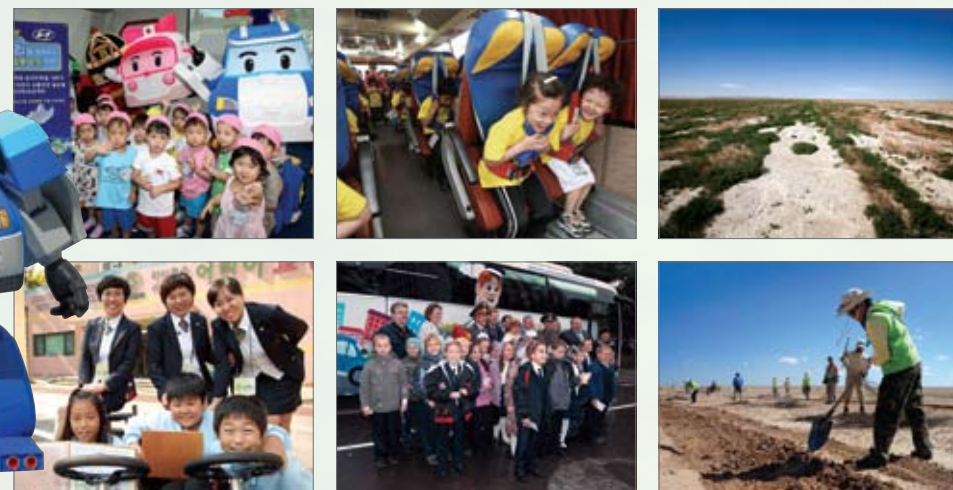
CSR programs that encourage participation go beyond simple donations, and unite corporations, beneficiaries, social welfare experts, and customers to take part and communicate with each other in their undertaking of social contribution activities. Hyundai's Gift Car campaign, started in the latter half of 2011, is a program that gives a car as a gift every time a story of a small business owner gathers more than 300 cheering comments online. An open call is made for the stories, and the general public participates voluntarily by adding comments and replies online. The program does not end at presenting the small business owners a car, but also provides such services as support in receiving funding and micro-credit loans. By doing so, Hyundai has been helping small business owners stand on their own and opening new opportunities for them. Meanwhile, Hyundai further increased its support of Korea's most representative CSR program, Moving the World Together Call for Projects, providing customized support to social welfare areas that need the most help in collaboration with specialists and social welfare organizations. In particular, Hyundai newly set up a prize that awards organizations with good performance, putting into place yet

another mechanism to maximize the fruits of its efforts. A total of KW 2.8 billion has been given to 224 social welfare organizations so far, and efforts to find other social welfare projects that need funding will continue in 2012.

Moving the World Together with the Many Involved Across the Globe

Hyundai has set ensuring sustainability and establishing a CSR brand as its main objectives for 2012, which it aims to achieve by improving its global CSR infrastructure and reinforcing its communications tools. Hyundai plans to put into place CSR programs that are accepted by different cultures and religions, and firmly establish a CSR brand so that everyone in its global network is fully aware of the company's activities and are motivated to design and engage in CSR programs that fit their local needs. Using CSR activities as a link to connect with the world, Hyundai will actively listen out for the stories of the many involved, from beneficiaries to social welfare specialists up to its customers, in its effort of "Moving the World Together."

- ▼ Traffic Safety Story with Poli
- ▼ Three-Leafed Clover Worldwide
- ▼ Safety First Children's Fair
- ▼ Traffic safety education bus in Russia
- ▼ Hyundai Green Zone China



- ▼ Mobile Clinic in Africa
- ▼ White Band campaign
- ▼ Gift Car campaign
- ▼ Global Blue Santa campaign
- ▼ Moving the World Together Call for Projects



▲ 3D animation film for children featuring Robocar Poli



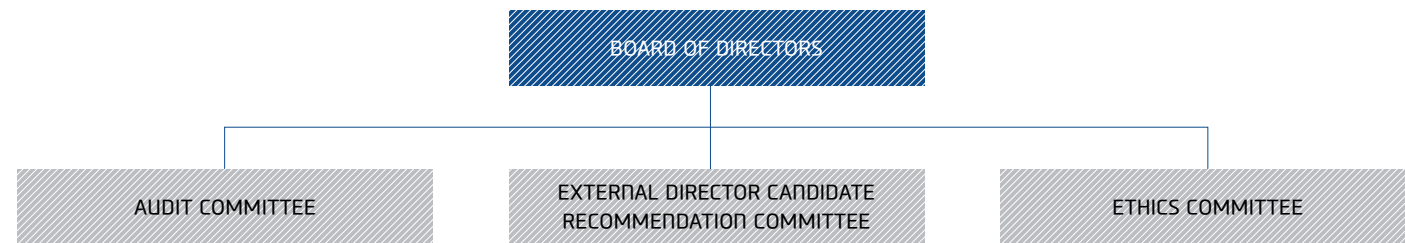
THE GROWTH OF
NEW THINKING.
NEW POSSIBILITIES.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

HMC has Board of Directors and two subcommittees including Audit Committee and External Director Candidate Recommendation Committee under the Board of Directors. Additionally, an independent Ethics Committee was established in 2007.

THE BOARD OF DIRECTORS

The BOD makes decisions on matters stipulated by law and the Articles of Incorporation, as well as issues delegated to it through shareholders' meetings. The BOD sets guidelines for the company's management and makes important decisions related to the execution of projects. The BOD supervises the work of executives and management. The BOD consists of four internal and five external directors. The BOD convenes regular board meetings as well as extraordinary meetings whenever necessary.



BOD Members (as of end April 2012)

	Name	Title/Affiliation	Joint Positions Held		
			External Director Candidate Recommendation Committee	Audit Committee	Ethics Committee
Internal	CHUNG, MONG-KOO	Chairman & CEO	○	-	-
	Choong Ho Kim	President & CEO	○	-	○
	Gap Han Yoon	Senior Executive Vice President & CEO	-	-	-
	Eui Sun Chung	Vice Chairman	-	-	-
External	Il Hyung Kang	Of Counsel, Bae, Kim & Lee LLC	○	○	-
	Se Bin Oh	Lawyer, Dong In Law Group	○	○	○
	Young Chul Yim	Lawyer, Shin & Kim	-	○	○
	Sung Il Nam	Professor of Economics, Sogang University	○	○	-
	You Jae Yi	Professor of Business Administration, Seoul National University	-	-	○

* Detailed information on the directors can be found at HMC's homepage (Korean: <http://pr.hyundai.com>; English: http://worldwide.hyundai.com/worldwide_index.html) or the Financial Supervisory Service(FSS)'s electronic disclosure system (<http://dart.fss.co.kr>).

Key Activities of the BOD in 2011

Meetings	Date	Agenda	Resolution
1 st General	Jan. 27. 2011	• Approval of financial statements for the 43rd fiscal year and 8 other items	Original draft passed
Extraordinary	Feb. 18. 2011	• Approval of agenda items for the 43rd General Shareholders' Meeting	Original draft passed
Extraordinary	Mar. 04. 2011	• Approval of signing of stock purchase agreement on shares of Hyundai Engineering & Construction and 2 other items	Original draft passed
Extraordinary	Mar. 11. 2011	• Approval of a change in transaction with a company featuring same major shareholder and 4 other items	Original draft passed
2 nd General	Apr. 28. 2011	• Approval of a transaction with a company featuring same major shareholder and 2 other items	Original draft passed
3 rd General	Jul. 28. 2011	• Approval of a transaction with a company featuring same major shareholder and 2 other items	Original draft passed
Extraordinary	Sep. 01. 2011	• Approval on acquisition of treasury stock and 1 other item	Original draft passed
Extraordinary	Sep. 26. 2011	• Approval on Issuance of corporate bonds	Original draft passed
4 th General	Oct. 27. 2011	• Approval of a transaction with a company featuring same major shareholder and 5 other items	Original draft passed
Extraordinary	Nov. 30. 2011	• Approval of payment guarantee on overseas subsidiary	Original draft passed

* Detailed information can be found at HMC's homepage (<http://pr.hyundai.com>) or the FSS's electronic disclosure system (<http://dart.fss.co.kr>).

THE AUDIT COMMITTEE AND THE EXTERNAL DIRECTOR CANDIDATE RECOMMENDATION COMMITTEE

The Audit Committee consists of four external directors. Its duties include auditing the company's management and accounting, requesting business reports from executives, and monitoring the company's financial status. The Audit Committee can raise discussions on matters related to general shareholder meetings, directors and the BOD, and auditing issues. Internal systems to enable members' access to management information necessary for proper auditing are in place.

The External Director Candidate Recommendation Committee consists of 2 internal directors and 3 external directors. All external directors are appointed after being recommended by the Recommendation Committee. Compensation for directors was capped at KRW 15 billion at the 2011 General Shareholders Meeting. Total compensation for internal and external directors from 1 January to 31 December 2011 amounted to KRW 8.83 billion. Average compensation for internal directors was KRW 2.1 billion and KRW 86 million for external directors.

Key Activities of the Audit Committee in 2011

Meetings	Date	Agenda	Resolution
1 st General	Jan. 27. 2011	• Approval of financial statements for the 43rd fiscal year and 2 other items	Original draft passed
Extraordinary	Feb. 18. 2011	• Approval of agenda items for the 43rd General Shareholders Meeting	Original draft passed
2 nd General	Apr. 28. 2011	• Approval of the appointment of the Chairman of the Audit Committee	Original draft passed
3 rd General	Jul. 28. 2011	-	-
4 th General	Oct. 27. 2011	-	-

* Detailed information can be found at the FSS's electronic disclosure system (<http://dart.fss.co.kr>).

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

2. THE ETHICS COMMITTEE

Hyundai Motor Company established the Ethics Committee in 2007 to improve transparency of internal transactions and to ensure ethical management of the company. Ethical management and internal transaction restrictions were further reinforced in 2012 when the Committee was reorganized as a sub-committee of the BOD. The Ethics Committee consists of three external directors and one internal director. The chairmanship is held by an external director. Key agenda items in 2011 dealt with insider trading with subsidiaries and social contribution activities.

Key Activities of the Ethics Committee in 2011

Assembly	Date	Agenda Item	Resolution
1 st General	Jan. 27, 2011	• Review of 2011 social contribution plans	Original draft passed
		• Review of transactions with a company featuring same major shareholder	
		• Review of financial transactions with an affiliated financial company in accordance to agreed terms	
2 nd General	Apr. 28, 2011	• Review of transactions with a company featuring same major shareholder	Original draft passed
		• Review of financial transactions with an affiliated financial company in accordance to agreed terms	
3 rd General	Jul. 28, 2011	• Review of transactions with a company featuring same major shareholder	Original draft passed
		• Review of financial transactions with an affiliated financial company in accordance to agreed terms	
		• Review of guarantee on Fulfilment of contract by an affiliate	
4 th General	Oct. 28, 2011	• Review of transactions with a company featuring same major shareholder	Original draft passed
		• Review of financial transactions with an affiliated financial company in accordance to agreed terms	
		• Review of exercise of warrants	
		• Review of transactions with major shareholders and others	

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
HYUNDAI MOTOR COMPANY:

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

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

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

Deloitte Anjin LLC

March 7, 2012

NOTICE TO READERS

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

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES (THE "GROUP") CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

Eok Jo Kim
President & CEO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

(Continued)

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	(In millions of Korean Won, except per share amounts)	
	2011	2010
Sales (Note 24.37)	₩ 77,797,895	₩ 66,985,271
Cost of sales (Note 29)	58,902,023	51,265,794
Gross profit	18,895,872	15,719,477
Selling and administrative expenses (Note 25.29)	10,903,730	9,835,019
Other operating income (Note 26)	1,067,280	1,129,488
Other operating expenses (Note 26.29)	983,945	1,095,454
Operating income	8,075,477	5,918,492
Gain on investments in joint ventures and associates, net (Note 27)	2,403,753	1,681,883
Finance income (Note 28)	747,546	688,335
Finance expenses (Note 28)	779,666	797,156
Income before income tax	10,447,110	7,491,554
Income tax expense (Note 31)	2,342,247	1,490,372
Profit for the year	₩ 8,104,863	₩ 6,001,182
Profit attributable to:		
Owners of the Parent Company	7,655,871	5,567,132
Non-controlling interests	448,992	434,050
Earnings per share attributable to the owners of the Parent Company: (Note 30)		
Basic earnings per common share	₩ 28,200	₩ 20,516
Diluted earnings per common share	₩ 28,200	₩ 20,516

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2010	₩ 1,488,993	₩ 3,731,315	₩ (743,909)	₩ (71,649)	₩ 20,165,746	₩ 24,570,496	₩ 2,575,017	₩ 27,145,513
Comprehensive income:								
Profit for the period					5,567,132	5,567,132	434,050	6,001,182
Gain (loss) on valuation of available-for-sale financial assets, net				490,156		490,156	(35,818)	454,338
Gain (loss) on valuation of cash flow hedge derivatives, net				49,441		49,441	(18,791)	30,650
Changes in valuation of equity-accounted investees, net				72,123	(37,170)	34,953	41	34,994
Actuarial loss on defined benefit obligations, net					(155,763)	(155,763)	(8,941)	(164,704)
Loss on foreign operations translation, net				(130,157)		(130,157)	(2,961)	(133,118)
Total comprehensive income				481,563	5,374,199	5,855,762	367,580	6,223,342
Transactions with owners, recorded directly in equity:								
Payment of cash dividends					(317,199)	(317,199)	(270,665)	(587,864)
Purchase of treasury stock			(452,515)			(452,515)		(452,515)
Disposal of treasury stock		171,109	278,210			449,319		449,319
Increase in subsidiaries' stock		(1,489)				(1,489)	130,407	128,918
Effect of changes in scope of consolidation							(11,952)	(11,952)
Other					(6,583)	(6,583)	(205)	(6,788)
Total transactions with owners, recorded directly in equity		169,620	(174,305)		(323,782)	(328,467)	(152,415)	(480,882)
Balance at December 31, 2010	₩ 1,488,993	₩ 3,900,935	₩ (918,214)	₩ 409,914	₩ 25,216,163	₩ 30,097,791	₩ 2,790,182	₩ 32,887,973

(Continued)

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

(Continued)

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

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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

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

(1) THE COMPANY'S CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2011 ARE AS FOLLOWS:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd. (*)	-	-	31.52%	
Hyundai Rotem Company	Manufacturing	-	57.64%	
Green Air Co., Ltd.	-	-	51.00%	Hyundai Rotem 51.00%
Maintrans Co., Ltd.	Services	-	80.00%	Hyundai Rotem 80.00%
Hyundai Partecs Company Ltd.	Manufacturing	-	56.00%	
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	-	100.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	-	53.66%	
Hyundai Carnes Co., Ltd.	R&D	-	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	-	94.30%	HMA 94.30%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	-	100.00%	HMA 100.00%
Hyundai Auto Canada Corp. (HAC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	-	100.00%	HAC 100.00%
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	USA	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	-	100.00%	SMARTI 100.00%
Hyundai America Technical Center Inc. (HATCI)	R&D	-	100.00%	
Hyundai Translead, Inc. (HT)	Manufacturing	-	100.00%	
Rotem USA Corporation	-	-	100.00%	Hyundai Rotem 100.00%
Hyundai Motor India Limited (HMI)	-	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	-	100.00%	HMI 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	-	100.00%	
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	

(Continued)

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Beijing Hines Millennium Real Estate Development	Real estate development	China	99.00%	CMEs 99.00%
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	-	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	-	-	100.00%	BJMSS 100.00%
Beijing Xinhua Xiqiyetong Motor Chain Co., Ltd.	-	-	100.00%	BJMSS 100.00%
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	-	100.00%	Hyundai Rotem 100.00%
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	-	Turkey	85.03%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	-	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.4%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Motor UK Limited (HMUK)	-	UK	100.00%	
Hyundai Motor Europe GmbH (HME)	-	Germany	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	-	Czech	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	-	Poland	100.00%	
Hyundai Motor Espana, S.L (HMES)	-	Spain	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	-	Italy	100.00%	
Hyundai Motor Norway AS (HMN)	-	Norway	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	Germany	100.00%	
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai de Mexico, SA DE C.V., (HYMEX)	-	Mexico	99.99%	HT 99.99%
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S	-	Turkey	50.50%	Hyundai Rotem 50.50%
Hyundai Capital Europe GmbH	Financing	Germany	100.00%	Hyundai Capital Services 100.00%
Hyundai Capital Services Limited Liability Company	-	Russia	100.00%	Hyundai Capital Europe 100%
Autopia Thirty-Fifth ~ Thirty-Seventh Asset Securitization Specialty Company (*)	-	Korea	0.90%	Hyundai Capital Services 0.90%
Autopia Thirty-Ninth ~ Fortieth Asset Securitization Specialty Company (*)	-	-	0.90%	Hyundai Capital Services 0.90%

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Autopia Forty-Second ~ Forty-Seventh Asset Securitization Specialty Company (*)	-	-	0.90%	Hyundai Capital Services 0.90%
Privia the First and Second Securitization Specialty Co., Ltd.(*)	-	-	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	-	USA	100.00%	HCA 100%
Hyundai CHA Funding Corporation	-	-	100.00%	HCA 100%
Hyundai Lease Titling Trust	-	-	100.00%	HCA 100%
Hyundai HK Funding, LLC	-	-	100.00%	HCA 100%
Hyundai HK Funding One, LLC	-	-	100.00%	HCA 100%
Hyundai HK Funding Two, LLC	-	-	100.00%	HCA 100%
Hyundai Auto Lease Funding, LLC	-	-	100.00%	HCA 100%
Hyundai ABS Funding Corporation	-	-	100.00%	HCA 100%
Hyundai Capital Insurance Services, LLC	-	-	100.00%	HCA 100%
HK Real Properties, LLC	-	-	100.00%	HCA 100%
Hyundai Auto Lease Offering, LLC	-	-	100.00%	HCA 100%
Hyundai HK Lease, LLC	-	-	100.00%	HCA 100%

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

(2) CONDENSED FINANCIAL INFORMATION OF THE COMPANY'S MAJOR CONSOLIDATED SUBSIDIARIES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011 IS AS FOLLOWS:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

(In millions of Korean Won)

Name of subsidiaries	(In millions of Korean Won)				
	Assets	Liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Hyundai Capital Services, Inc.(*)	₩ 20,748,602	₩ 18,511,755	₩ 3,274,235	₩ 488,986	₩ 427,084
Hyundai Card Co., Ltd.(*)	10,446,114	8,679,464	2,335,824	280,613	237,389
Hyundai Rotem Company(*)	3,444,960	2,402,057	2,773,775	70,489	58,236
Hyundai Motor America (HMA)	5,109,697	2,922,092	11,184,447	120,906	113,322
Hyundai Capital America (HCA)	9,674,088	8,535,468	879,270	38,221	38,221
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	2,143,185	1,060,855	5,946,587	227,203	227,203
Hyundai Auto Canada Corp. (HAC)(*)	887,925	590,670	2,686,158	41,799	41,799
Hyundai Translead, Inc. (HT)(*)	343,722	251,914	343,366	(18,302)	(18,302)
Hyundai Motor India Limited (HMI)(*)	2,656,965	1,666,260	5,029,464	189,606	189,606
Hyundai Motor Company Australia Pty Limited (HMCA)	607,257	452,360	1,677,203	49,775	49,775
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	1,953,994	1,298,485	3,011,611	107,059	107,059
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	688,145	550,756	1,231,636	13,508	13,508
Hyundai Motor Manufacturing Rus LLC (HMMR)	814,938	475,318	3,366	(57,739)	(57,739)
Hyundai Motor Commonwealth of Independent States (HMCIS)	555,449	601,711	1,728,254	34,611	34,611
Hyundai Motor UK Limited (HMUK)	532,304	500,561	905,720	18,922	18,922
Hyundai Motor Europe GmbH (HME)	941,235	901,566	4,154,182	2,006	2,006
Hyundai Motor Czech s.r.o (HMCZ)	129,093	101,759	266,456	76	76
Hyundai Motor Poland Sp. Zo.O (HMP)	132,729	87,134	248,432	7,178	7,178
Hyundai Motor Espana. S.L (HMES)	233,622	159,983	641,743	28	28
Hyundai Motor Company Italy S.r.l (HMCI)	442,146	416,162	641,918	276	276

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

(3) CHANGES IN CONSOLIDATED SUBSIDIARIES

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

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

(4) THE FINANCIAL STATEMENTS OF SUBSIDIARIES, WHICH ARE USED FOR THE CONSOLIDATION, ARE PREPARED FOR THE SAME REPORTING PERIODS WITH THE COMPANY'S.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(1) BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The Group adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with the K-IFRS 1101 First-time Adoption of K-IFRS, the date of transition to K-IFRS is January 1, 2010. Reconciliations of the effect of the transition to K-IFRS are described in Note 39.

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

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

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

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

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

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

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

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

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

(2) BASIS OF MEASUREMENT

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

(3) BASIS OF CONSOLIDATION

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

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

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

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

(4) BUSINESS COMBINATION

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

(5) REVENUE RECOGNITION

1) SALE OF GOODS

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

2) RENDERING OF SERVICES

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

3) ROYALTIES

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

4) DIVIDEND AND INTEREST INCOME

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

5) CONSTRUCTION CONTRACTS

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

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

(6) FOREIGN CURRENCY TRANSLATION

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

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

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

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

(7) FINANCIAL ASSETS

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

1) FINANCIAL ASSETS AT FVTPL

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

2) HELD-TO-MATURITY INVESTMENTS

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

3) LOANS AND RECEIVABLES

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

4) AFS FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are measured at fair value. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(8) IMPAIRMENT OF FINANCIAL ASSETS**1) FINANCIAL ASSETS CARRIED AT AMORTIZED COST**

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

2) FINANCIAL ASSETS CARRIED AT COST

The amount of the impairment loss on financial assets that is carried at cost because its fair value cannot be reliably measured is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(9) DERECOGNITION OF FINANCIAL ASSETS

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

(10) INVENTORY

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

(11) INVESTMENTS IN ASSOCIATES

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

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

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

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

(12) INTERESTS IN JOINT VENTURES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(13) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

(14) INVESTMENT PROPERTY

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

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

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

(15) INTANGIBLE ASSET

1) GOODWILL

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

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

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

2) DEVELOPMENT COSTS

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

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(16) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

(17) LEASE

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

1) THE GROUP AS LESSOR

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

2) THE GROUP AS LESSEE

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

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

(18) BORROWING COSTS

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

(19) RETIREMENT BENEFIT COSTS

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

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

(20) PROVISIONS

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

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

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

(21) TAXATION

Income tax expense is composed of current and deferred tax.

1) CURRENT TAX

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

2) DEFERRED TAX

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

3) CURRENT AND DEFERRED TAX FOR THE YEAR

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

(22) TREASURY STOCK

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

(23) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

1) EQUITY INSTRUMENTS

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

2) FINANCIAL GUARANTEE LIABILITIES

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

3) FINANCIAL LIABILITIES AT FVTPL

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

4) OTHER FINANCIAL LIABILITIES

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

5) DERECOGNITION OF FINANCIAL LIABILITIES

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

(24) DERIVATIVE FINANCIAL INSTRUMENTS

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

1) FAIR VALUE HEDGES

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument is expired, sold, terminated, or exercised, or when it is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2) CASH FLOW HEDGES

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

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

(25) SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or both in the period of the revision and future periods if the revision affects both current and future periods. The main items in the financial statements which are affected by the estimates and judgments are the inventories, investments in associates, property, plant and equipment, intangibles assets, financial services receivables, defined benefit obligations, provisions and deferred income tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) TRADE RECEIVABLES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) AGING ANALYSIS OF TRADE RECEIVABLES

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

(3) THE CHANGES IN ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

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

4. OTHER RECEIVABLES:

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

(In millions of Korean Won)

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

5. OTHER FINANCIAL ASSETS:

(1) OTHER FINANCIAL ASSETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) AFS FINANCIAL ASSETS WHICH ARE MEASURED AT FAIR VALUE AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(3) EQUITY SECURITIES CLASSIFIED INTO AFS FINANCIAL ASSETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

Name of company	Ownership percentage	December 31, 2011			December 31, 2010	January 1, 2010
		Acquisition cost	Difference	Book value	Book value	Book value
Hyundai Heavy Industries Co., Ltd.	2.88%	₩ 56,924	₩ 505,906	₩ 562,830	₩ 970,170	₩ 379,965
Korea Aerospace Industries, Co., Ltd.	10.00%	151,086	234,428	385,514	-	-
Hyundai Glovis Co., Ltd.	4.88%	210,688	140,852	351,540	150,743	-
Hyundai Oil Refinery Co., Ltd.	4.35%	53,734	76,363	130,097	120,211	116,013
Seoul Metro Line Pine Corporation (*)	25.00%	41,779	-	41,779	41,779	41,779
Hyundai Green Food Co., Ltd.	2.36%	15,005	22,265	37,270	25,962	18,785
Hyundai Merchant Marine Co., Ltd.	0.48%	9,161	8,233	17,394	26,715	18,503

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In millions of Korean Won)

Name of company	Ownership percentage	December 31, 2011			December 31, 2010	January 1, 2010
		Acquisition cost	Difference	Book value	Book value	Book value
Doosan Capital Co., Ltd.	7.14%	10,000	6,406	16,406	22,866	24,762
Hyundai Finance Corporation	9.29%	9,888	539	10,427	9,887	8,726
Ubivelo Co., Ltd.	5.65%	1,710	7,600	9,310	5,444	1,710
KT Corporation	0.09%	8,655	(96)	8,559	11,104	9,388
Hyundai Development Company	0.60%	9,025	(1,465)	7,560	15,300	16,988
Hyundai Venture Investment Corp.	14.97%	4,490	-	4,490	4,490	4,490
Inokom Corporation Sdn Bhd	15.00%	4,439	-	4,439	4,439	4,439
Hyundai Asan Corporation	2.85%	22,500	(18,261)	4,239	4,239	4,239
NICE Information Service Co., Ltd.	2.25%	3,312	(123)	3,189	4,221	-
Kihyup Technology Banking Corp.	10.34%	3,000	-	3,000	3,000	3,000
Intellectual Discovery Co., Ltd.	14.41%	3,000	-	3,000	-	-
NESSCAP Inc.	6.90%	1,997	807	2,804	1,997	1,997
NICE Holdings Co., Ltd.	1.42%	3,491	(994)	2,497	3,097	-
SoundHound Inc.	1.30%	2,328	-	2,328	-	-
EUKOR Shipowning Singapore Pte, Ltd.	12.00%	2,099	-	2,099	2,099	2,099
Green village Co., Ltd.	5.43%	4,800	(4,516)	284	284	284
EPOVA System	0.59%	2,204	(2,168)	36	271	403
Other		32,542	(2,780)	29,762	26,884	113,801
		₩ 667,857	₩ 972,996	₩ 1,640,853	₩ 1,455,202	₩ 771,371

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

As of December 31, 2011 the difference between the book value and the acquisition cost of AFS equity securities is net of the cumulative impairment loss of ₩25,557 million.

6. INVENTORIES:

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

(In millions of Korean Won)

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

7. OTHER ASSETS:

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

(In millions of Korean Won)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

8. PROPERTY, PLANT AND EQUIPMENT:

(1) PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) THE CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED DECEMBER 31, 2011 ARE AS FOLLOWS:

(In millions of Korean Won)

Description	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of year
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.

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

(In millions of Korean Won)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

9. INVESTMENT PROPERTY:

(1) INVESTMENT PROPERTY AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSISTS OF THE FOLLOWING:

(In millions of Korean Won)

Description	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 46,757	₩ -	₩ 46,757	₩ 32,159	₩ -	₩ 32,159	₩ 32,159	₩ -	₩ 32,159
Buildings	339,065	(117,731)	221,334	322,169	(101,398)	220,771	321,028	(90,117)	230,911
Structures	18,303	(3,967)	14,336	17,620	(3,434)	14,186	17,620	(3,048)	14,572
	₩ 404,125	₩ (121,698)	₩ 282,427	₩ 371,948	₩ (104,832)	₩ 267,116	₩ 370,807	₩ (93,165)	₩ 277,642

(2) THE CHANGES IN INVESTMENT PROPERTY FOR THE YEAR ENDED DECEMBER 31, 2011 ARE AS FOLLOWS:

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

(3) THE FAIR VALUE OF INVESTMENT PROPERTY AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Land	₩ 46,757	₩ 32,159	₩ 32,159
Buildings	380,249	361,782	360,021
Structures	15,223	14,656	14,656
	₩ 442,229	₩ 408,597	₩ 406,836

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

(4) INCOME AND EXPENSES RELATED TO INVESTMENT PROPERTY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 ARE AS FOLLOWS:

(In millions of Korean Won)

Description	2011	2010
Rental income	₩ 26,093	₩ 24,599
Operating and maintenance expenses	11,308	11,286

10. INTANGIBLES:

(1) INTANGIBLES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(*) Accumulated impairment is included.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(2) THE CHANGES IN INTANGIBLES FOR THE YEAR ENDED DECEMBER 31, 2011 ARE AS FOLLOWS:

(In millions of Korean Won)

Description	Beginning of year	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of year
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.

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

(In millions of Korean Won)

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

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

(3) RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 ARE AS FOLLOWS:

(In millions of Korean Won)

Description	2011	2010
Development costs	₩ 621,313	₩ 730,739
Ordinary development (manufacturing cost)	191,952	112,808
Research costs (administrative expenses)	632,003	545,229
	₩ 1,445,268	₩ 1,388,776

(4) IMPAIRMENT TEST OF GOODWILL

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

(In millions of Korean Won)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Vehicle	₩ 96,327	₩ 96,780	₩ 101,006
Finance	482	482	482
Other	80,345	80,345	80,345
	₩ 177,154	₩ 177,607	₩ 181,833

The recoverable amount of the Group's CGU are measured at its' value-in-use calculated by cash flow projections based on financial budgets approved by management covering a five-year period and the pre-tax discount rates applied to the cash flow projections is 15.1%. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate of the region to which the CGU belongs to. No impairment loss is recognized based on the impairment test for the year ended December 31, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

Name of company	Nature of business	Location	Ownership Percentage	(In millions of Korean Won)		
				December 31, 2011	December 31, 2010	January 1, 2010
				Book value	Book value	Book value
Beijing-Hyundai Motor Company (BHMC) (*4)	Manufacturing	China	50.00%	₩ 1,553,871	₩ 1,231,700	₩ 1,001,632
Hyundai Motor Group China, Ltd. (HMGC) (*4)	Investment	"	50.00%	128,318	93,822	53,897
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	"	22.00%	81,260	66,215	54,750
Beijing Mobis Transmission Co., Ltd. (BMT)	"	"	24.08%	64,575	52,340	47,802
Hyundai Motor Deutschland GmbH (HMDG)	Sales	Germany	35.29%	30,026	34,755	38,279
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00%	24,495	11,004	-
Hyundai Powertech Manufacturing America (HPMA)	"	U.S.A	30.00%	23,796	22,682	22,727
Innocean Worldwide Americas, LLC. (IWA)	Advertisement	"	30.00%	11,027	7,866	6,614
Hyundai Information Service North America (HISNA)	Information technology	"	30.00%	3,476	2,892	2,595
Global Engine Alliance, LLC. (GEA)	Manufacturing	"	33.33%	1,865	1,842	1,888
Hyundai Capital Germany GmbH (HCGG)	Financing	Germany	40.01%	1,065	1,367	1,399
Kia Motors Manufacturing Georgia Inc. (KMMG) (*2)	Manufacturing	U.S.A	-	-	165,871	159,152
Kia Motors Corporation	"	Korea	33.99%	4,565,683	3,242,033	2,428,766
Hyundai engineering & construction Co., Ltd.	Construction	"	20.95%	3,011,421	-	-
Hyundai WIA Corporation	Manufacturing	"	33.33%	482,996	377,072	322,504
Hyundai HYSKO Co., Ltd.	"	"	26.13%	449,438	376,298	329,228
Hyundai Powertech Co., Ltd.	"	"	37.58%	254,066	216,242	157,510
HMC Investment Securities Co., Ltd.	Securities Brokerage	"	26.27%	210,511	198,317	189,815
Hyundai Dymos Inc.	Manufacturing	"	47.27%	194,332	159,887	137,010
KEFICO Corporation (*4)	"	"	50.00%	171,736	155,077	134,757
Hyundai Commercial Inc.	Financing	"	50.00%	122,364	90,043	60,831
Eukor Car Carriers Inc. (*1)	Transportation	"	12.00%	111,312	82,259	70,106
Hyundai Autoever Corp.	Information technology	"	29.90%	47,215	39,969	32,762
HK Mutual Savings Bank	Financing	"	20.00%	45,735	42,849	35,799

(Continued)

Name of company	Nature of business	Location	Ownership Percentage	(In millions of Korean Won)		
				December 31, 2011	December 31, 2010	January 1, 2010
				Book value	Book value	Book value
The Korea Economic Daily Co., Ltd.	Newspaper	Korea	20.55%	32,220	31,171	29,227
Iijin Bearing Co., Ltd.	Manufacturing	"	20.00%	22,928	20,602	18,270
Hyundai M & Soft Co., Ltd.	Information technology	"	31.84%	19,963	16,378	13,290
HMC Win Win Fund	Investment association	"	33.33%	18,589	18,131	-
Daesung Automotive Co., Ltd.	Manufacturing	"	20.00%	15,841	14,731	13,091
Korea Credit Bureau Co., Ltd. (*1)	Financing	"	9.00%	4,966	4,514	4,191
Clair Pixel Co., Ltd. (*1)	Manufacturing	"	19.22%	1,986	-	-
Seoul Line 9 Operation Co., Ltd.	Metro operation	"	20.00%	1,159	1,290	1,181
HI Network Inc. (*1)	Financing	"	19.99%	1,003	1,055	-
Korea Aerospace Industries, Co., Ltd. (*2)	Manufacturing	"	10.00%	-	129,177	114,887
Hyundai Carnes Co., Ltd. (*3)	R&D	"	100.00%	-	-	453
Haevichi Country Club., Ltd	Golf course Operation	"	30.00%	-	-	-
				₩ 11,709,238	₩ 6,909,451	₩ 5,484,413

(*1) As the Group is considered to be able to exercise significant influence by representation on board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(*2) The entity is excluded from associates in 2011 as the total ownership percentage is less than 20% due to disposal of part of the investments for the current period.

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

(*4) Joint venture

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(2) THE CHANGES IN INVESTMENTS IN JOINT VENTURES AND ASSOCIATES FOR THE YEAR ENDED DECEMBER 31, 2011 ARE AS FOLLOWS:

(In millions of Korean Won)

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

(Continued)

(In millions of Korean Won)

Name of company	Beginning of the year	Acquisition / (Disposition)	Gain (loss) on valuation	Other changes (*)	End of the year
Clair Pixel Co., Ltd.	-	2,000	(14)	-	1,986
Seoul Line 9 Operation Co., Ltd.	1,290	-	849	(980)	1,159
HI Network Inc.	1,055	-	655	(707)	1,003
Korea Aerospace Industries, Co., Ltd.	129,177	(134,325)	6,783	(1,635)	-
	₩ 6,909,451	₩ 2,942,194	₩ 2,272,605	₩ (415,012)	₩ 11,709,238

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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

(Continued)

(In millions of Korean Won)					
Name of company	Beginning of the year	Acquisition / (Disposition)	Gain (loss) on valuation	Other changes (*)	End of the year
Seoul Line 9 Operation Co., Ltd.	1,181	-	991	(882)	1,290
HI Network Inc.	-	-	2,206	(1,151)	1,055
Korea Aerospace Industries, Co., Ltd.	114,887	-	14,186	104	129,177
Hyundai Carnes Co., Ltd.	453	-	(141)	(312)	-
	₩ 5,484,413	₩ 66,895	₩ 1,717,464	₩ (359,321)	₩ 6,909,451

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(3) CONDENSED FINANCIAL INFORMATION OF THE JOINT VENTURES AND ASSOCIATES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011 IS AS FOLLOWS:

(In millions of Korean Won)

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

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

(In millions of Korean Won)

Name of company	Assets	Liabilities	Sales	Net income (loss)
BHMC	₩ 5,702,189	₩ 3,220,306	₩ 10,746,651	₩ 950,173
HMGC	451,239	241,877	2,065,396	113,333
WAE	671,304	370,329	512,282	49,797
BMT	319,904	102,547	380,826	17,186
HMDG	414,381	315,908	1,246,041	19,736
PTS	36,995	315	-	-
HPMA	320,086	242,497	399,333	1,738
IWA	160,832	145,222	140,501	10,038
HISPA	16,216	7,712	82,758	1,935
GEA	20,119	13,561	7,333	54
HCGG	3,145	117	540	43
KMMG	1,929,855	1,379,281	3,591,485	34,912
Kia Motors Corporation	26,275,144	16,027,027	35,826,955	2,698,331
Hyundai WIA Corporation	3,534,342	2,544,013	5,287,862	132,400
Hyundai HYSKO Co., Ltd.	3,972,880	2,620,025	6,865,777	194,738
Hyundai Powertech Co., Ltd.	1,667,530	1,054,817	1,980,163	54,204
HMC Investment Securities Co., Ltd.	2,691,951	2,093,905	302,468	13,391
Hyundai Dymos Inc.	1,026,708	657,300	1,485,436	43,941
KEFICO Corporation	652,641	342,719	971,408	58,433
Hyundai Commercial Inc.	2,719,698	2,539,081	234,037	57,269
Eukor Car Carriers Inc.	2,500,132	1,814,639	2,209,387	172,267
Hyundai Autoever Corp.	308,295	174,823	606,896	32,852
HK Mutual Savings Bank	2,439,109	2,286,106	332,117	34,683
The Korea Economic Daily Co., Ltd.	203,888	67,070	123,525	8,432
Iijin Bearing Co., Ltd.	143,642	40,634	226,140	12,783
Hyundai M & Soft Co., Ltd.	71,589	20,390	63,832	10,324
HMC Win Win Fund	54,394	-	1,478	941
Daesung Automotive Co., Ltd.	90,231	16,103	64,924	8,110
Korea Credit Bureau Co., Ltd.	45,301	9,914	33,190	4,338
Seoul Line 9 Operation Co., Ltd.	17,778	11,601	53,692	5,339
HI Network Inc.	8,734	3,458	20,706	4,733
Korea Aerospace Industries, Co., Ltd.	1,498,431	884,273	1,266,711	78,841
Haevichi Country Club., Ltd	282,877	272,649	11,390	34

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(4) THE MARKET PRICE OF LISTED EQUITY SECURITIES AS OF DECEMBER 31, 2011 IS AS FOLLOWS:

(In millions of Korean Won, except price per share)

Name of company	Price per share	Number of shares	Market value
Kia Motors Corporation	₩ 66,700	₩ 137,318,251	₩ 9,159,127
Hyundai engineering & construction Co., Ltd.	70,400	23,327,400	1,642,249
Hyundai WIA Corporation	142,500	8,575,239	1,221,972
Hyundai HYSKO Co., Ltd.	35,150	20,954,188	736,540
HMC Investment Securities Co., Ltd.	12,800	7,705,980	98,637

(5) DUE TO ACCUMULATED DEFICIT IN HAEVICH COUNTRY CLUB, LTD., THE GROUP HAS DISCONTINUED ITS EQUITY METHOD TREATMENT OF THE INVESTEE. THE GROUP HAS NOT RECOGNIZED LOSSES OF ₩125 MILLION FOR THE YEAR ENDED DECEMBER 31, 2011 AND THE CUMULATIVE LOSSES OF ₩1,611 MILLION AS OF DECEMBER 31, 2011, RELATED TO HAEVICH COUNTRY CLUB, LTD.

12. FINANCIAL SERVICES RECEIVABLES:

(1) FINANCIAL SERVICES RECEIVABLES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) AGING ANALYSIS OF FINANCIAL SERVICES RECEIVABLES

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

(3) THE CHANGES IN ALLOWANCE FOR DOUBTFUL ACCOUNTS OF FINANCIAL SERVICES RECEIVABLES FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

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

(4) TOTAL LEASE INVESTMENTS AND PRESENT VALUE OF MINIMUM LEASE RECEIPTS OF FINANCIAL LEASE AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

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

(5) UNEARNED INTEREST INCOME OF FINANCIAL LEASE AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

13. OPERATING LEASE ASSETS:

(1) OPERATING LEASE ASSETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) FUTURE MINIMUM LEASE RECEIPTS RELATED TO OPERATING LEASE ASSETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Within 1 year	₩ 1,232,216	₩ 455,455	₩ 579,815
Within 5 years more than 1 year	1,339,767	1,123,505	496,010
More than 5 years	4	-	-
	₩ 2,571,987	₩ 1,578,960	₩ 1,075,825

14. BORROWINGS AND DEBENTURES:

(1) SHORT-TERM BORROWINGS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(2) LONG-TERM DEBT AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(3) DEBENTURES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

15. PROVISIONS:

(1) THE PROVISIONS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWINGS:

(In millions of Korean Won)

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

(2) THE CHANGES OF PROVISIONS FOR THE YEAR ENDED DECEMBER 31, 2011 ARE AS FOLLOWS:

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

16. OTHER FINANCIAL LIABILITIES:

OTHER FINANCIAL LIABILITIES AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

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

17. OTHER LIABILITIES:

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

(In millions of Korean Won)

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

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18. FINANCIAL INSTRUMENTS:

(1) CATEGORIES OF FINANCIAL ASSETS AS OF DECEMBER 31, 2011 CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

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

(In millions of Korean Won)

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩ 6,215,815	₩ -	₩ -	₩ 6,215,815	₩ 6,215,815
Short-term and long-term financial instruments	-	8,543,388	-	-	8,543,388	8,543,388
Trade notes and accounts receivable	-	3,290,387	-	-	3,290,387	3,290,387
Other receivables	-	2,427,035	-	-	2,427,035	2,427,035
Other financial assets	209,301	10,945	1,479,985	571,318	2,271,549	2,271,549
Other assets	-	295,254	-	-	295,254	295,254
Financial services receivables	-	32,964,999	-	-	32,964,999	33,324,963
	₩ 209,301	₩ 53,747,823	₩ 1,479,985	₩ 571,318	₩ 56,008,427	₩ 56,368,391

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

(In millions of Korean Won)

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩ 5,400,090	₩ -	₩ -	₩ 5,400,090	₩ 5,400,090
Short-term and long-term financial instruments	-	5,348,223	-	-	5,348,223	5,348,223
Trade notes and accounts receivable	-	3,035,032	-	-	3,035,032	3,035,032
Other receivables	-	2,335,423	-	-	2,335,423	2,335,423
Other financial assets	146,227	147,884	957,398	1,339,656	2,591,165	2,591,165
Other assets	-	251,984	-	-	251,984	251,984
Financial services receivables	-	26,537,364	-	-	26,537,364	26,898,227
	₩ 146,227	₩ 43,056,000	₩ 957,398	₩ 1,339,656	₩ 45,499,281	₩ 45,860,144

(2) CATEGORIES OF FINANCIAL LIABILITIES AS OF DECEMBER 31, 2011 CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade notes and accounts payable	₩ -	₩ 6,666,406	₩ -	₩ 6,666,406	₩ 6,666,406
Other payables	-	3,782,155	-	3,782,155	3,782,155
Borrowings and debentures	-	43,338,660	-	43,338,660	43,931,435
Other financial liabilities	442,901	149,670	63,540	656,111	656,111
Other liabilities	-	1,103,017	-	1,103,017	1,103,017
	₩ 442,901	₩ 55,039,908	₩ 63,540	₩ 55,546,349	₩ 56,139,124

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

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

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(3) FAIR VALUE ESTIMATION

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

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

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

(In millions of Korean Won)

Description	December 31, 2011			
	Level 1	Level 2	Level 3	Total
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

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

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

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

(In millions of Korean Won)

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

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(4) INTEREST INCOME, DIVIDEND INCOME AND INTEREST EXPENSE BY CATEGORY OF FINANCIAL INSTRUMENTS FOR YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

(In millions of Korean Won)

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

(5) THE COMMISSION INCOME(FINANCIAL SERVICES REVENUE) ARISING FROM FINANCIAL ASSETS OR LIABILITIES OTHER THAN FINANCIAL ASSETS OR LIABILITIES AT FVTPL FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 ARE ₩1,615,068 MILLION AND ₩1,553,555 MILLION, RESPECTIVELY. IN ADDITION, THE FEE EXPENSE(COST OF SALES FROM FINANCIAL SERVICES) OCCURRING FROM FINANCIAL ASSETS OR LIABILITIES OTHER THAN FINANCIAL ASSETS OR LIABILITIES AT FVTPL FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 ARE ₩687,019 MILLION AND ₩635,259 MILLION, RESPECTIVELY.

19. CAPITAL STOCK:

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

(In millions of Korean Won, except par value)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Authorized	600,000,000 shares	600,000,000 shares	600,000,000 shares
Issued	220,276,479 shares	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982	1,157,982

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

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

(In millions of Korean Won)

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

On March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount. The preferred shares are non-cumulative, participating and non-voting.

20. CAPITAL SURPLUS:

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

(In millions of Korean Won)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334	₩ 3,321,334
Other	792,676	579,601	409,981
	₩ 4,114,010	₩ 3,900,935	₩ 3,731,315

21. OTHER CAPITAL ITEMS:

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

(Number of shares)

Description	December 31, 2011	December 31, 2010	January 1, 2010
Common stock	11,006,710	11,005,030	11,213,999
1 st preferred stock	1,950,960	1,950,960	1,950,960
2 nd preferred stock	1,000,000	1,000,000	1,000,000

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22. ACCUMULATED OTHER COMPREHENSIVE INCOME:

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

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

23. RETAINED EARNINGS AND DIVIDENDS:

(1) RETAINED EARNINGS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

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

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

(2) THE COMPUTATION OF THE PROPOSED DIVIDENDS FOR THE YEAR ENDED DECEMBER 31, 2011 IS AS FOLLOWS:

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

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

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

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24. SALES:

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

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

25. SELLING AND ADMINISTRATIVE EXPENSES:

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

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

26. OTHER OPERATING INCOME AND EXPENSES:

(1) OTHER OPERATING INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSISTS OF THE FOLLOWING:

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

(2) OTHER OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

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

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

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

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28. FINANCIAL INCOME AND EXPENSES:

(1) FINANCIAL INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

(2) FINANCIAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

29. EXPENSES BY NATURE:

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

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

30. EARNINGS PER COMMON SHARE:

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

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

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

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

31. INCOME TAX EXPENSE:

(1) INCOME TAX EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, CONSISTS OF THE FOLLOWING:

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

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(2) THE CHANGES IN DEFERRED TAX ASSETS (LIABILITIES) IN 2011 ARE AS FOLLOWS:

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

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

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

(3) THE COMPONENTS OF ITEMS CHARGED TO EQUITY AS OF DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

(4) THE TEMPORARY DIFFERENCES NOT RECOGNIZED AS DEFERRED TAX LIABILITIES RELATED TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES ARE ₩3,946,606 MILLION AS OF DECEMBER 31, 2011.

32. RETIREMENT BENEFIT PLAN:

(1) EXPENSES RECOGNIZED IN RELATION TO DEFINED CONTRIBUTION PLANS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

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(2) ACTUARIAL ASSUMPTIONS USED BY THE COMPANY AND ITS SUBSIDIARIES, RESPECTIVELY, AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

(3) PROFIT AND LOSSES IN RELATION TO DEFINED BENEFIT PLANS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

(4) THE AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION RELATED TO DEFINED BENEFIT PLANS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

(5) CHANGES IN PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

(6) CHANGES IN FAIR VALUE OF THE PLAN ASSETS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

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

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(7) FAIR VALUE OF THE PLAN ASSETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF THE FOLLOWING:

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

33. CASH GENERATED FROM OPERATIONS:

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

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

(Continued)

(In millions of Korean Won)		
Description	2011	2010
Cost of sales from financial services	₩ 3,216,120	₩ 2,698,760
Other	133,512	69,114
	10,853,626	9,080,346
Deduction of items not involving cash inflows:		
Gain on foreign currency translation	270,517	254,836
Gain on disposal of property, plant and equipment	13,681	31,811
Interest income	475,628	376,917
Dividend income	17,584	12,322
Gain on valuation of financial instruments at FVTPL	16,537	-
Gain on disposal of financial instruments at FVTPL	2,182	20,644
Gain on valuation of derivatives	69,683	131,177
Gain on valuation of equity-accounted investees	2,272,619	1,824,926
Gain on disposal of investments in associates	141,453	-
Revenue from financial services	440,978	632,755
Other	214,724	126,454
	(3,935,586)	(3,411,842)
Changes in operating assets and liabilities		
Increase in trade notes and accounts receivable	(813,966)	(386,959)
Decrease in other receivables	235,836	6,368
Decrease in other financial assets	7,459	184,192
Increase in inventories	(961,690)	(291,570)
Decrease in other assets	56,187	222,572
Increase in trade notes and accounts payable	342,451	1,156,528
Increase in other payables	1,747,476	711,632
Increase in other liabilities	186,666	474,425
Decrease in other financial liabilities	(52,370)	(80,909)
Changes in retirement benefit obligation	(311,961)	(65,124)
Payment of severance benefits	(137,507)	(328,981)
Decrease in provisions	(850,904)	(635,107)
Changes in financial services receivables	(8,023,619)	(6,458,082)
Other	(20,148)	276,236
	(8,596,090)	(5,214,779)
Cash generated from operations	₩ 6,426,813	₩ 6,454,907

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

34. RISK MANAGEMENT:

(1) CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain an optimal capital structure for maximizing its shareholders' profit and to reduce the cost of capital. Debt to equity ratio is calculated as total liabilities divided by equity and is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of December 31, 2011, December 31, 2010 and January 1, 2010, respectively, are as follows:

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

(2) FINANCIAL RISK MANAGEMENT

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

1) MARKET RISK

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

a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of December 31, 2011, is as follows:

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

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

b) Interest rate risk management

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

The Group's sensitivity to a 1% change in interest rates on income before income tax as of December 31, 2011 is as follows:

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

c) Equity price risk

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

2) CREDIT RISK

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

3) LIQUIDITY RISK

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

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract expiration as of December 31, 2011 is as follows:

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

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

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(3) DERIVATIVE INSTRUMENT

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

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

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

35. RELATED PARTY TRANSACTIONS:

(1) SIGNIFICANT TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, BETWEEN THE GROUP AND RELATED PARTIES OR AFFILIATES BY MONOPOLY REGULATION AND FAIR TRADE ACT OF THE REPUBLIC OF KOREA ("ACT") ARE AS FOLLOWS:

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

(2) AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010, RESPECTIVELY, SIGNIFICANT BALANCES RELATED TO THE TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES OR AFFILIATES BY ACT ARE AS FOLLOWS:

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

(3) COMPENSATIONS FOR REGISTERED AND UNREGISTERED DIRECTORS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, ARE AS FOLLOWS:

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

36. COMMITMENTS AND CONTINGENCIES:

(1) AS OF DECEMBER 31, 2011, THE DEBT GUARANTEES PROVIDED BY THE GROUP TO RELATED PARTIES, EXCLUDING THE GROUP'S SUBSIDIARIES, ARE AS FOLLOWS:

	(In millions of Korean Won)	
	Domestic	Overseas (*)
Associates and joint ventures	₩ -	₩ 111,870
Others	170,017	294,981
Customer financing and lease financing	70,166	-
	₩ 240,183	₩ 406,851

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

(2) AS OF DECEMBER 31, 2011, THOUGH THE GROUP IS INVOLVED IN THE LAWSUITS AS DEFENDANTS, THE GROUP IS CURRENTLY UNABLE TO ESTIMATE THE OUTCOME OR THE POTENTIAL FINANCIAL IMPACT OF SUCH LAWSUITS. HOWEVER, THE GROUP EXPECTS THAT IT WILL LIKELY NOT HAVE A MATERIAL EFFECT ON ITS FINANCIAL STATEMENTS.

THE GROUP OBTAINS PRODUCT LIABILITY INSURANCE FOR POTENTIAL LOSSES WHICH MAY RESULT FROM PRODUCT LIABILITIES AND OTHER OPERATIONS LAWSUITS.

(3) AS OF DECEMBER 31, 2011, THE GROUP'S PROPERTY, PLANT AND EQUIPMENT ARE PLEDGED AS COLLATERAL FOR VARIOUS LOANS UP TO ₩582,719 MILLION. IN ADDITION, THE GROUP PLEDGED CERTAIN BANK DEPOSITS, CHECKS, PROMISSORY NOTES AND INVESTMENT SECURITIES, INCLUDING 213,466 SHARES OF KIA MOTORS CORPORATION, AS COLLATERAL TO FINANCIAL INSTITUTIONS AND OTHERS. CERTAIN FOREIGN SUBSIDIARIES' RECEIVABLES AND FINANCIAL SERVICES RECEIVABLES ARE PLEDGED AS COLLATERAL FOR THEIR BORROWINGS.

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(4) AS OF DECEMBER 31, 2011, THE GROUP'S SUBSIDIARIES HAVE BEEN PROVIDED WITH PAYMENT GUARANTEE FROM OTHER COMPANIES AS FOLLOWS:

(KRW in millions, other currencies in thousands, respectively)

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

(5) IN 2006, THE GROUP SOLD 10,658,367 SHARES OF HYUNDAI ROTEM COMPANY, A SUBSIDIARY, TO MSPE METRO INVESTMENT AB AND ENTERED INTO A SHAREHOLDERS' AGREEMENT. MSPE METRO INVESTMENT AB IS ENTITLED TO A PUT OPTION TO SELL THOSE SHARES BACK TO THE GROUP IN CERTAIN EVENTS (AS DEFINED) IN ACCORDANCE WITH THE AGREEMENT. IN RELATION TO THE AGREEMENT, THE PRESENT VALUE OF EXERCISE PRICE OF THE PUT OPTION IS RECOGNIZED AS A LIABILITY (OTHER FINANCIAL LIABILITY) BY THE GROUP.

(6) HYUNDAI CAPITAL SERVICES, INC., A SUBSIDIARY, HAS REVOLVING CREDIT FACILITY AGREEMENTS WITH THE FOLLOWING FINANCIAL INSTITUTIONS:

Financial institution	Credit line	
GE Capital Corporation	Euro worth of USD	1,000 million
Citi Bank, P.A.	USD	200 million
The Bank Of Tokyo Mitsubishi UFJ., Ltd	USD	200 million
Mizuho Corporate Bank, Seoul Branch	KRW	65,000 million
JP Morgan, Seoul Branch	KRW	80,000 million
Citi bank, Seoul	KRW	50,000 million
Standard Chartered, Seoul Branch	KRW	50,000 million
SG Bank, Seoul Branch	KRW	55,000 million
Bank of China, Seoul	KRW	30,000 million
DBS Bank, Seoul	KRW	50,000 million
Credit Agricole, Seoul	KRW	26,000 million
RBS, Seoul	KRW	110,000 million
ING Bank, Seoul	KRW	100,000 million
Korea Development Bank	KRW	30,000 million
Kyobo Life Insurance Co., Ltd.	KRW	50,000 million

(7) HYUNDAI CARD CO., LTD, A SUBSIDIARY, HAS REVOLVING CREDIT FACILITY AGREEMENTS WITH THE FOLLOWING FINANCIAL INSTITUTIONS:

Financial institution	Credit line	
GE Capital Corporation	Euro worth of USD	200 million
Woori Bank	KRW	200,000 million
Kookmin Bank	KRW	160,000 million
Shinhan Bank	KRW	100,000 million
Ponghyup	KRW	100,000 million
Citibank, Seoul	KRW	50,000 million

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(8) HYUNDAI CARD CO., LTD., A SUBSIDIARY, HAS AN ASSET BACKED SECURITIZATION AGREEMENT, UNDER WHICH EXISTS EARLY REDEMPTION CLAUSES WHEN CERTAIN TRIGGERING EVENTS OCCUR. SUCH CLAUSES ARE IN PLACE TO LIMIT THE RISK THAT THE INVESTORS MAY INCUR DUE TO CHANGES IN ASSET QUALITY OF THE SUBSIDIARY IN THE FUTURE. IN THE EVENT THE ASSET-BACKED SECURITIZATION TRIGGERS SUCH CLAUSES, HYUNDAI CARD CO., LTD. IS OBLIGATED TO MAKE EARLY REDEMPTION OF ITS ASSET-BACKED SECURITIES.

(9) THE SHARES OF HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD, AN EQUITY METHOD INVESTEE ACQUIRED DURING 2011, ARE RESTRICTED TO BE TRANSFERRED OR PLEDGED AS COLLATERAL IN WHOLE OR IN PART TO THIRD PARTY WITHOUT PRIOR WRITTEN CONSENT OF THE SELLER FOR THE FOLLOWING TWO YEARS FROM THE ACQUISITION. ON THE PURPOSE OF ASSURING THIS RESTRICTION, THE SHARES OF THE ASSOCIATE WORTH OF 10% OF THE TOTAL ACQUISITION PRICE ARE HELD BY THE DESIGNATED ESCROW AGENT.

37. SEGMENT INFORMATION:

(1) THE GROUP HAS A VEHICLE SEGMENT, A FINANCE SEGMENT AND OTHER. THE VEHICLE SEGMENT IS ENGAGED IN THE MANUFACTURING AND SALE OF MOTOR VEHICLES. THE FINANCE SEGMENT OPERATES VEHICLE FINANCING, CREDIT CARD PROCESSING AND OTHER FINANCING ACTIVITIES. OTHER INCLUDES THE R&D, TRAILER MANUFACTURING AND OTHER ACTIVITIES WHICH CANNOT BE CLASSIFIED AS VEHICLE OR FINANCE SEGMENT.

(2) SALES AND OPERATING INCOME BY OPERATING SEGMENTS ARE AS FOLLOWS:

(In millions of Korean Won)

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

(In millions of Korean Won)

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

(3) ASSETS AND LIABILITIES BY OPERATING SEGMENTS ARE AS FOLLOWS:

(In millions of Korean Won)

	As of December 31, 2011				
	Vehicle	Finance	Other	Consolidation adjustments	Total
ASSETS					
Current assets	₩ 30,935,099	₩ 24,213,927	₩ 2,295,599	₩ (8,518,275)	₩ 48,926,350
Non-current assets	40,379,461	24,325,148	2,145,740	(6,296,724)	60,553,625
Total assets	₩ 71,314,560	₩ 48,539,075	₩ 4,441,339	₩ (14,814,999)	₩ 109,479,975
LIABILITIES					
Current liabilities	₩ 22,797,925	₩ 16,728,352	₩ 1,720,091	₩ (8,082,860)	₩ 33,163,508
Borrowings and debentures	4,005,841	12,819,762	594,797	(1,220,192)	16,200,208
Other	18,792,084	3,908,590	1,125,294	(6,862,668)	16,963,300
Non-current liabilities	8,411,987	25,747,924	1,293,890	534,964	35,988,765
Borrowings and debentures	2,324,745	23,863,808	949,899	-	27,138,452
Other	6,087,242	1,884,116	343,991	534,964	8,850,313
Total liabilities	₩ 31,209,912	₩ 42,476,276	₩ 3,013,981	₩ (7,547,896)	₩ 69,152,273

(In millions of Korean Won)

	As of December 31, 2010				
	Vehicle	Finance	Other	Consolidation adjustments	Total
ASSETS					
Current assets	₩ 25,761,342	₩ 21,227,745	₩ 2,049,880	₩ (5,518,813)	₩ 43,520,154
Non-current assets	36,798,877	19,611,520	2,181,870	(7,398,290)	51,193,977
Total assets	₩ 62,560,219	₩ 40,839,265	₩ 4,231,750	₩ (12,917,103)	₩ 94,714,131
LIABILITIES					
Current liabilities	₩ 20,172,503	₩ 14,540,732	₩ 1,945,354	₩ (5,213,103)	₩ 31,445,486
Borrowings and debentures	3,657,242	11,732,707	875,356	(406,132)	15,859,173
Other	16,515,261	2,808,025	1,069,998	(4,806,971)	15,586,313
Non-current liabilities	7,823,253	21,206,728	968,913	381,778	30,380,672
Borrowings and debentures	2,487,002	19,558,651	691,422	-	22,737,075
Other	5,336,251	1,648,077	277,491	381,778	7,643,597
Total liabilities	₩ 27,995,756	₩ 35,747,460	₩ 2,914,267	₩ (4,831,325)	₩ 61,826,158

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In millions of Korean Won)

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

(4) SALES AND OPERATING INCOME BY REGION WHERE THE GROUP'S ENTITIES ARE LOCATED IN ARE AS FOLLOWS:

(In millions of Korean Won)

	For the year ended December 31, 2011						
	Korea	North America	Asia	Europe	Other	Consolidation adjustments	Total
Sales	₩ 51,565,160	₩ 26,029,355	₩ 7,387,760	₩ 20,696,366	₩ -	₩ (27,880,746)	₩ 77,797,895
Operating income	5,922,173	1,407,667	356,798	574,888	(47,121)	(138,928)	8,075,477

(In millions of Korean Won)

	For the year ended December 31, 2010						
	Korea	North America	Asia	Europe	Other	Consolidation adjustments	Total
Sales	₩ 45,353,931	₩ 21,409,802	₩ 6,915,702	₩ 13,050,210	₩ -	₩ (19,744,374)	₩ 66,985,271
Operating income	4,641,967	753,498	363,558	149,834	(8,286)	17,921	5,918,492

(5) NON-CURRENT ASSETS BY REGION WHERE THE GROUP'S ENTITIES ARE LOCATED IN AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010, RESPECTIVELY, ARE AS FOLLOWS:

(In millions of Korean Won)

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

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

(6) THERE IS NO SINGLE EXTERNAL CUSTOMER WHO HAS 10% OR MORE OF THE GROUP'S REVENUES FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY.

38. CONSTRUCTION CONTRACTS:

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

(In millions of Korean Won)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

39. TRANSITION TO K-IFRS:

(1) OPTIONAL EXEMPTIONS FROM RETROSPECTIVE APPLICATION OF K-IFRS 1101 FIRST-TIME ADOPTION

- 1) Business combinations that occurred before the date of transition to K-IFRS, have not been retrospectively restated.
- 2) Cumulative translation differences for all foreign operations have been deemed to be zero at the date of transition to K-IFRS.
- 3) The Group capitalizes borrowing costs relating to qualifying assets for which the commencement date for capitalization occurred after the date of transition to K-IFRS.
- 4) The Group measures land at fair value and uses fair value as deemed cost at the transition date. The fair value amounting to ₩4,411,286 million (carrying amount of ₩1,954,751 million under previous GAAP) at the date of transition is used as deemed cost; the related deferred tax effect recognized amounts to ₩540,438 million. In addition, for property, plant and equipment and investment property other than land, the Group uses the revaluation previously performed, before the date of transition to K-IFRS, under previous GAAP as deemed cost.

(2) SIGNIFICANT DIFFERENCES IN ACCOUNTING POLICIES

1) DERECOGNITION OF FINANCIAL ASSETS

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

2) EMPLOYEE BENEFITS

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

3) PROVISION

Under previous GAAP, the discount rate at the initial recognition was applied to measure the present value of provisions in the subsequent periods. Under K-IFRS, the current market discount rate is applied to remeasure the present value of provisions. Under K-IFRS, where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party and when it is virtually certain that reimbursement will be received if the Group settles the obligation, the Group recognizes the reimbursement by another party as a separate asset.

4) FINANCIAL GUARANTEE CONTRACTS

Under previous GAAP, no related accounting treatment existed. Under K-IFRS, the Group has recognized the fair value of financial guarantee contracts which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument as a financial liability.

5) CUSTOMER LOYALTY PROGRAMMES

Under previous GAAP, the Group recognized expenditure expected to be paid in the future as selling expenses and the provision that indicates the transaction granted the award credits under customer loyalty programmes. Under K-IFRS, since the fair value of the consideration received or receivable from the sales transaction should be allocated between the award credits as a separately identifiable component and the other components and the recognition of revenue should be deferred, the Group has recognized the amount as deferred revenue.

6) INVESTMENT PROPERTY

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

7) BORROWING COST

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

8) ALLOWANCE FOR BAD DEBT

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

9) DEFERRED INCOME TAX

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

10) CATEGORY OF OPERATING INCOME

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

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

Income (expenses) which were previously recognized as non-operating income (expense) under previous GAAP but are now classified as operating income (expense) under K-IFRS for the year ended December 31, 2010, are summarized as follows:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(3) CHANGES IN CONSOLIDATED SUBSIDIARIES

Changes	Description	Name of entity
Included under K-IFRS	Under previous GAAP, these entities were excluded in the consolidation since individual beginning balance of total assets is less than 10,000 million won, but they are included in the consolidated subsidiaries under K-IFRS.	Hyundai PGV Tech Co., Ltd., Jeonbuk Hyundai Motors FC Co., Ltd., Rotem Equipments (Beijing) Co., Ltd., Maintrance Co., Ltd., Hyundai Motor Japan R&D Center Inc., Hyundai Capital Europe GmbH, Hyundai Motor Brasil Montadora de Automoveis, Beijing Jingxianronghua Motor sale Co., Ltd., Beijing xinhuaqiqiyuetong Motor Chain Co., Ltd.
	Under previous GAAP, the entity was excluded in the consolidation due to the liquidation plan, but it is included in the consolidated subsidiaries under K-IFRS.	Hyundai Motor Hungary
	Under previous GAAP, these entities are excluded in the consolidation since the Group deemed not to have control over these companies due to the passively designated scope of operation by the related law or the article of association. However, under K-IFRS, the Group is considered to have control over the entities and are included in the consolidated subsidiaries.	Autopia Thirty-Fifth Asset Securitization Specialty Company, etc.
Excluded under K-IFRS	Under previous GAAP, entities which the Group owns more than a 30% shares and is the largest shareholder, were included in the consolidation. Under K-IFRS, they are excluded in the consolidation as the Group's voting power right is less than 50% and the Group does not have control of the entities.	Kia Motors Corporation and its subsidiaries, Hyundai HYSCO Co., Ltd. and its subsidiaries, Hyundai Dymos Inc. and its subsidiaries, Hyundai WIA Corporation and its subsidiaries, KEFICO Corporation and its subsidiaries, Hyundai Powertech Co., Ltd. and its subsidiaries, Hyundai Autoever Corp., Hyundai Commercial Inc., Hyundai M & Soft Co., Ltd., Haevichi Country Club Co., Ltd., HMC Win Win Fund, Innocean World-wideAmericas, LLC, Hyundai Information Service North America, LLC, Beijing Mobis Transmission Co., Ltd, Hyundai Motor Group China, Ltd, Hyundai-Wia Automotive Engine (Shandong) Company

(4) ADJUSTMENTS IN THE FINANCIAL POSITION AND FINANCIAL PERFORMANCE DUE TO TRANSITION TO K-IFRS

1) ADJUSTMENTS IN FINANCIAL POSITION AS OF JANUARY 1, 2010, TRANSITION DATE TO K-IFRS

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

2) ADJUSTMENTS IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2010

Description	(In millions of Korean Won)				
	Assets	Liabilities	Equity	Net income	Comprehensive income
Previous GAAP	₩ 118,077,818	₩ 81,342,217	₩ 36,735,601	₩ 7,982,924	₩ 8,482,806
Adjustments:					
Changes in scope of consolidation	(27,185,274)	(20,680,341)	(6,504,933)	(2,221,013)	(2,221,013)
Deemed cost of land	2,456,535	-	2,456,535	-	-
Employee benefits	(14,371)	453,707	(468,078)	45,892	(118,812)
Provisions	809,831	818,263	(8,432)	(52,638)	(52,638)
Effect of the adoption of K-IFRS for joint ventures and associates	642,353	-	642,353	138,355	138,355
Allowance for bad debts	230,787	-	230,787	(25,500)	(25,500)
Deferred tax	(256,162)	(248,166)	(7,996)	157,292	157,292
Other	(47,386)	140,478	(187,864)	(24,130)	(137,148)
	(23,363,687)	(19,516,059)	(3,847,628)	(1,981,742)	(2,259,464)
K-IFRS	₩ 94,714,131	₩ 61,826,158	₩ 32,887,973	₩ 6,001,182	₩ 6,223,342

(5) ADJUSTMENTS IN STATEMENTS OF CASH FLOWS DUE TO THE TRANSITION TO K-IFRS

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

40. EVENTS AFTER THE REPORTING PERIOD:

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

41. APPROVAL OF FINANCIAL STATEMENTS:

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

This place

It's where loneliness is by choice

and friends gather at will

This is where it all happens

where it all is

This is where brilliance happens

live brilliant



THROUGH NEW THINKING, WE WILL DISCOVER NEW POSSIBILITIES
THAT OUR CUSTOMERS, THE WORLD, AND THE TIMES WE LIVE IN NEVER EXPECTED.
AND WE WILL MAKE SURE THAT THE POSSIBILITIES BECOME A REALITY,
THAT THEY BECOME NEW VALUES THAT CUSTOMERS CAN EXPERIENCE AND ENJOY.
HYUNDAI IS "NEW THINKING. NEW POSSIBILITIES."