HYUNDAI | NEW THINKING. NEW POSSIBILITIES.

HYUNDAI MOTOR COMPANY

ANNUAL REPORT 2012

2012 HYUNDAI ANNUAL REPORT

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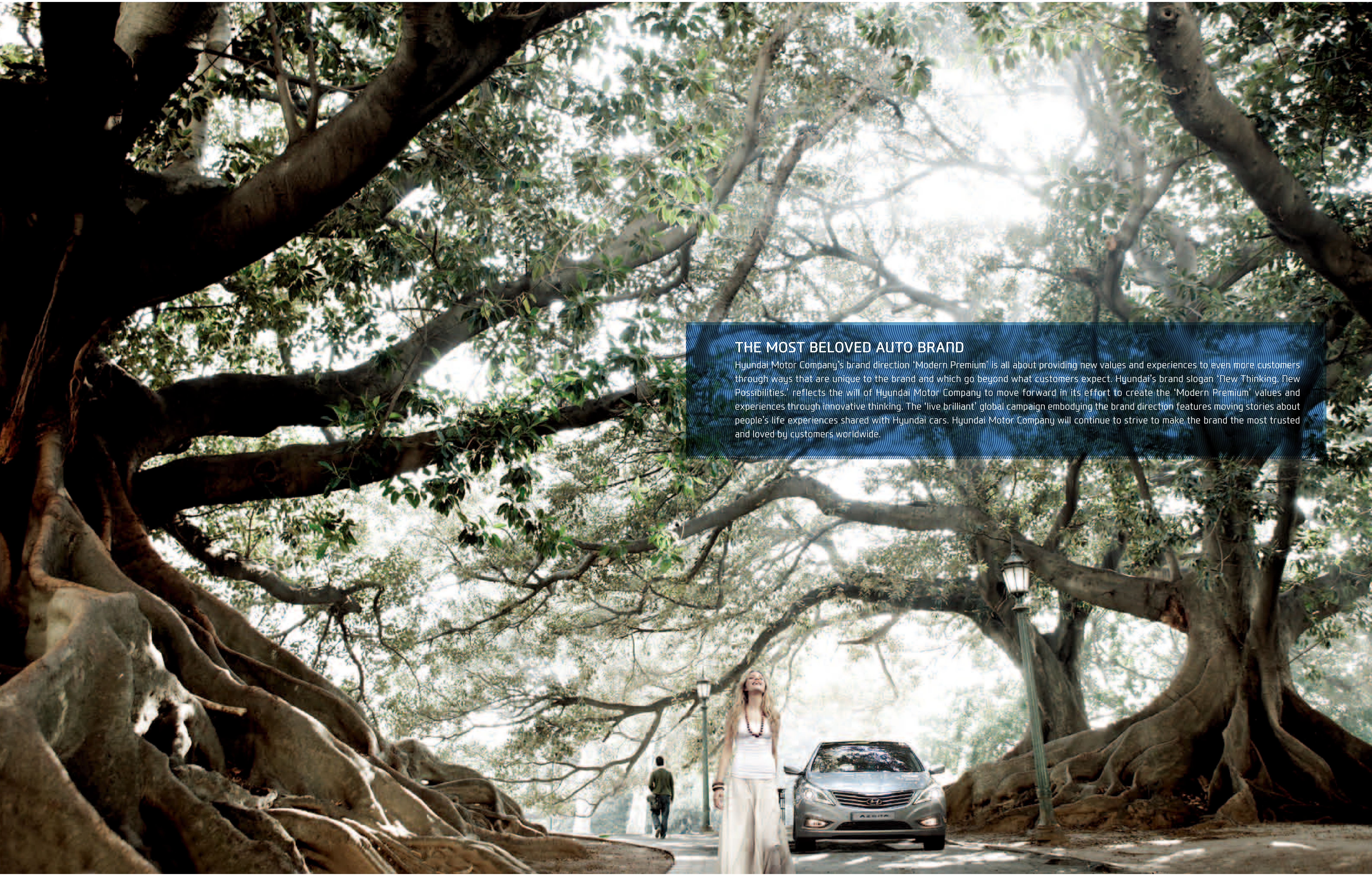
BLUE WAVES, A NEW BEGINNING

Challenging preconceptions,
overcoming purported limitations,
and changing the minds of our customers.

'Making the best cars'
is the cornerstone of Hyundai's belief.
New thinking and sheer determination
have opened up new possibilities.

The fresh and energetic waves that
Hyundai is stirring up
penetrate our lives today and in the future.



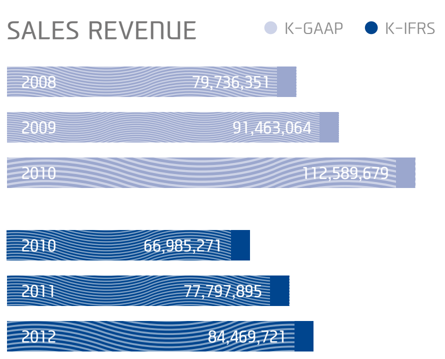
THE MOST BELOVED AUTO BRAND

Hyundai Motor Company's brand direction 'Modern Premium' is all about providing new values and experiences to even more customers through ways that are unique to the brand and which go beyond what customers expect. Hyundai's brand slogan 'New Thinking. New Possibilities.' reflects the will of Hyundai Motor Company to move forward in its effort to create the 'Modern Premium' values and experiences through innovative thinking. The 'live brilliant' global campaign embodying the brand direction features moving stories about people's life experiences shared with Hyundai cars. Hyundai Motor Company will continue to strive to make the brand the most trusted and loved by customers worldwide.

FY 2012 SALES REVENUE
84,469,721
<Unit: KRW Million>
SALES REVENUE
K-IFRS
84,469,721
77,797,895
66,985,271
2010
2011
2012
K-GAAP
112,589,679
91,463,064
79,736,351
2008
2009
2010
GLOBAL PLANT OPERATION
1,911
856
641
361
303
225
86
27
Brazil
Turkey
Russia
Czech
India
China
US
Korea
TOTAL
4,410 Thousand

FINANCIAL HIGHLIGHTS

SALES REVENUE



CONSOLIDATED STATEMENTS OF INCOME

<Unit: KRW Million>

For the Year		K-GAAP			K-IFRS*		
		2008	2009	2010	2010	2011	2012
Sales Revenue**		79,736,351	91,463,064	112,589,679	66,985,271	77,797,895	84,469,721
Operating Income		3,072,043	5,620,241	9,117,742	5,918,492	8,028,829	8,436,947
	Margin (%)	3.9%	6.1%	8.1%	8.8%	10.3%	10.0%
Net Income***		1,092,552	4,043,436	7,982,924	6,001,182	8,104,863	9,056,277
	Margin (%)	1.4%	4.4%	7.1%	9.0%	10.4%	10.7%
Basic EPS (KRW)****		2,499	10,947	20,052	20,516	28,200	31,515

* From FY 2011, the company adopted Korean International Financial Reporting Standards (K-IFRS)
** Business results of BHMC 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

Net Revenue 84,469,721

Operating Income 8,436,947

FY 2012 FINANCIAL SUMMARY BY DIVISION

<Unit: KRW Million>

FY 2012	Vehicle	Finance	Other	Consolidation Adjustments
Net Revenue	103,878,092	8,799,513	5,348,113	-33,555,998
Operating Income	6,711,118	1,177,513	254,552	-293,765

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<Unit: KRW Million>

At Year End	K-GAAP			K-IFRS		
	2008	2009	2010	2010	2011	2012
Assets	103,205,783	102,324,934	118,077,818	94,714,131	109,479,975	121,537,814
Liabilities	77,853,886	73,363,274	81,342,217	61,826,158	69,152,273	73,620,239
Shareholder's Equity	25,351,897	28,961,660	36,735,601	32,887,973	40,327,702	47,917,575
Liab. to Eqt. Ratio(%)	307.1%	253.3%	221.4%	188.0%	171.5%	153.6%

R&D EXPENSE

<Unit: KRW Million>

For the Year	K-GAAP			K-IFRS		
	2008	2009	2010	2010	2011	2012
R&D Expense	2,190,476	2,239,471	2,416,204	1,388,776	1,445,268	1,631,670

CREDIT RATING

		2008	2009	2010	2011	2012
Domestic	KIS	AA	AA	AA+	AA+	AAA
	NICE	AA	AA	AA+	AA+	AAA
	Korea Rating	AA	AA	AA+	AA+	AAA
Overseas	S&P	BBB-	BBB-	BBB	BBB	BBB+
	Moody's	Baa3	Baa3	Baa2	Baa2	Baa1

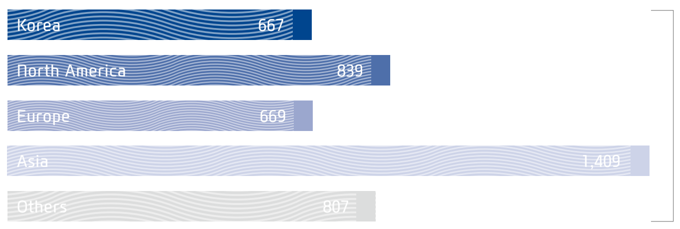
BUSINESS HIGHLIGHTS

GLOBAL RETAIL SALES

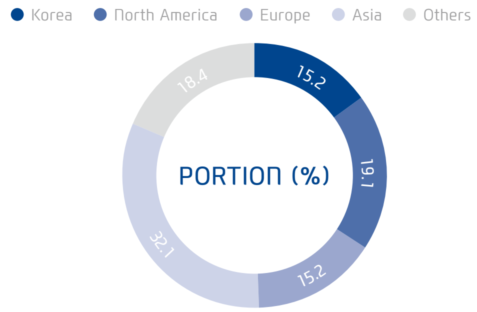
<Unit: Thousand>

SALES BY REGION	Korea	North America	Europe	Asia	Others	Total
FY 2011	682	775	599	1,288	755	4,099
FY 2012	667	839	669	1,409	807	4,392
Portion (%)	15.2%	19.1%	15.2%	32.1%	18.4%	100.0%
YoY Chg (%)	-2.1%	8.3%	11.7%	9.4%	6.9%	7.1%

SALES BY REGION



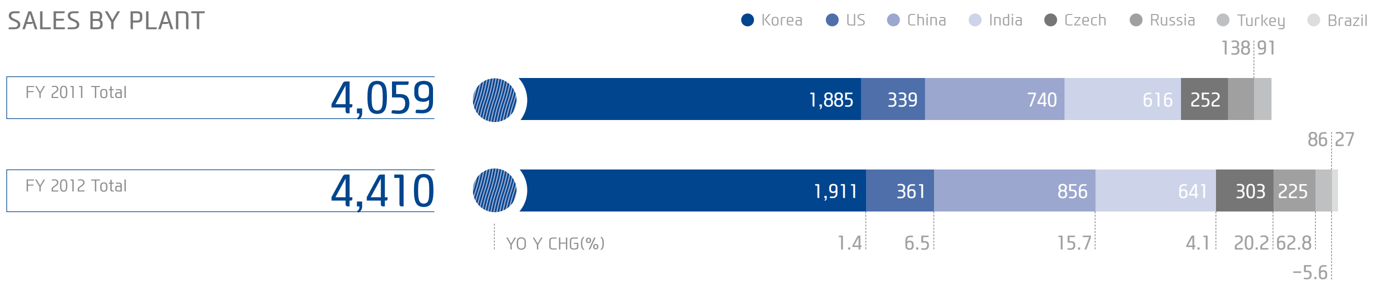
Global Retail Sales
4,392



GLOBAL PLANT OPERATION

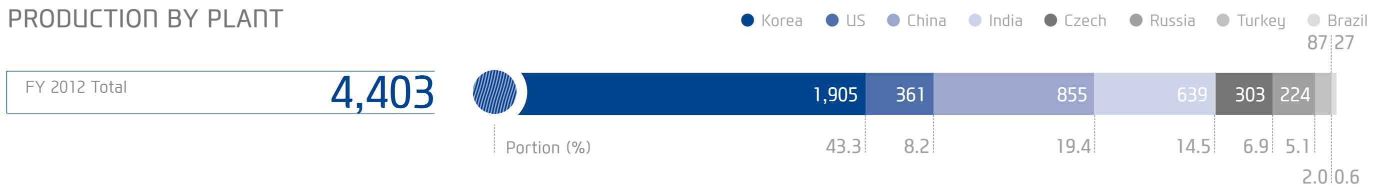
<Unit: Thousand>

SALES BY PLANT



SALES BY SEGMENT

PRODUCTION BY PLANT



WE WILL FORTIFY OUR POSITION AS A GLOBAL LEADER THROUGH QUALITY-DRIVEN BRAND INNOVATION.

May 2013

CHUNG, MONG-KOO
Chairman and CEO

In 2012, Hyundai Motor Company maintained growth and development despite an extremely competitive market environment, selling 4.41 million vehicles worldwide, an 8.6% increase from the previous year.

In 2013, the domestic and overseas market environments are expected to remain challenging due to the effects of the ongoing European debt crisis and global recession. As a result, competition among automakers is expected to intensify exponentially. However, Hyundai Motor has historically shown an indomitable spirit of challenge and passion to overcome hardships and deliver a brilliant performance. Likewise, we will overcome challenges expected in 2013 by strengthening internal capabilities that will lead to qualitative growth and by developing competitiveness that will drive future growth.

To this end, Hyundai Motor will first and foremost pursue a strategy of brand innovation based on quality. Throughout the years, quality has always been at the very heart of Hyundai Motor's philosophy of putting customers first. We will continue to strive for the highest quality and to not just satisfy, but exceed customers' expectations so that they may feel an even greater pride in the Hyundai brand.

Hyundai Motor will expand its presence in the Chinese market, a key market that is expected to continue to grow. Moreover, it will step up efforts to stabilize quality in global production bases and in factories in markets such as Brazil, where the company is pursuing aggressive growth.

Hyundai Motor will enhance our brand image, which will in turn lead to improved profitability, creating a virtuous cycle that will lay down the groundwork for long-term qualitative growth. We will continuously invest in research and development in areas such as eco-friendly vehicles to secure technological competitiveness and solidify our global leadership. We will also pursue investment and employment to secure future growth engines.

Implementation of a globalized, organic, cross-functional communication and cooperation system across the organization will be undertaken to respond more actively to changing market conditions and achieve sales targets. Moreover, we will reinforce close cooperation between sales and production and promote better communication and collaboration with partner affiliates, including part suppliers and sales dealers.

Finally, despite of the difficult times, Hyundai Motor will continue to care for the underprivileged and play a leading role promoting mutual growth with partner companies. It will fulfill its responsibilities as a model corporate citizen by reaching out to the most neglected areas of society through diverse social contribution activities.

May 2013

Choong Ho Kim
President and CEO

Although the worldwide recession in the automotive market is expected to continue in 2013, Hyundai Motor's goal is to outdo our impressive performance last year by strengthening competitiveness through quality-driven brand innovation.

Dear honorable shareholders,

With no end in sight for the worldwide recession, 2012 was a difficult year for all of us at home and abroad. As a result of the financial crisis, car sales in Europe continued on a downward trend, and the growth momentum in emerging markets was further dampened. For the first time since 2008, the Korean domestic market recorded negative growth, driven by an increase in household debt and a decline in consumption.

Nevertheless, Hyundai Motor continued to grow last year, selling 4.41 million units or 120,000 units more than its 4.29 million unit business target. It inaugurated a plant in Brazil, securing production bases in all major markets around the world, and began operations at its third China plant, establishing a system to produce and sell one million vehicles in China.

This remarkable performance can be attributed to the steadfast support and encouragement of our shareholders. This year, Hyundai Motor will do our best to repay shareholders with an even better performance.

Prospects are grim for the automotive industry this year. In line with the ongoing financial crisis, car sales in Europe are expected to hit the lowest levels since 2007, and in emerging markets such as China and India, Japanese and American automakers are expected step up their game, presenting fierce competition. Moreover, the appreciation of the Korean won and protectionist policies aimed at promoting the development of local industries worldwide are even more items to be added to the ever-growing list of concerns for management.

Despite the many difficulties expected this year, Hyundai Motor will continue to focus on strengthening competitiveness and pursuing qualitative growth through brand innovation based on quality. To this end, Hyundai will undertake the following strategies:

First, Hyundai Motor will address and overcome foreign exchange risks arising from the appreciation of the Korean won. Strategic steps will be taken to navigate through drops in price competitiveness by ongoing cost savings and managing our business portfolio by adjusting expansion into overseas markets.

In addition, Hyundai Motor will strengthen our customized, country-specific strategies in both advanced and emerging markets. In the United States, which is beginning to show some signs of economic recovery, Hyundai will enhance customer service and continue to draw customers to the brand. Moreover, we will boost sales in Brazil and China, where there are new plants with even greater capacity, and we will reinforce sales of luxury cars in the Middle East and Russia.

Hyundai Motor will also promote sales of compact cars, which remain customer favorites even in economic downturns. We will also promote sales of the company's worldwide bestsellers, Accent and Elantra, and the i-series (i10, i20, i30), which is gradually replacing older models.

In order to secure future growth, Hyundai Motor will increase investment in research and development in the field of eco-friendly cars and electronic controls. We will also focus on nurturing talent to continuously build technological competitiveness. Through these measures, Hyundai Motor expects to achieve our 4.66 million unit sales target and contribute to the national economy, laying the foundation for employment expansion and growth with partner companies.
As a global automotive leader in the forefront of new technologies and trends, Hyundai Motor will not settle with the status quo. We will continue to undertake challenges to improve ourselves, to outperform ourselves.

I ask for your continued interest in Hyundai Motor this year and assure you that we will do our best to maximize shareholder value and reward you for your support.

Thank you.

HYUNDAI MOTOR GROUP

TOGETHER FOR A BETTER FUTURE

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 deliver concrete results.

Hyundai, Realizing the Dreams of Humanity
The management philosophy is what guides all our management activities and the reason for Hyundai's existence. Hyundai is spreading its management philosophy of "realizing the dream of humanity by creating a new future through ingenuity and continuous challenge 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 concrete expressions of the strategy 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 with more passion by fostering an advanced corporate culture befitting a global company.

CUSTOMER

CHALLENGE

COLLABORATION

PEOPLE

GLOBALITY

CUSTOMER FIRST
We promote a customer-driven corporate culture by providing the best quality and impeccable service with all our efforts aimed at the satisfaction of 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 ingenuity.

COMMUNICATION AND COOPERATION
We create synergy though 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. 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

HYUNDAI MOTOR GROUP

AUTOMOBILE
- HYUNDAI
- KIA MOTORS

STEEL
- HYUNDAI STEEL
- HYUNDAI HYSCO
- HYUNDAI BNG STEEL

CONSTRUCTION
- HYUNDAI ENGINEERING & CONSTRUCTION
- HYUNDAI amco
- HYUNDAI ENGINEERING CO., LTD.
- HYUNDAI ENGINEERING & STEEL INDUSTRIES
- HYUNDAI ARCHITECTS & ENGINEERS ASSOC.

PARTS
- HYUNDAI MOBIS
- HYUNDAI WIA
- HYUNDAI POWERTECH
- HYUNDAI DYMOS
- HYUNDAI KEFICO
- HYUNDAI AUTRON
- HYUNDAI MnSOFT
- HYUNDAI WISCO
- HYUNDAI MSEAT
- HYUNDAI METIA
- HYUNDAI IHL
- HYUNDAI PARTECS

FINANCE
- Hyundai Capital
- Hyundai Card
- Hyundai Commercial
- Hyundai Life
- HMC INVESTMENT SECURITIES

OTHER
- HYUNDAI GLOVIS
- HYUNDAI Rotem
- INNOCEAN WORLDWIDE
- Haevichi hotel & resort Jeju
- HYUNDAI AutoEver
- HYUNDAI NGV

HISTORY

WITH PASSION AND UNYIELDING SPIRIT,
HYUNDAI MOTOR COMPANY OF TODAY CAME TO BE.
WITH AMAZING AND GROUNDBREAKING
INNOVATIONS, HYUNDAI MOTOR COMPANY OF
TOMORROW WILL COME TO BE.

1967~1999

1967~1989

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

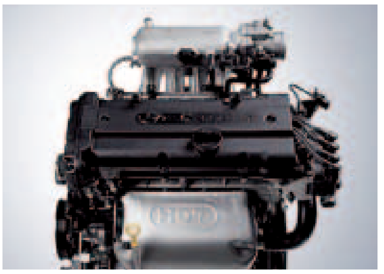
HYUNDAI 'PONY' – THE FIRST PASSENGER CAR DEVELOPED IN KOREA

Developed entirely in Korea for the first time and launched in 1976, Pony enhanced the international standing of Korea's automotive industry.

1990~1996

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 Centre
• Launch of Dynasty, Tiburon

HIGH PERFORMANCE ENGINE DEVELOPMENT



The development of world-class high performance engines such as Alpha (1991), Epsilon (1997), V6 Delta (1998), etc. demonstrated the engineering prowess of Hyundai Motor Company to the world.

1997~1999

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

LAUNCHING PLANTS IN TURKEY AND INDIA

Hyundai launched a plant in Turkey, a strategic location connecting Europe, Africa, and the Middle East and a plant in India, which integrates a vertical pipeline of production and sales.

2000~2005

2000~2001

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
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

2002~2003

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 Centre
2003 • Hyundai exceeds 1 million units and USD 10 billion in exports
• Completion of Europe Technical Centre
• 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"
• Elantra (Avante) exceeds 2 million units in production; Sonata exceeds 2.5 million units in production
• Completion of U.S. Design Centre and ground breaking of proving ground
• Development of world's first ultra high pressure hydrogen storage system for fuel cell vehicles

EXPANDING GLOBAL NETWORK

Hyundai has been expanding its global network through the launches of the California Design & Technical Research Centre (2002) and the Europe Technical Research Centre (2003) as well as the U.S. Technical Centre and manufacturing plant in Alabama (2005).

2004~2005

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 Centre 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 Centre

HISTORY

2006~2007

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

2007 • Verna awarded Best Car of the Year by the Indian auto magazine Overdrive
- Unveiling of concept cars HED-IV (QarmaQ), HND-III (Veloster)
- Azera (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 i-Blue 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 government for environmental management

2008

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.

INTRODUCTION OF HYUNDAI MOTOR COMPANY'S STATE-OF-THE-ART CONCEPT CARS IN WORLD-CLASS MOTOR SHOWS

Presentation of innovative concept cars such as i-Blue and i-Mode with 3rd-geneneration fuel cell technologies.

2009

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; Elantra (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 Theta 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

2010

2010 • Unveiling of hybrid concept car HED-VII 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 (ix35) 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

DEVELOPMENT OF HYDROGEN FUEL CELL CAR, TUCSON ix

Hyundai Motor Company has completed development of the next generation eco-friendly Fuel Cell Electric Vehicle (FCEV), Tucson ix. Its hydrogen fuel cell system has world-leading efficiency and performance, and is built with more than 90% of domestic components.

2011

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 Azera (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.

NEW BRAND SLOGAN OF HYUNDAI MOTOR COMPANY

New brand slogan, 'New Thinking. New Possibilities.' embodies the new direction and determination of Hyundai Motor Company.

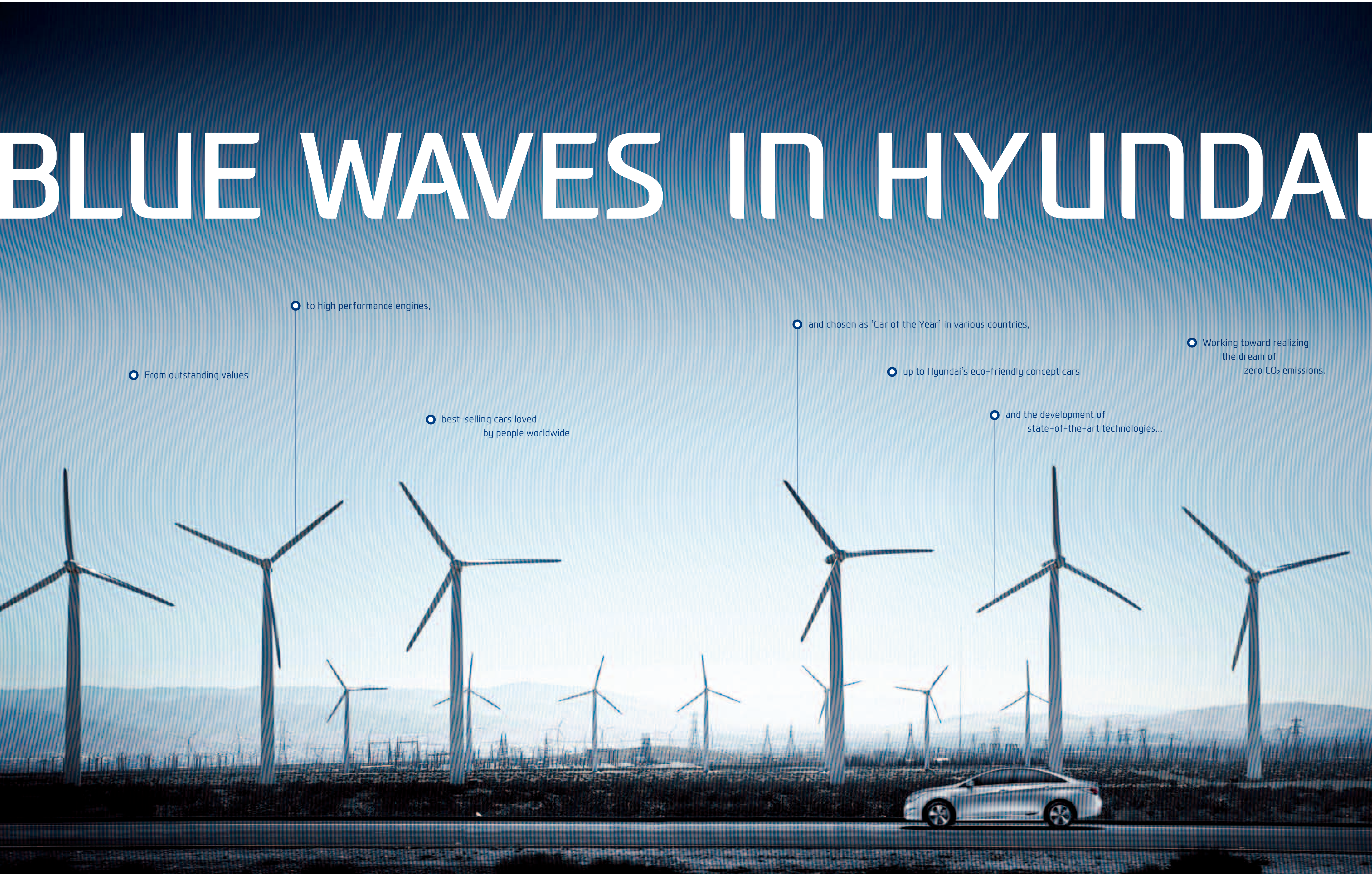
2012

2012 • Launch of New Santa Fe, i40 Saloon, and Veloster Turbo
- Santa Fe awarded First Prize by New Car Safety Evaluation Board of Korea
- Launch of manufacturing plant in Brazil
- World premiere unveiling of CUV HB20X
- Santa Fe tops in-class residual value ranking at 56.8% in the U.S.
- Tucson ix fuel cell model delivered to Denmark
- Hydrogen fuel cell car exported to Norway
- Sonata Hybrid tops U.S. consumer satisfaction survey
- President Mong-Koo Chung named 2011 Top Manager in the World by the authoritative Italian car magazine, Interautonews
- World premiere of the electric concept car i-oniq at the Geneva Motor Show
- Hyundai selected as the most fuel efficient and least CO_2 emitting brand by the Environment Protection Agency of the U.S.
- Sonata selected as 2012 Top Picks in the medium-sized car segment by Consumer Reports magazine
- Azera (Grandeur) selected as top residual value retainer after three years of ownership in the Full Size Segment by ALG
- Solaris (Accent) awarded 'Best New Car in 2012' and 'Best Small Car in 2012' awards in Russia
- Hyundai launched 'live brilliant' campaign
- Genesis tops J.D. Power's Vehicle Dependability Study (VDS) in the premium car segment in the U.S.
- Elantra (Avante) awarded North American Car of the Year
- Hyundai ranks No.1 in J.D. Power's Customer Retention Award

LAUNCH OF BRAZIL FACTORY

From factory opening to mass-manufacturing three models simultaneously in record time, Hyundai's new Brazil factory has been achieving notable success already with the strategic compact car model, HB20, winning the 'Car of the Year, Brazil' award.

BLUE WAVES IN HYUNDAI



BEST VALUE

BEST QUALITIES AND VALUES ONLY BY HYUNDAI MOTOR COMPANY

Hyundai's brand image has grown from 'dependable quality' to 'providing utmost satisfaction.' In 2012, the Hyundai brand attained the rank of 53rd (7th among car companies) among the top 100 global brands by Interbrand reflecting a 24% rise in brand value from the previous year ($7,473 million). Centennial (Equus) winning awards such as 'Most Valuable Car' of the Total Value Awards (Strategic Vision) and the Genesis winning the 'Top Picks' award in the mid-sized car segment (Consumer Reports) confirm the premium status of the Hyundai brand. In addition, the new Santa Fe won the 'ALG Residual Value Award' proving the high satisfaction level of the quality of Hyundai cars. Hyundai's unique combination of the best quality and values will continue into the future.

HIGH PERFORMANCE

TAU ENGINE AND GAMMA ENGINE, LISTED IN '10 BEST ENGINES IN THE WORLD' BY WARD'S AUTOWORLD MAGAZINE

Hyundai Motor Company is already a leader in automotive engine technologies. Hyundai's Tau engine, primarily powering large-sized cars, has won a place in Ward's '10 Best Engines in the World' for three consecutive years up to 2011. Hyundai's 1.6 Gamma GDi engine also earned a place for compact-sized cars in 2012. Hyundai's comprehensive world-class portfolio of large to small engines testifies to the engineering prowess of Hyundai Motor Company. With passion for challenge, Hyundai will continue to develop innovative engine technologies that will lead to the ultimate dream engine.

• Tau Engine

HYUNDAI ELANTRA (AVANTE) RACING TOWARD A MILLION SALES IN 2013, AND HYUNDAI SONATA, THE BEST-SELLING CUSTOMER FAVORITE.



AWARDS DEMONSTRATING CUSTOMER SATISFACTION IN QUALITY

Total Value Awards of the American auto analysis specialist Strategic Vision assess the overall value of newly-purchased vehicles with respect to consumer satisfaction in terms of dependability, resale value, warranty policies, etc. Hyundai Sonata and Elantra (Avante) topped the assessments in the mid-sized and compact-sized car segments respectively.



SONATA TOPS VDS IN MID-SIZED CAR SEGMENT IN 2013

In 2013, J.D. Power awarded Hyundai Sonata the top place in the Vehicle Dependability Study (VDS) in the mid-sized car segment. This award reflects the overall quality of a vehicle by measuring the dissatisfaction rate per 100 vehicles three years after purchase based on a detailed list of 202 items, including engine, transmissions, driving, and steering performances.




ELANTRA (AVANTE), CAR OF THE YEAR IN SEVERAL COUNTRIES

In 2012, Elantra had the honor of receiving 'North American Car of the Year,' 'Canadian Car of the Year,' and various other 'Car of the Year' awards from countries including the Philippines, South Africa, and Nigeria. This would not have been possible without the support of our customers and their love for our Elantra. We will repay them by delivering improvements upon improvements for future Elantra models.

ELANTRA (AVANTE), RACING TOWARD A MILLION IN SALES

Elantra, first introduced in 1990, is now in its fifth generation, and has accumulated sales of eight million units. In 2013, it aims to earn the title of 'million seller' by achieving sales of one million cars a year. The secret to its popularity is its economic value and efficiency, which appeal to a wide range of countries and age groups. Soon, Elantra will be able to replace its reputation of being a 'people's car' with that of a 'global car.'


TOWARD A MILLION SALES

THE NAME FOR SATISFACTION

'BEST LOVED CARS' BY HYUNDAI THAT HAVE TOUCHED THE HEARTS OF CUSTOMERS WORLDWIDE.

CENTENNIAL (EQUUS), HYUNDAI'S FLAGSHIP SEDAN

As the flagship sedan of Hyundai Motor Company, Centennial carries all the state-of-the-art convenience features, high performance engine, and a premium design. Centennial has proven its own value by winning first place in J.D. Power's Automotive Performance, Execution and Lay-out Study (APEAL) in the luxury car segment and the Top Safety Pick by America's Insurance Institute for Highway Safety (IIHS). Also in 2012, Centennial attained first place in Strategic Vision's Total Value Awards assessment, firmly solidifying its reputation for prestige.

AZERA (GRANDEUR), FROM PREMIUM SEDAN OF KOREA TO PREMIUM SEDAN OF THE WORLD

Azera has been recognized for its premium design with the Good Design Award in the U.S. As a back-to-back winner of the ALG Residual Value Award and the IIHS's Top Safety Pick award, Azera has proven its steadfast quality and safety.

GENESIS, REDEFINING THE STANDARD OF PREMIUM SEDANS

Hyundai Genesis has expanded the premium image of Hyundai cars with numerous, outstanding achievements. Starting with winning the title of North America Car of the Year in 2009, it went on to win the top spot in Strategic Vision's Total Quality Index (TQI) in the near-luxury car segment in 2010 and also the Best Value Luxury Sedan award by Consumer Reports in 2011. In 2012, Genesis won the Top Picks award by Consumer Reports and Most Dependable Mid-sized Premium Car award by J.D. Power.

THE MEANING OF THE CONSUMER SATISFACTION AWARDS

Each and every year, many new and facelift car models flood the global automotive market. And customers judge new models with ever more stringent criteria. That is why the various automotive awards, which reflect the judgement of customers, have special meaning. These awards provide valuable information about how much the car affects the lives of customers. In that regard, 2012 was a very prolific year for Hyundai as customers' positive views of Hyundai cars came to light with numerous awards.

THE REASON WHY HYUNDAI HAS SO MANY CAR OF THE YEAR AWARDS UNDER ITS BELT

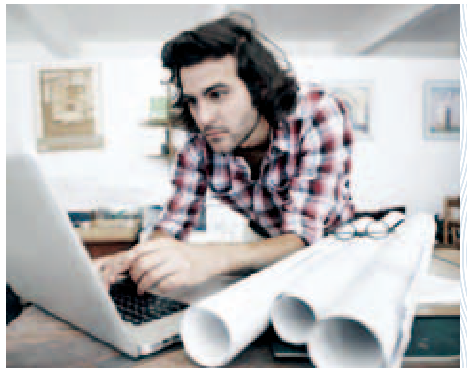
Modern Premium, Hyundai Motor Company's brand direction, underlies Hyundai's efforts to provide premium values to as many customers as possible. To achieve this aim of satisfying the needs of customers, Hyundai Motor Company strives for ever more attractive price points and impeccable quality. That so many Hyundai car models have won the Car of the Year 2012 awards from such a variety of countries, including the U.S., Australia, Chile, and Brazil is a testament to our efforts and our will to march forward with the Modern Premium ideal.

VELOSTER, UNIQUE DESIGN AND UNIQUE PERFORMANCE

The Veloster embodies Hyundai's imagination. It shows off innovative and novel concepts such as the asymmetric door configuration that transcends its class. Veloster was recognized for its creative design and overall excellence with numerous awards, including Canadian Car of the Year in 2011 and North America's Urban Car of the Year in 2012.

THE NEW SANTA FE, NOW WITH MORE URBAN CHARM

The New Santa Fe is the first model revamp from the original seven years ago. It has captured the hearts of the global customers with a new design reflecting the new Hyundai family look and improved performance. As proof, Santa Fe won the Car of the Year award in Canada, Chile, and Australia and top places in ALG's Residual Value Award and the IIHS's Top Safety Pick in 2012, etc. The Santa Fe will continue to awe and inspire Hyundai customers worldwide.



i30, TAILOR-MADE FOR EUROPEANS

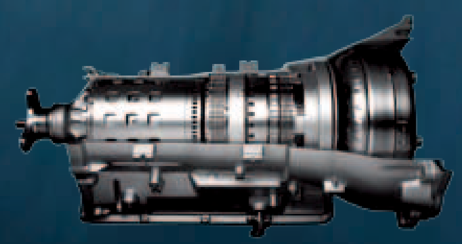
Hyundai i30 was born with the kind of design rationality and practicality favored by European lifestyle. It won the Car of the Year 2012 awards in England, Chile, Scotland, and Australia. In safety evaluations, i30 earned five stars in the Euro NCAP and Australia's ANCAP safety ratings, demonstrating the high performance and universal appeal of i30.

TOUCH

BELIEF

STATE-OF-THE-ART TECHNOLOGIES FOR THE BEST DRIVING EXPERIENCE

Lighter car frame created by incorporating new types of materials, best possible aerodynamic drag coefficient attained by optimal shape, a safety system that protects the passengers under all circumstances, eight-speed RWD auto transmission that maximizes driving performance.... The list goes on, but there is one ultimate goal that drives the efforts put into developing the most cutting-edge technologies: to create the best driving experience ever. Hyundai Motor Company will be the first to make this dream a reality through our continued efforts and passion for innovative ideas and overcoming challenges.



FUTURE CARS

INNOVATION

MEETING THE CARS OF THE FUTURE TODAY

Hyundai concept cars are born with names reflecting their birthplaces: HED for Europe Design Centre, HCD for California Design Centre, and HND for Namyang Design Centre. These concept cars incorporate different regional characteristics and needs, but there is one common underlying theme consisting of two elements: 'eco-friendly' and 'smart.' At this very moment, various concept cars by Hyundai are being showcased in prestigious motor shows worldwide demonstrating Hyundai's futuristic technologies.

2006

HED-2: GENUS (Europe)

HCD-10: Hellion (U.S.)

2007

HND-3: Veloster (Namyang)

i-Blue (Japan)

HED-4: QarmarQ (Europe)

2008

HED-5: i-Mode (Europe)

2009

HND-4: Blue-Will (Namyang)

HCD-11: Nuvis (U.S.)

HED-6: ix-onic (Europe)

HND-5: ix-Metro (Namyang)

2010

HED-7 (Europe)

2011

HCD-12: Curb (U.S.)

HND-6: Blue² (Namyang)

2012

HND-7: Hexa Space (Namyang)

HED-8: i-oniq (Europe)

2013

HCD-14: Genesis (U.S.)

HND-9: Venace (Namyang)

CLEAN MOBILITY

'BLUE DRIVE,' OUR STRATEGY FOR GREEN TECHNOLOGY, SPEARHEADS THE DEVELOPMENT OF LOW-POLLUTION, HIGHLY FUEL-EFFICIENT CARS.

1 ENHANCING OVERALL EFFICIENCY

Hyundai uses three methods to enhance the fuel economy of new cars: (1) maximization of fuel efficiency in powertrain, (2) minimization of the loss of energy, and (3) use of recycled energy sources. Some examples include the development of the Double-Clutch Transmission (DCT), used in Veloster with 5-6 percent better fuel economy than the conventional automatic transmission model, and the Continuously Variable Transmission (CVT).

2 WEIGHT REDUCTION

Hyundai makes lighter cars by using new materials and new production techniques. Replacing steel materials with aluminum, enhancing tensile strength, and the use of magnesium carbon fiber are just some of Hyundai's innovative methods of making lightweight materials. Also, reducing the thickness of steel-based components by up to 30 percent, implementing hollow inner structures, and developing Multi-Material Mix car bodies are some examples of improved production techniques for weight reduction.

3 MEETING VARIOUS FUEL ECONOMY REGULATIONS

One way to develop green technology is to continuously strive to meet the ever more stringent fuel economy requirements legislated by different countries. To this end, Hyundai has been producing cars with remarkable fuel economy. In 2011, in addition to the launch of the new Accent, Hyundai introduced to the U.S. fuel efficient models such as the Elantra (Avante), Veloster, and Sonata Hybrid. In Europe, Hyundai sells low CO_2 emission and clean diesel models ranging from compact-to medium-sized sedans including i20, i30, and i40, demonstrating Hyundai's commitment to a clean environment.

4 UTILIZING ALTERNATIVE FUEL SOURCES

Hyundai is developing engines and car models that can utilize diverse types of alternative fuels such as biofuels. In Brazil and North America, where there is a regular supply of ethanol as a fuel source, the sales of Flexible Fuel Vehicles (FFV) that use both ethanol and gasoline are on the rise. In Europe where diesel cars are preferred, Hyundai cars that can use BD5 fuel, a mixture of conventional diesel with 5 percent bio-diesel, are promoted. Also, in India, where Compressed Natural Gas (CNG) is relatively abundant, Hyundai has released cars utilizing CNG as well as a bi-fuel model, i10, that can use both gasoline and LPG.

ZERO CO_2 EMISSIONS, HYUNDAI'S DREAM

Zero CO_2 emissions is a dream every car company should ultimately aspire to fulfill, because our future depends on it. Hyundai has come a step closer to this dream with the Blue Drive strategy which aims to improve the fuel economy of mass production models and to develop a variety of new eco-friendly models.

HYBRID CARS WITH SUPERIOR POWER AND LOWER FUEL CONSUMPTION

Development of LPi and Gasoline Hybrid Systems
Since Hyundai's first hybrid concept car, FGV-1, in 1995, Hyundai has been developing several hybrid vehicles such as Click Hybrid in 2004 and Verna Hybrid in 2005. In 2009, Avante LPi Hybrid, with the world's first LPi hybrid system, was launched in the Korean market, and soon the Sonata gasoline hybrid model followed suit and was launched in the U.S. market in 2011. The 'Parallel Hybrid System' and the lithium-ion polymer battery pack found in the Sonata gasoline hybrid model were the first of their kind and showed both superior performance and high fuel economy. The 2013 model, with 40 mpg on highway and 36 mpg in city driving, has already won numerous awards, demonstrating high customer satisfaction.

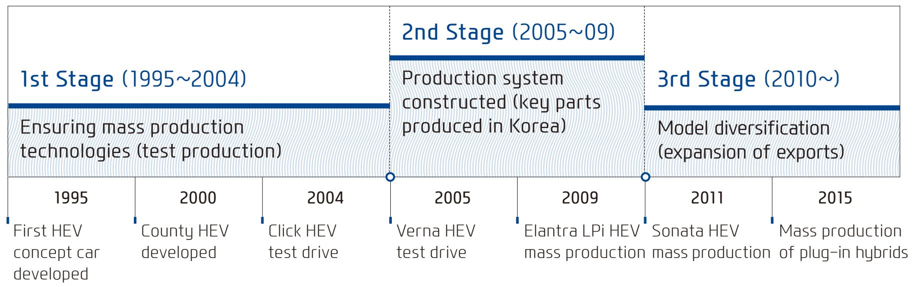
Plug-in Hybrid
The plug-in hybrid technology to be implemented into mid-sized production cars from 2015 enables powering of next generation hybrid vehicles by simply plugging them into electric power outlets. The chief characteristic of this vehicle is its ability to run on battery power when there is enough of it left, but once below a certain level, both the electric motor and conventional engine run together.

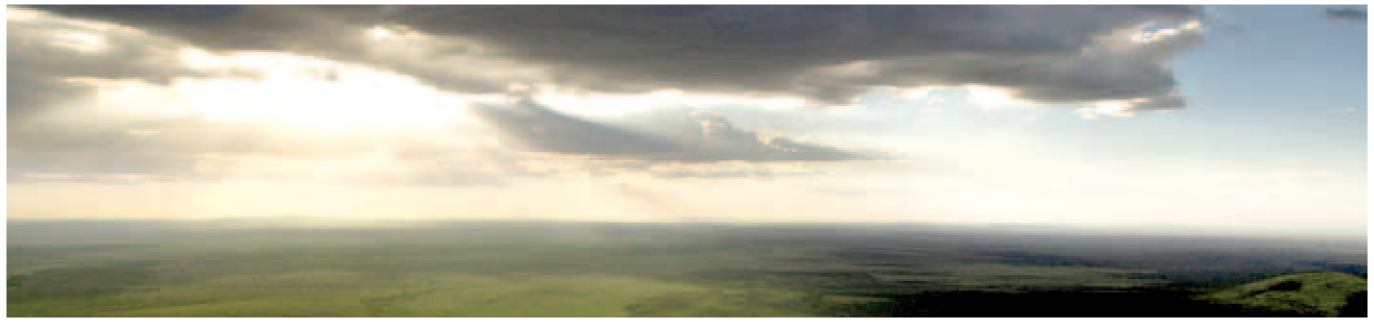
FROM CONCEPTION TO COMMERCIALIZATION

BlueOn Electric Vehicle
Hyundai debuted the BlueOn electric vehicle in September 2010 developed with the experiences it acquired from producing previous electric vehicles starting from Sonata in 1991. The BlueOn electric vehicle 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 15.7 seconds. In addition, the key parts are all produced in Korea, laying foundation for future technological development of electric vehicles.

Developing Near Mid-sized Electric Vehicle
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 pushing ahead with the plan to develop a near mid-sized electric car by 2016, which can be driven over 200 km on a single charge, has a zero-to-100 km/h acceleration in 11.5 seconds, and which can be fully charged within five hours and speed charged in less than 23 minutes.

Hybrid car development and future plans

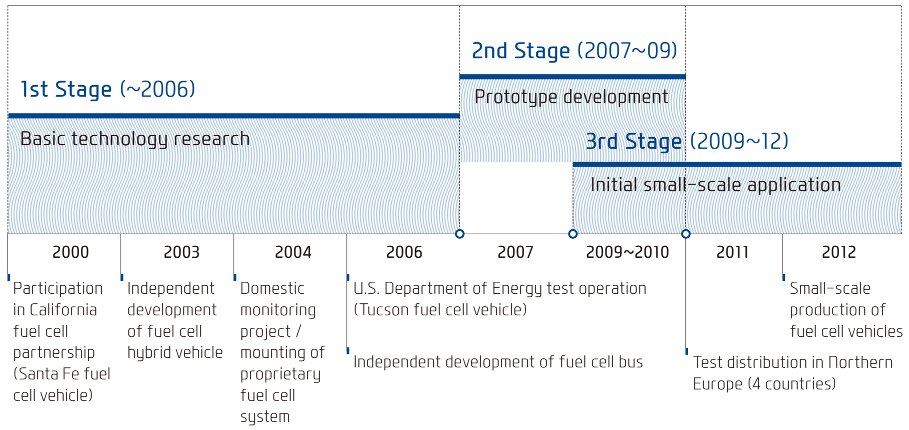




HYDROGEN FUEL CELL VEHICLES – COMBINING ZERO POLLUTANT EMISSIONS AND GOOD DRIVING PERFORMANCE

Exploring the Possibility of Mass Production and Demonstration Operations
Hydrogen fuel cell vehicles are similar to electric vehicles in that they emit no harmful substances whatsoever. However, they provide higher driving performance. Hyundai has applied its hydrogen fuel cell technology to SUV vehicles, which achieve about 3.75 times better fuel economy than gasoline models. In addition, by developing the technique of stamping thin sheets of stainless steel to produce fuel cells, Hyundai has proven the possibility for cost-effective mass production by cutting the fuel cell stack price by a sixth. The Tucson ix hydrogen fuel cell vehicle can travel up to 635 km (UDDS) on one charge, boasts a fuel efficiency of 30.2 km/ℓ (UDDS) and a top speed of 160 km/h, and it can be started at -25℃. From 2009 to 2011, 48 of them were used in Seoul and the surrounding metropolitan area for road testing.

Roadmap for development of hydrogen fuel cell vehicles



Participation in European Green Projects
From 2011, Hyundai has been participating in various European regional environmental projects, providing demonstration hydrogen fuel cell vehicles to four North European countries, entering into Germany's Clean Energy Partner ship (CEP) and signing an MOU on supplying vehicles to the Copenhagen municipal government in Denmark. In addition, Hyundai was selected by the E.U. as the exclusive provider of hydrogen fuel cell vehicles for test driving by European Parliament Commissioners and E.U. officials, and was once again selected 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 and are currently being tested in a real-world environment. Test drive of Hyundai 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 to establish a foothold in the region's hydrogen fuel cell vehicle market.

CO_2 ZERO

BLUE WAVES IN THE WORLD

AT THE CENTRE OF OUR 'CUSTOMER FIRST' PRINCIPLE IS HYUNDAI'S DEVOTION TO QUALITY AND SERVICE THAT CONNECTS WITH PEOPLE ON AN EMOTIONAL LEVEL.

The foremost contributor to the success of Hyundai Motor Company today is its devotion to quality. In addition, it is Hyundai's genuine attention to detail and devotion to customer satisfaction that enabled Hyundai to grow into a premium brand. We will continue to pass on our devotion to each and every one of our customers by providing the best quality and services that transcend expectations.

1. 'Home-to-Home' poster
2. Award ceremony of the 9th Hyundai Motor World Skill Olympics
3. Global Service Support Centre
4. 'Before Service' that proactively helps customers

QUALITY MANAGEMENT, THE FIRST STEP IN BECOMING THE MOST DESIRED BRAND

The philosophy of Hyundai Motor Company is to offer the best quality possible as a promise to our customers. In order to keep this promise, Hyundai is determined to become the most desired brand by continued innovations and propagation of a high quality image. We are not content with recent gains in quality measures, and will continue to pursue the best quality through a company-wide effort for zero defects and enhancement of the premium feel. Through this devotion to quality, Hyundai Motor Company will march forward to become one of the premier companies in the world.

MAXIMIZING CUSTOMER SATISFACTION THROUGH SPECIAL SERVICES THAT SURPASS EXPECTATIONS

Hyundai Motor Company touches the hearts of customers with diverse services that go beyond their expectations through the company's state-of-the-art global service network. The Before Service program, introduced in the industry for the first time by Hyundai Motor Company, ensures the safety of Hyundai cars by providing free inspection services to 4 million customers worldwide. Also, in order to maximize the convenience of customers who wish to have their Hyundai cars serviced, we have expanded the Home-to-Home Service, which provides pick-up and delivery services to customers at the time and place of their choice for extra convenience. Additionally, we have overhauled the Hyundai Customer Care Centre (H.C.C.C.) process in order to listen and respond to customers' demands better. As a result of this, we have initiated several highly regarded service offerings such as car renting to customers whose cars are in prolonged service care and other diverse location-specific service programs.

OFFERING HIGHEST QUALITY SERVICES THROUGH EXPERT KNOWLEDGE AND TRUE DEVOTION

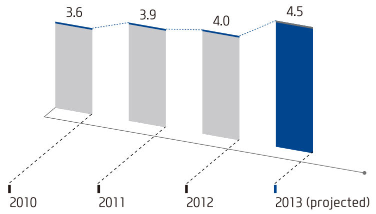
Hyundai Motor Company strives to provide satisfaction to customers by training first-class service personnel and state-of-the-art remote technical support services. In order to enhance vehicle maintenance capability, the most basic form of service, we operate a Global Service Support Centre (G.S.S.C.) that supports perfect maintenance with remote diagnosis capability for solving various types of difficult problems. Since 1995, the company has been holding a bi-annual maintenance service competition among our global mechanics in order to enhance their skills, and in 2012, we held the first Global Service Advisor Championship to enhance the expertise of our service advisors, who are at the forefront of customer relations. Also, in 2013, we are launching an all-out workshop automation that uses a comprehensive digital operating system that takes care of all the processes to maximize customer trust and operating efficiency. All of this is a manifestation of our 'Customer First' management principle.

TECHNICAL RESEARCH AND DESIGN CENTRES WITH FIRST CLASS TALENT AND STATE-OF-THE-ART FACILITIES TO DEVELOP LOCALLY TAILORED TECHNOLOGIES TO ENSURE FUTURE COMPETITIVENESS.

One of the essential competitive assets of a global company is the ability to capture the needs of the local customers as well as trends in the market and incorporate them into products quickly. Hyundai Motor Company's technical research and design centres are situated in strategic locations worldwide. They contribute to attracting new customers by analyzing future trends in the automotive industry, and develop car models tailored to the needs of the specific regions. Hyundai does not spare resources when it comes to developing new technologies that will, in the future, lead to better automotive experiences by customers worldwide.

+10%

Investment spending in R&D compared to previous year (projected)



Annual R&D investment spending

*Unit: KW 100 million

1. Namyang Technical Research Centre
2. Mabuk Environmental Technology Centre

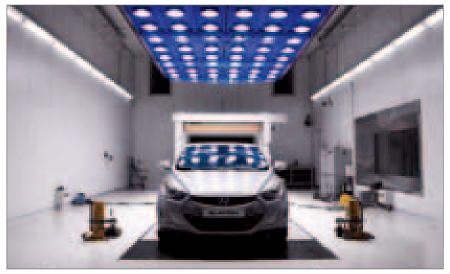
TECHNICAL RESEARCH CENTRES, THE BASE CAMP FOR GLOBAL LEADERSHIP

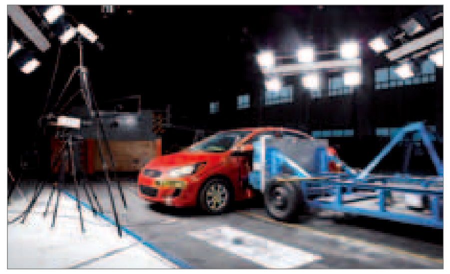
Namyang Technical Research Centre, Korea
Hyundai's Namyang Technical Research Centre in Hwaseong City, Gyeonggi Province, is a world-class integrated research complex equipped with a planning centre, design centre, power-train centre, wide tunnel facilities, collision testing facilities, and a comprehensive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

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.

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

3. Visual Reality Driving Simulator
4. High temperature testing laboratory
5. Collision test





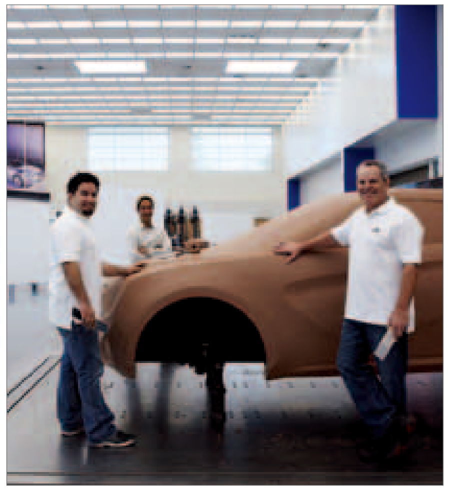
China Technical Research Centre
The Technical Research Centre located in Haejung district in Beijing, China, serves as the Technical Research Centre for the Chinese market, which is rapidly emerging as the biggest automotive market in the world. The research centre not only develops high quality cars tailored to local needs, but also strengthens the overall competitiveness of the Hyundai brand by developing eco-friendly technologies.

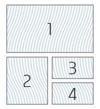
Japan Technical Research Centre
Located in Yokohama, the Japan Technical Research Centre concentrates on developing cutting-edge electronic and hybrid technologies.

Europe Technical Research Centre
Located near Frankfurt, Germany, the Europe Technical Research Centre situated on a land area of 33,058 square metres is a high-tech multifunctional building that includes engineering centres for developing quality automobiles as well as engines that meet European environmental regulations.

India Technical Research Centre
Located in Hyderabad, India's 'IT city,' the India Technical Research Centre actively supports the design and analytic research of automobiles as well as the development of products suited to the local market.

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





1. U.S. Design Centre
2. Mock-up of the exterior of a concept car
3. Namyang Technical Research Centre proving ground
4. California proving ground, U.S.

DESIGN CENTRES, CREATORS OF GLOBAL TRENDS

Namyang Design Centre
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 centre through vehicle interior and exterior styling, computer-assisted digital simulations, and production of new colours for coating Hyundai vehicles.

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

Europe Design Centre
In collaboration with the Europe Technical Research Centre in Frankfurt, Germany, this centre 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 quality vehicles.

PROVING GROUNDS, ENSURING STRICT TESTING WITH CUTTING-EDGE EQUIPMENT

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 square metres.

Namyang Technical Research Centre Proving Ground, Korea
The Namyang Technical Research Centre proving ground is a facility of world-class scale with 34 tracks, including Belgian, low friction routes, and a proving road totaling 70 km including a high speed circuit track spread over a 1,650,000 square metre area.

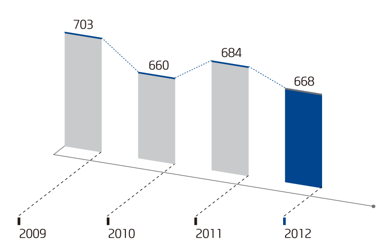
California Proving Ground, U.S.
The California proving ground is 10 times the size of the Namyang facility, sprawling over 17,520,740 square metres with more than 116 km of track, located in the Mohave Desert. The largest high speed circuit has a 10.4 km long elliptical thee-lane track, on which cars 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.

OFFERING 'MODERN PREMIUM' TO CUSTOMERS BY STRENGTHENING ITS SALES NETWORK.

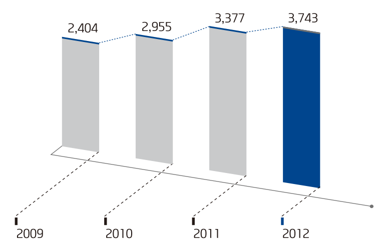
Hyundai Motor Company strives to strengthen its global sales network in addition to producing region-specific models. In order to expand the sales of premium luxury cars such as Centennial (Equus) and Genesis, Hyundai has opened showroom spaces in key commercial cities, including New York, London, Beijing, and Moscow. Also, since 2009, Hyundai has been remodeling dealer showrooms worldwide based on the new company design standard and has implemented several education programs such as the Total Dealer Education Program. To enhance customer experiences at every contact point, Hyundai will continue the process of opening up more direct retail shops and upgrading existing dealerships.

4.41 million

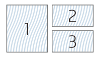
Total sales



Domestic sales
*Unit : 1,000 vehicles



Oversea sales
*Unit : 1,000 vehicles



1. Europe-specific model, ix20
2. Brazil-specific model, HB20
3. India-specific model, EON

A GLOBAL SALES NETWORK REACHING THE FOUR CORNERS OF THE WORLD

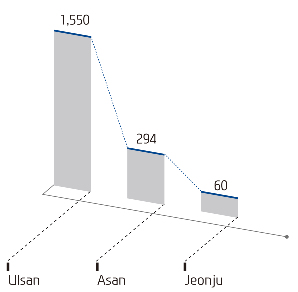
Hyundai introduces a diverse product lineup armed with world-class competitiveness to customers in 200 countries through some 6,000 dealers and overseas regional sales and production subsidiaries. In addition, by establishing production bases in the central areas of each region, Hyundai actively targets the local markets. Hyundai has been responding to the needs of each market by operating production facilities in the emerging markets of India and China (both have three factories), Turkey, the Czech Republic, and Russia. Hyundai will expand its global market presence by continuing to establish and strengthen the company's R&D, sales, and production networks.

ELEVATING CUSTOMER SATISFACTION WITH CARS DEVELOPED AND PRODUCED TO MEET LOCAL NEEDS

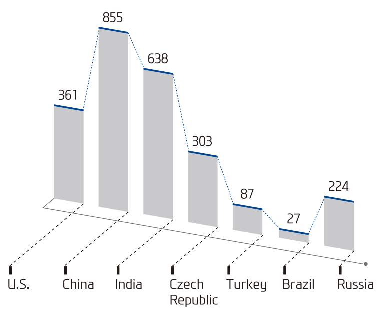
Hyundai Motor Company is strategically establishing state-of-the-art global production systems around the world to accurately understand and swiftly reflect the lifestyles and preferences of local customers. This not only enhances customer satisfaction, but also contributes to regional development. Hyundai's localization strategy of producing and supplying high quality cars in physical proximity to the target market will continue on into the future.

+8%

Units produced compared to the previous year



2012 productions (Korea factories)
*Unit : 1,000 vehicles



2012 productions (overseas factories)
*Unit : 1,000 vehicles

WORLD'S BEST WORKING ENVIRONMENT, 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 square metre 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 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 centred 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 Centre for Commercial Vehicles

The Jeonju factory, with an annual production capacity of 100,000 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.

LOCAL FACTORIES OPERATING IN THE MAJOR CENTRES 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 automakers, the Alabama factory boasts improved productivity and quality. After reaching the 10th place among 37 North American factories in its first year of operations, the press factory, for four years in a row since 2009, and the engine factory and the Sonata model factory, for three years in a row since 2010, have topped Harbor Report's North American automaker productivity survey. 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 in 2012, set an annual production record of 361,348 units with a cumulative production figure of 2 million units, proving its critical role in Hyundai's global success.

China Factories, Optimized Production Systems to Prepare for the Chinese Market

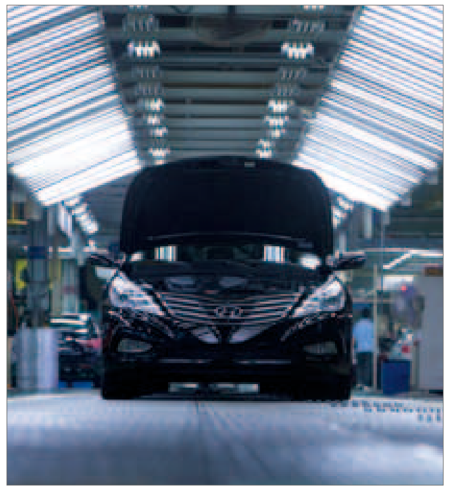
In 2012, the Chinese factories recorded 856,000 units in production and sales, making China the biggest market for Hyundai. Currently, the first and second factories in Beijing produce 300,000 units each, and to keep pace with the steadily growing Chinese market, in July 2012, a third factory with an annual capacity of 400,000 units began operations, bringing the total Chinese production capacity to 1 million vehicles per year and serving as a firm foothold for Hyundai's long-term expansion into the Chinese automotive market.

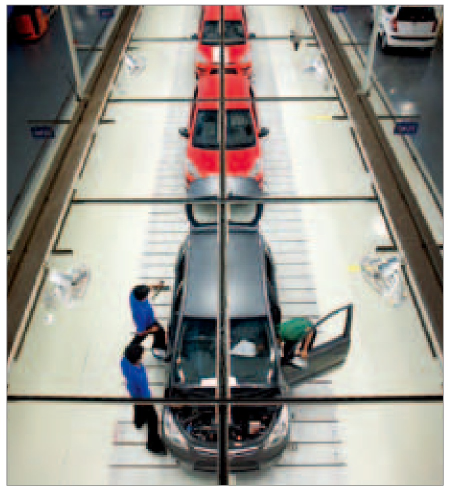
India Factories, World-class Centre for the Production and Sales of Compact Cars

Hyundai's Indian factories are comprehensive production facilities 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 a variety of programs aimed at raising Hyundai's presence in India such as sponsoring the International Cricket Council (ICC) World Cup and strict adherence to the policy of localization, the factories in India achieved the remarkable feat of producing 641,281 vehicles and selling 638,775 in 2012.

Czech Factory, Expanding Market Share in Europe through Superior Quality

The Czech factory produces 300,000 units of high quality cars, contributing to the dynamic expansion of Hyundai's market share in Europe. As a special note, i30 produced in this factory was nominated for Car of the Year, Europe proving the superior build-quality of Hyundai cars. The Czech factory now serves as the base for expanding into markets not only in Europe, but also in the Middle East, Australia, and South Africa.





1 2
3 4

1. Asan factory
2. Czech factory
3. Turkey factory
4. Russia factory

Turkey Factory, Bridge into the European Market

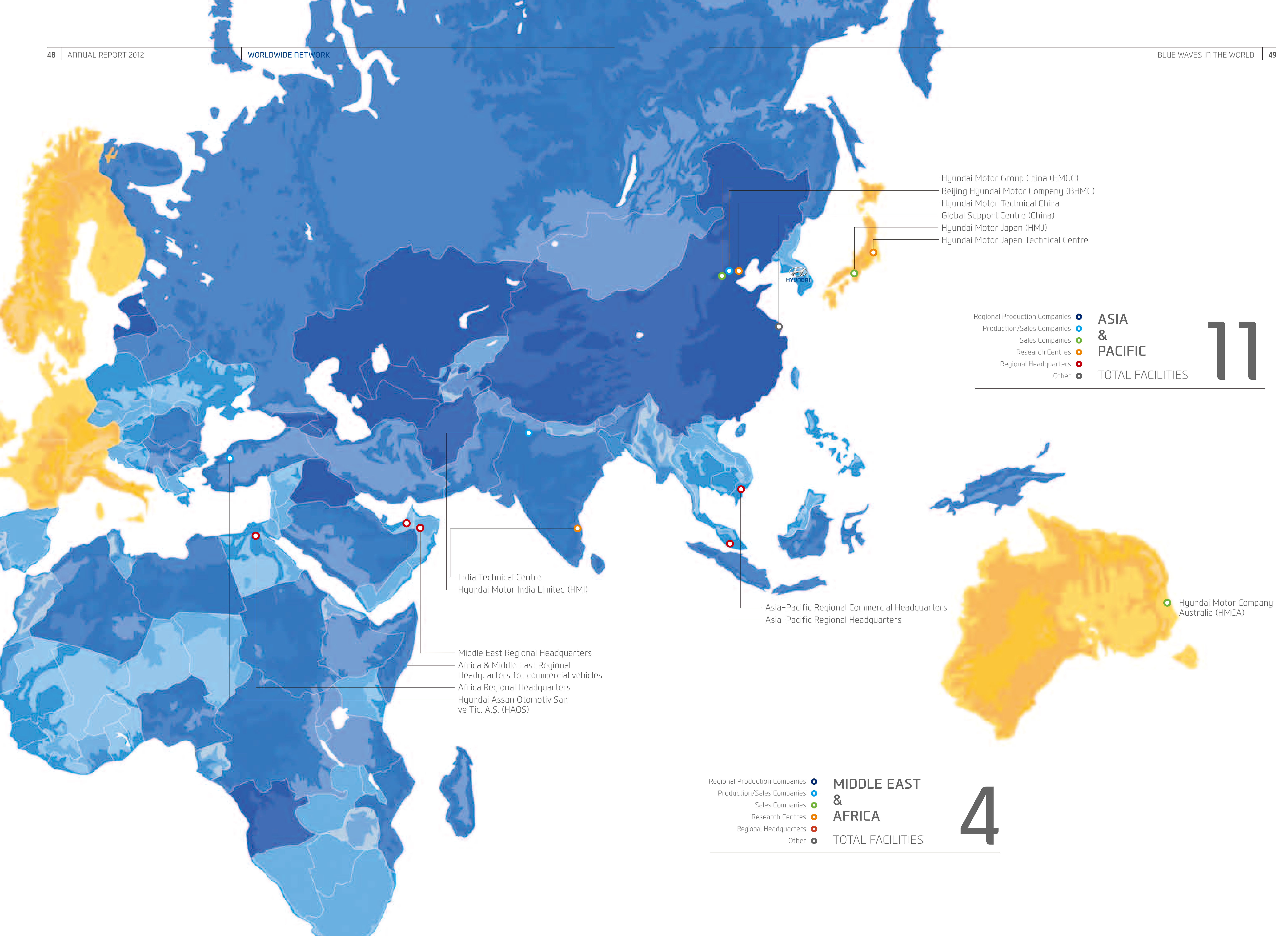
The Turkey factory, which is expanding its annual production capacity from 100,000 units to 200,000 units, is in a strategic location that links Europe, Africa, and the Middle East. Through localized manufacturing of i20 and new compact models to come, the plant contributes greatly to the expansion of exports in the region.

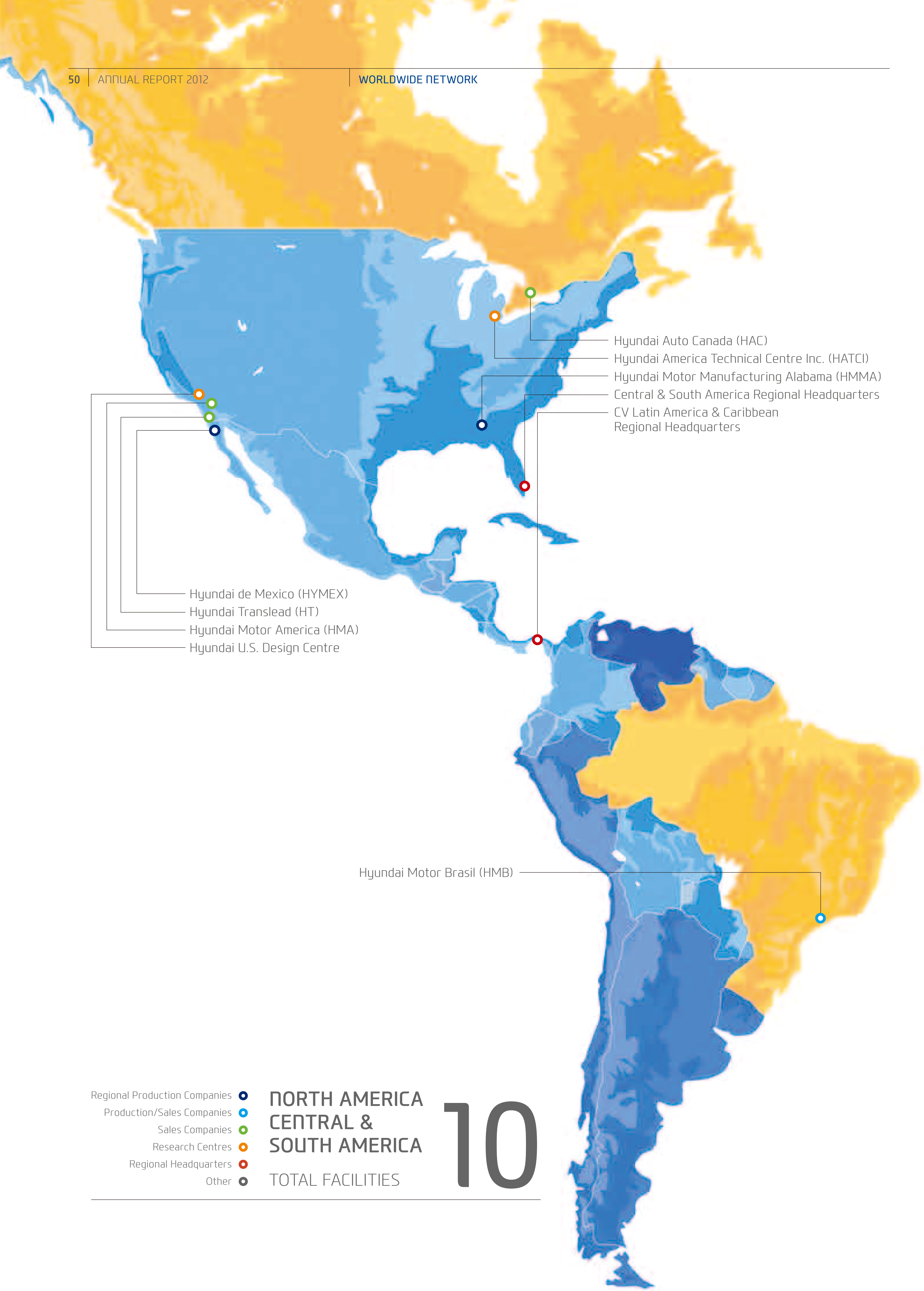
Brazil Factory, the New Standard-bearer of the Brazilian Market

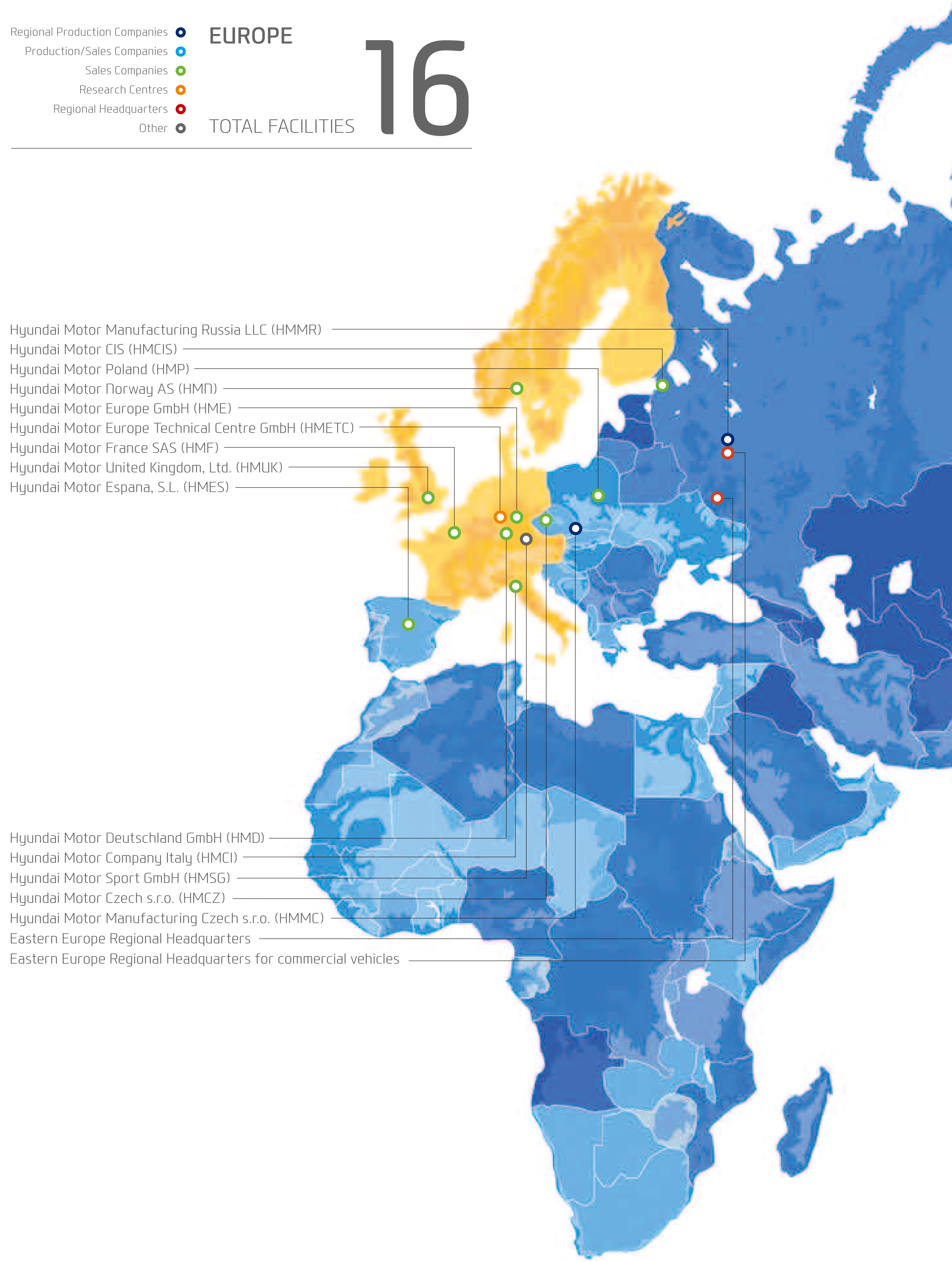
The Brazil factory, which began mass production in September 2012 and selling cars from October, is setting a new standard in the compact car segment of Brazil's automotive market offering innovative styling, high performance, and five years of unlimited warranty. The factory expanded its model offerings from one hatchback model in 2012 to a cross-over model in February 2013, and a sedan model in March. Such record time expansion of new models exemplifies Hyundai's Modern Premium through which the Brazil factory contributes to make Hyundai one of the most loved automotive brands in the world.

Russia Factory, the Fastest Growing Car Plant in Russia

Hyundai Motor Manufacturing Russia plant, which began operations in January 2011 with an annual production capacity of 150,000 units to mass-produce the Solaris (Accent) model, has now increased its capacity to 200,000 units to meet ever increasing demands. In 2012, the factory emerged as the largest car manufacturing plant in the northwest region of Russia, operating 10 percent above its stated capacity. Also, with respect to production efficiency and quality, it was recognized in 2012 as the best plant within Hyundai Motor Company. At present, this factory produces four models specifically developed to meet the needs and demands of Russian customers. The Solaris (Accent) model, in particular, has sold more than 200,000 units in the past two years to become the most loved foreign brand car in the country, and was also chosen as the Russia Car of the Year recipient in 2012.


Hyundai Motor Group China (HMGC)
Beijing Hyundai Motor Company (BHMC)
Hyundai Motor Technical China
Global Support Centre (China)
Hyundai Motor Japan (HMJ)
Hyundai Motor Japan Technical Centre
HYUNDAI
Regional Production Companies
Production/Sales Companies
Sales Companies
Research Centres
Regional Headquarters
Other
ASIA & PACIFIC
TOTAL FACILITIES
11
India Technical Centre
Hyundai Motor India Limited (HMI)
Asia-Pacific Regional Commercial Headquarters
Asia-Pacific Regional Headquarters
Hyundai Motor Company Australia (HMCA)
Middle East Regional Headquarters
Africa & Middle East Regional Headquarters for commercial vehicles
Africa Regional Headquarters
Hyundai Assan Otomotiv San ve Tic. A.Ş. (HAOS)
Regional Production Companies
Production/Sales Companies
Sales Companies
Research Centres
Regional Headquarters
Other
MIDDLE EAST & AFRICA
TOTAL FACILITIES
4


Hyundai Auto Canada (HAC)
Hyundai America Technical Centre Inc. (HATCI)
Hyundai Motor Manufacturing Alabama (HMMA)
Central & South America Regional Headquarters
CV Latin America & Caribbean
Regional Headquarters
Hyundai de Mexico (HYMEX)
Hyundai Translead (HT)
Hyundai Motor America (HMA)
Hyundai U.S. Design Centre
Hyundai Motor Brasil (HMB)
Regional Production Companies
Production/Sales Companies
Sales Companies
Research Centres
Regional Headquarters
Other
NORTH AMERICA
CENTRAL &
SOUTH AMERICA
TOTAL FACILITIES
10


Regional Production Companies
Production/Sales Companies
Sales Companies
Research Centres
Regional Headquarters
Other
EUROPE
TOTAL FACILITIES
16
Hyundai Motor Manufacturing Russia LLC (HMMR)
Hyundai Motor CIS (HMCIS)
Hyundai Motor Poland (HMP)
Hyundai Motor Norway AS (HMN)
Hyundai Motor Europe GmbH (HME)
Hyundai Motor Europe Technical Centre GmbH (HMETC)
Hyundai Motor France SAS (HMF)
Hyundai Motor United Kingdom, Ltd. (HMUK)
Hyundai Motor Espana, S.L. (HMES)
Hyundai Motor Deutschland GmbH (HMD)
Hyundai Motor Company Italy (HMCI)
Hyundai Motor Sport GmbH (HMSG)
Hyundai Motor Czech s.r.o. (HMCZ)
Hyundai Motor Manufacturing Czech s.r.o. (HMMC)
Eastern Europe Regional Headquarters
Eastern Europe Regional Headquarters for commercial vehicles

SUPPORT A PASSION

SUPPORTING THE PASSION OF PEOPLE WORLDWIDE WITH DIVERSE SPORTS SPONSORSHIPS. MEETING CUSTOMERS IN NEW PLACES AND IN NEW WAYS.

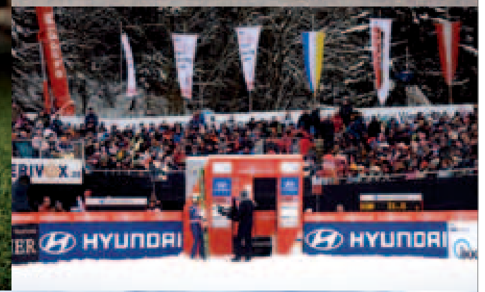
As a global player, Hyundai Motor Company will go where people of the world gather together and grow closer to one another. That is why we sponsor diverse sports such as football, golf, cricket, and ski jumping. Going beyond sports, we also support diverse art performances, new media events, and motor shows. Through our contribution and support, we wish to enrich the lives of our customers and to inspire them.

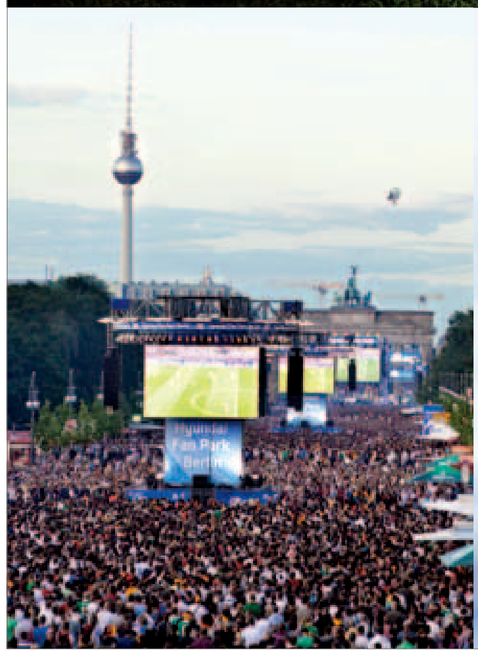
SPONSORING INTERNATIONAL FOOTBALL EVENTS

Hyundai began to forge connections with the European football league UEFA and the international football 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. Following our participation in Euro 2012, this year we will participate in the Confederations Cup to be held in Brazil. We will support fun events for audiences such as street cheering. In addition, we will run a nationwide road show program featuring the popular Goodwill Ball.

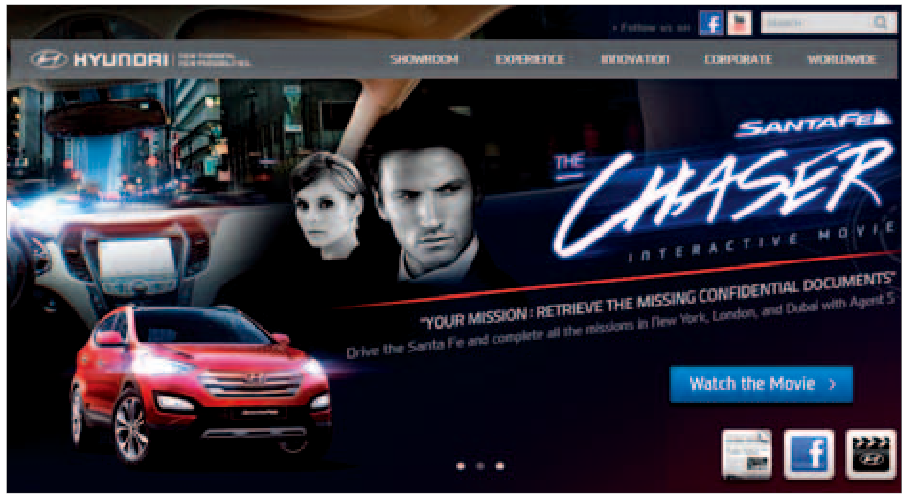
DIVERSIFYING SPORTS SPONSORSHIPS: FROM GOLF, CRICKET TO SKI JUMPING

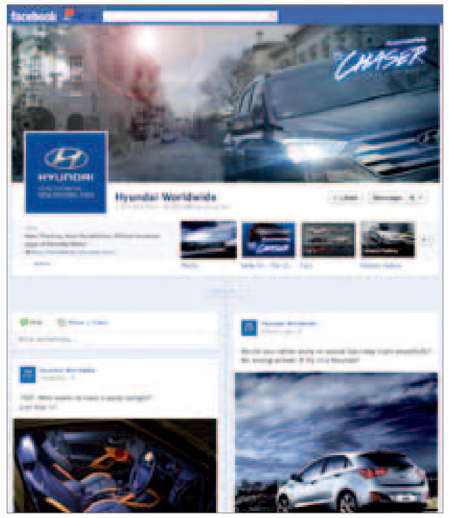
Recently, Hyundai Motor Company has expanded its sports sponsorships to include golf, cricket, and ski jumping in order to broaden the customer base. From 2011, Hyundai has been sponsoring the Hyundai Tournament of Champions, which is a U.S. PGA-affiliated preseason competition where the previous year's winners of the PGA Tour compete against one another. Starting with the India Cricket World Cup in 2011, we have continued to support the International Cricket Council (ICC) by sponsoring Sri Lanka World T20 and Australia Under-19 Championship in 2012, India Women's Cricket World Cup in 2013, and also the Wales Champions Trophy in the U.K. in 2013. In addition, Hyundai began to support ski jumping by sponsoring the 2012 Ski Flying Championships and participating in the 2012-2013 Ski Jumping World Cup season. Hyundai will continue its support by sponsoring the 2013 Nordic Championships and participating again in the 2013-2014 Ski Jumping World Cup season. Through these activities, Hyundai Motor Company will actively promote its esteemed SUV models.

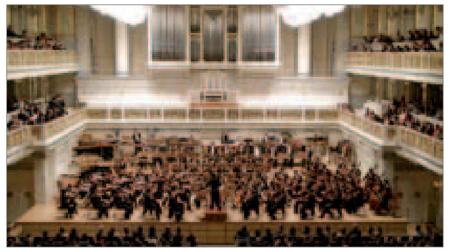




1. 2012 Paris Motor Show
2. 2012 San Paulo Motor Show
3. 2012 Geneva Motor Show
4. 2013 CES (Consumer Electronics Show)







5. 'The Chaser' campaign for Santa Fe
6. http://www.facebook.com/Hyundaiworldwide
7. 'New Thinker's Index' campaign
8. Seoul Philharmonic Orchestra

MOTOR SHOWS, AUTOMOTIVE FESTIVALS FOR CAR-LOVING CUSTOMERS

In 2012, Hyundai Motor Company participated in major international motor shows not only in Europe, America, and China, but also in key emerging markets. Through these shows, Hyundai changed the way people look at the company's cars by innovatively communicating the Modern Premium brand image that Hyundai aspires to. For example, the novel booth designs presented at the motor shows in Paris and Geneva expressed the new brand identity of Hyundai in a clear and creative fashion. Also, the premiere launches of Hyundai's new mass-market model i20 World Rally Car and the ix35 hydrogen fuel cell vehicle showcased to the world the company's 'New Thinking. New Possibilities.' approach unique to Hyundai. The participation in the San Paulo Motor Show in Brazil marked the launch of a new factory in Brazil and Hyundai's strong commitment to the Brazilian market as the official sponsor of 2014 Brazil World Cup. Global motor shows also served as venues to meet and engage with customers by displaying new car models and concept cars, projecting brand images in creative brand rooms and interactive presentations, and holding compelling events such as robot-arm performances. As a leading automotive company, Hyundai will continue to strive to connect with customers worldwide.

EVERY SECOND IS A 'BRILLIANT MOMENT' FROM HYUNDAI

In 2013, Hyundai Motor Company's plan is to introduce various interactive presentations that combine new ideas and IT technologies together to enhance the experience of our brand by customers. The first venue was the 2013 Consumer Electronics Show (CES) where Hyundai showcased its information technology with a cockpit containing the 3rd generation 'Blue Link' telematics system. And at the Seoul Motor Show, Hyundai plans to unveil, for the first time, the 3rd generation of 'MyBaby,' which embodies future transportation concepts. Unlike the previous generations focused on visual designs, this model maximizes the experience aspect and will demonstrate the creative capacity of Hyundai to imagine the future. Hyundai Motor Company will continue to focus on providing new kinds of experiences to our customers using creative and novel exhibition techniques to deliver brilliant moments.

HYUNDAI AND NEW MEDIA

As customers' lifestyle trends change rapidly, Hyundai Motor Company is actively seeking for new ways to connect with people through new media.

As a part of the campaign to promote the New Santa Fe, a teaser trailer of the ad movie, The Chaser, was released on Facebook. The Chaser was produced as an interactive 360-degree Virtual Reality (VR) movie so that users could not only watch the video, but also have an interactive 360-degree view of the car's interior space. This movie also featured an engaging 007-like storyline that, along with the interactive technology, made a lasting impression on viewers.

In addition, in 2011, Hyundai Motor Company, with the partnership of Microsoft Advertising, introduced the New Thinker's Index campaign that offered revolutionary bi-directional digital content experiences. In this campaign, various intellectual aptitudes including those required in learning vocabulary and mathematics were presented to the user with videos featuring 22 celebrities. The users then participated in an interactive bi-directional online quiz, and the result told them which celebrity had the most similar intellectual aptitude as them.

Make a Pledge was a EURO 2012 fundraising campaign where five Team Hyundai players and their fans were asked to pledge for their countries to win the tournament, and Hyundai promised to donate a euro for every pledge to the youth football club Street Football World. This campaign resulted in the donation of a total of 25,000 euros and fulfilled Hyundai's mission of contributing to the society and enhancing its brand image at the same time.

SPREADING BRAND VALUES THROUGH CULTURAL MARKETING

Good cultural content is an effective way to get customers to experience the brand values of Hyundai Motor Company. From 2010 to 2012, Hyundai sponsored Seoul Philharmonic Orchestra's performances, led by Maestro Chung Myung-Hoon, in select cities in Europe and America. Through these performances, Hyundai customers will come to remember Hyundai, not only as a car manufacturer, but as a lifestyle brand.

WORLD RALLY CHAMPIONSHIP

World Rally Championship (WRC)

WRC is a competition where mainstream car companies compete with mass production cars converted into racing cars. It is one of two most important car racing competitions along with Formula 1. Because the races span 13 countries, starting in Monaco (the Monte Carlo Race), the championship is an important opportunity to promote global brand recognition and boost sales.

1. i20 Rally Car with 4-wheel drive system
2. Racing team director, Michel Nandan
3. Drive test of i20 Rally Car

i20 RALLY CAR FOR THE WORLD RALLY CHAMPIONSHIP

With the plan to participate in the 2014 WRC, Hyundai has already developed and presented an i20-based rally car model at the Paris Motor Show and established Hyundai Motor Sports GmbH in Bayern, Germany to direct the affairs related to car development, testing, team formation, and operations. The i20 is Hyundai's strategic model for the European market, which meets all the specifications laid out by the WRC. The i20 Rally Car based on this production model features best-in-class powertrain performance with a 1,600 cc engine with turbocharger producing 300 ps, special 6-speed race optimized transmission and 4-wheel drive system, and also features a special suspension system that provides optimal drive performance in any road surface conditions. The engineers from Namyang Technical Research Centre and Europe's rally car specialists banded together to develop extreme durability with best performance and enhanced aerodynamics. By participating in the WRC, Hyundai expects to enhance its brand image of not only high quality, but also high performance.

HYUNDAI WILL DO ITS BEST TO TOUCH PEOPLE'S HEARTS WITH ITS CORPORATE SOCIAL RESPONSIBILITY PROGRAMS ALL AROUND THE WORLD

MOVING THE WORLD TOGETHER

The role of Hyundai Motor Company as a global automotive leader is not only to develop cars of best quality and eco-friendliness, but also to study ways to improve the overall well-being of the people in our society. Hyundai will strive to do its best to facilitate the well-being of our global society by contributing in the ways that best match the character and strengths of Hyundai Motor Company.

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. As of now, it has been translated and produced into 23 languages in order to strengthen the resolve of the Hyundai Motor Company to make "Moving the World Together" a reality.

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.

1. Finding Three-leafed Clover safety camp
2. Dream Together mentoring program
3. Opening ceremony of Hyundai-Koica Dream Centre in Ghana

HYUNDAI'S EFFORTS TO PROMOTE TRAFFIC SAFETY FOR KIDS

In 2012, Hyundai Motor Company 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 was to establish a culture of traffic safety among children. To achieve this goal, Hyundai produced the Robo-car Poli Road Safety Season 1 animation based on the popular cartoon character Robo-car Poli. This animation, which communicates essential road safety information to children, has succeeded in educating many children in a fun and easy-to-understand method. A second season has also been produced, this time in collaboration with the National Police Agency of Korea. Hyundai continues its effort to educate children on road safety by supporting character-licensing fairs and running special exhibition centres related to safety education. In addition, Hyundai also works to support children who have been orphaned by car accidents with its Three-leaf Clover Worldwide program. The program aims to grant the wishes of orphaned children in order to inspire them with a renewed sense of hope.

HYUNDAI INVESTING IN CHILDREN FOR A BETTER FUTURE

Hyundai Motor Company ran a mentoring program for orphaned children with the participation of more than 10,000 company employees. The program, which aims to give orphaned children motivation and hope for a better future, gave 530 boys and girls recommended by local schools, welfare centres, and NGO organizations, the opportunity to visit Yeosu Expo 2012, participate in career counseling, and receive house refurbishment for better living conditions. Globally, Hyundai opened a mechanics training school called the Hyundai-Koica Dream Centre in Ghana. By training young people with useful skills, this school helps them get better jobs. Hyundai will continue to expand these types of technical schools into other African and Asian countries. Hyundai believes that its specialty in the automotive industry can prove to be beneficial in training future technicians.

4. 'One Village per Company' program: painting on the wall of a storage building
5. 'One Village per Company' program: making flowerbeds in a local school
6. Signing contract to produce Traffic Safety with Robo-car Poli Season 2

VOLUNTEER ACTIVITIES

The year 2012 was when Hyundai Motor Company's volunteer programs developed into a more mature form. Volunteer activities by company employees took on many shapes and forms but were united under the overall goal of delivering real benefits to people in need. The company set up the H-Volunteer Designer system that actively aids and facilitates the volunteering activities of employees to further encourage volunteerism among Hyundai employees. This systems allows employees to 'design' their own activity plans and goals.
In 2012, H-Volunteer Designers participated in a wide range of activities, including teaching the Korean alphabet Hangul to foreign workers and taking portrait photos of the elderly for them to use at their funerals when they pass away, as it is customary in Korea.
Also, through the 'One Village per Company' program, employee volunteers helped improve the living conditions of rural villages by making flower beds for local schools or tearing down safety-hazard facilities in abandoned schools. Through these activities, Hyundai strove to give real, practical benefits to people living in rural villages and fulfill its social responsibilities as a global corporation.

MOVING THE WORLD TOGETHER WITH MID-TO LONG-TERM PLANS FOR SOCIAL CONTRIBUTION

Hyundai Motor Company's main focus in 2013 for social contribution is to first establish a mid-to long-term strategy and plan and to start implementation right away. The theme of these programs is Safe Move (traffic safety), and various programs will be developed in accordance to this plan. One domestic program is the prevention of traffic accidents involving children through after-school education sessions utilizing the Robo-Car Poli traffic safety animations. Hyundai will also qualitatively expand the successful Three-leaf Clover Worldwide program, adding a mentoring program that can continue to support orphaned children for a longer period of time.

HYUNDAI, WITH YOU NOW AND ALWAYS

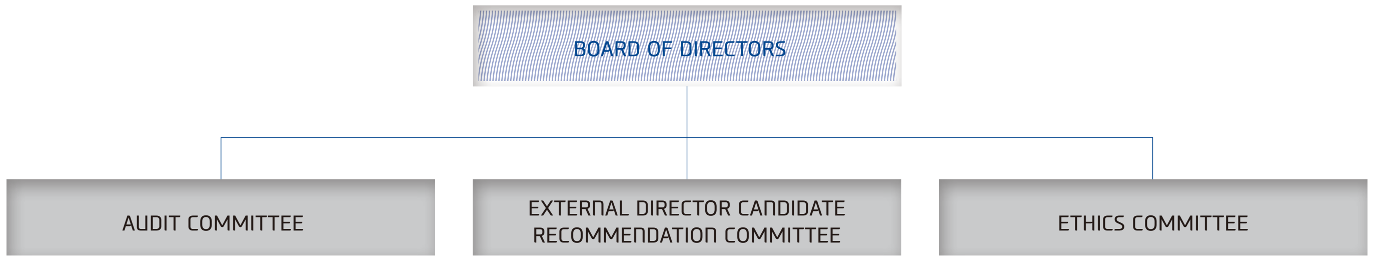
Hyundai's endless efforts to become "the best-loved automotive brand by customers" have been translated into cars that carry many different names, which have been accompanying the lives of customers and receiving their love from all over the world: for some, Hyundai is a source of pride; for others, it stands for style or is synonymous with eco-friendliness. Hyundai will continue to be a "lifetime partner" of customers in the future, standing by their side every moment of their lives.

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 Direcotrs. 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 2013)

			Joint Positions Held		
	Name	Title/Affiliation	External Director Candidate Recommendation Committee	Audit Committee	Ethics Committee
Internal	CHUNG, MONG-KOO	Chairman & CEO	○	–	–
	Choong Ho Kim	President & CEO	○	–	○
	Gap Han Yoon	President & CEO	–	–	–
	Eui Sun Chung	Vice Chairman	–	–	–
External	Il Hyung Kang	Representative Tax Accountant, Daeun Tax Corporation	○	○	–
	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 2012

Meetings	Date	Agenda	Resolution
1st General	Jan. 26. 2012	• Approval of financial statements for the 44th fiscal year and 8 other items	Original Draft Passed
Extraordinary	Feb. 22. 2012	• Approval of agenda items for the 44th General Shareholders' meeting and 1 other item	Original Draft Passed
Extraordinary	Mar. 16. 2012	• Approval of an appointment of the President and CEO and 7 other items	Original Draft Passed
2nd General	Apr. 26. 2012	• Approval of an appointment of the compliance officer and 3 other items	Original Draft Passed
Extraordinary	Jun. 25. 2012	• Approval of a transaction with a company featuring the same major shareholder	Original Draft Passed
3rd General	Jul. 26. 2012	• Approval of a transaction with a company featuring the same major shareholder and 2 other items	Original Draft Passed
Extraordinary	Sep. 15. 2012	• Approval of a transaction with a part-material investment related subsidiary and 1 other item	Original Draft Passed
4th General	Oct. 25. 2012	• Approval of a transaction with a company featuring the same major shareholder and 2 other items	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 2012 General Shareholders Meeting. Total compensation for internal and external directors from 1 January to 31 December 2012 amounted to KRW 9.6 billion. Average compensation for internal directors was KRW 2.3 billion and KRW 84 million for external directors.

Key Activities of the Audit Committee in 2012

Meetings	Date	Agenda	Resolution
1st General	Jan. 26. 2012	• Approval of financial statements for the 44th fiscal year and 2 other items	Original draft passed
Extraordinary	Feb. 22. 2012	• Approval of agenda items for the 44th General Shareholders' meeting	Original draft passed
Extraordinary	Mar. 16. 2012	• Approval of an appointment of the Chairman of the Audit Committee	Original draft passed
2nd General	Apr. 26. 2012	–	–
3rd General	Jul. 26. 2012	–	–
4th General	Oct. 25. 2012	–	–

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

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

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 2012

Meetings	Date	Agenda	Resolution
1st General	Jan. 26. 2012	• Review of 2012 social contribution plans and 2 other items	Original draft passed
2nd General	Apr. 16. 2012	• Approval of an amendment to the Work Ethics Code	Original draft passed
3rd General	Jul. 26. 2012	–	–
4th General	Oct. 25. 2012	• Approval of a transaction with a company featuring the same major shareholder and 1 other item	Original draft passed

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

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
ENGLISH TRANSLATION OF A REPORT ORIGINALLY ISSUED IN KOREAN

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

We have audited the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The financial statements consist of the consolidated statements of financial position as of December 31, 2012 and 2011, respectively, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, respectively. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 42.3% and 43.5% of the consolidated total assets as of December 31, 2012 and 2011, respectively, and 49.9% and 44.4% of the consolidated total sales for the years then ended, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and 2011, respectively, and the results of its operations and its cash flows for the years then ended, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

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

Deloitte Anjin LLC

March 7, 2013

NOTICE TO READERS

This report is effective as of March 7, 2013, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES (THE "GROUP")

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

Choong Ho Kim
CEO, HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

In millions of Korean Won

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

Continued

In millions of Korean Won

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

In millions of Korean Won, except per share amounts

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

In millions of Korean Won

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

In millions of Korean Won

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2011	₩ 1,488,993	₩ 3,900,935	₩ (918,214)	₩ 409,914	₩ 25,216,163	₩ 30,097,791	₩ 2,790,182	₩ 32,887,973
Comprehensive income:								
Profit for the year	-	-	-	-	7,655,871	7,655,871	448,992	8,104,863
Loss on valuation of available-for-sale financial assets, net	-	-	-	(91,493)	-	(91,493)	(367)	(91,860)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	2,891	-	2,891	1,113	4,004
Changes in valuation of equity-accounted investees, net	-	-	-	199,216	(40,249)	158,967	10	158,977
Actuarial loss on defined benefit obligations, net	-	-	-	-	(165,438)	(165,438)	(10,062)	(175,500)
Loss on foreign operations translation, net	-	-	-	(145,247)	-	(145,247)	(2,033)	(147,280)
Total comprehensive income	-	-	-	(34,633)	7,450,184	7,415,551	437,653	7,853,204
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(412,227)	(412,227)	(45,423)	(457,650)
Purchase of treasury stock	-	-	(400,137)	-	-	(400,137)	-	(400,137)
Disposal of treasury stock	-	194,959	189,572	-	-	384,531	-	384,531
Increase in subsidiaries' stock	-	-	-	-	-	-	12,871	12,871
Disposal of subsidiaries' stock	-	18,116	-	-	-	18,116	-	18,116
Other	-	-	-	-	9,408	9,408	19,386	28,794
Total transactions with owners, recorded directly in equity	-	213,075	(210,565)	-	(402,819)	(400,309)	(13,166)	(413,475)
Balance at December 31, 2011	**₩ 1,488,993**	**₩ 4,114,010**	**₩ (1,128,779)**	**₩ 375,281**	**₩ 32,263,528**	**₩ 37,113,033**	**₩ 3,214,669**	**₩ 40,327,702**

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

In millions of Korean Won

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

Continued

In millions of Korean Won

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

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. GENERAL:

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

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

As of December 31, 2012, the major shareholders of the Company are Hyundai MOBIS (20.78%) and Chung, Mong Koo (5.17%).

(1) THE COMPANY'S CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2012 ARE AS FOLLOWS:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd. (*)	-	-	31.52%	
Hyundai Rotem Company	Manufacturing	-	57.64%	
Hyundai KEFICO Corporation	-	-	100.00%	
Green Air Co., Ltd.	-	-	51.00%	Hyundai Rotem 51.00%
Hyundai Autron Co., Ltd. (Formerly, Hyundai Carnes Co., Ltd.)	R&D	-	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	-	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	-	53.66%	
Maintrans Co., Ltd.	Services	-	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	-	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	-	85.00%	HMA 85.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	-	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	-	-	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	-	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	-	100.00%	SMARTI 100.00%
Hyundai America Technical Center Inc. (HATCI)	R&D	-	100.00%	
Rotem USA Corporation	Manufacturing	-	100.00%	Hyundai Rotem 100.00%
Hyundai Auto Canada Corp. (HAC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	-	100.00%	HAC 100.00%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	-	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	-	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	

Continued

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	-	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	-	-	100.00%	BJMSS 100.00%
Beijing Xinhuaxiaqiyuetong Motor Chain Co., Ltd.	-	-	100.00%	BJMSS 100.00%
Beijing Hines Millennium Real Estate Development	Real estate development	-	99.00%	CMEs 99.00%
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	China	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	-	-	100.00%	Hyundai KEFICO 100.00%
KEFICO VIETNAMI COMPANY LIMITED	-	Vietnam	100.00%	-
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	-	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	-	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	-	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	-	100.00%	HME 100%
Hyundai Capital Europe GmbH	Financing	-	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.4%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Capital Services Limited Liability Company	Financing	-	100.00%	Hyundai Capital Europe 100.00%
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	89.29%	
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S	-	-	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	-	Italy	100.00%	
Hyundai Motor Espana. S.L (HMES)	-	Spain	100.00%	
Hyundai Motor France SAS (HMF)	-	France	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	-	Poland	100.00%	
Hyundai Motor Norway AS (HMN)	-	Norway	100.00%	
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	Mexico	99.99%	HT 99.99%
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
Autopia Thirty-Fifth ~ Thirty-Seventh Asset Securitization Specialty Company (*)	Financing	Korea	0.90%	Hyundai Capital Services 0.90%
Autopia Thirty-Ninth ~ Fortieth Asset Securitization Specialty Company (*)	-	-	0.90%	-
Autopia Forty-Second ~ Forty- Seventh Asset Securitization Specialty Company (*)	-	-	0.90%	-
Autopia Forty-Ninth Asset Securitization SpecialtyCompany (*)	-	-	0.90%	-
HB the Third Securitization Specialty Company (*)	-	-	0.90%	-
Privia the Second ~ Third Securitization Specialty Co., Ltd. (*)	-	-	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	-	USA	100.00%	HCA 100.00%
Hyundai CHA Funding Corporation	-	-	100.00%	-
Hyundai Lease Titling Trust	Financing	USA	100.00%	HCA 100.00%
Hyundai HK Funding, LLC	-	-	100.00%	-
Hyundai HK Funding One, LLC	-	-	100.00%	-
Hyundai HK Funding Two, LLC	-	-	100.00%	-
Hyundai Auto Lease Funding, LLC	-	-	100.00%	-
Hyundai ABS Funding Corporation	-	-	100.00%	-
Hyundai Capital Insurance Services, LLC	-	-	100.00%	-
HK Real Properties, LLC	-	-	100.00%	-
Hyundai Auto Lease Offering, LLC	-	-	100.00%	-
Hyundai HK Lease, LLC	-	-	100.00%	-
Hyundai Protection Plan, Inc.	Insurance	-	100.00%	-
Hyundai Protection Plan Florida, Inc.	-	-	100.00%	-
Hyundai Capital Insurance Company	-	-	100.00%	-

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

(2) CONDENSED FINANCIAL INFORMATION OF THE COMPANY'S MAJOR CONSOLIDATED SUBSIDIARIES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012 IS AS FOLLOWS:

In millions of Korean Won

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

In millions of Korean Won

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

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

(3) THE FINANCIAL STATEMENTS OF ALL SUBSIDIARIES, WHICH ARE USED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS, ARE PREPARED FOR THE SAME REPORTING PERIODS AS THE COMPANY'S.

(4) CHANGES IN CONSOLIDATED SUBSIDIARIES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(1) BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The Group has prepared the consolidated financial statements in accordance with K-IFRS for the annual periods beginning on January 1, 2011.

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

1) NEW STANDARDS THAT HAVE BEEN APPLIED FROM THE YEAR BEGINNING ON JANUARY 1, 2012 ARE AS FOLLOWS:

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

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

2) NEW STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE FOR THE YEAR BEGINNING ON JANUARY 1, 2012 AND THAT HAVE NOT BEEN APPLIED EARLIER BY THE GROUP ARE AS FOLLOWS:

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

- K-IFRS 1019(Amendment): 'Employee Benefits'
  The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of K-IFRS 1019 and accelerate the recognition of past service costs. Interest income on plan assets is calculated using the rate used to discount the defined benefit obligation. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013.

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

- K-IFRS 1107(Amendment): 'Financial Instruments: Disclosures'
  The amendments to K-IFRS 1107 require disclosures about offsetting financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013.

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

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

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

- K-IFRS 1113(Enactment): 'Fair Value Measurement'
  K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013.

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

3) PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

(2) BASIS OF MEASUREMENT

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(3) BASIS OF CONSOLIDATION

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

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

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

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

(4) BUSINESS COMBINATION

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

(5) REVENUE RECOGNITION

1) SALE OF GOODS

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

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

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

2) RENDERING OF SERVICES

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

3) ROYALTIES

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

4) DIVIDEND AND INTEREST INCOME

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

5) CONSTRUCTION CONTRACTS

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

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

(6) FOREIGN CURRENCY TRANSLATION

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

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

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

Foreign exchange gains or losses are classified in other operating income (expense) or finance income (expense) by the nature of the transaction or event.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(7) FINANCIAL ASSETS

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

1) FINANCIAL ASSETS AT FVTPL

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

2) HTM FINANCIAL ASSETS

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

3) LOANS AND RECEIVABLES

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

4) AFS FINANCIAL ASSETS

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM financial assets nor financial assets at FVTPL. AFS financial assets are measured at fair value. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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

(8) IMPAIRMENT OF FINANCIAL ASSETS

1) FINANCIAL ASSETS CARRIED AT AMORTIZED COST

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

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

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

2) FINANCIAL ASSETS CARRIED AT COST

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

3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(9) DERECOGNITION OF FINANCIAL ASSETS

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

(10) INVENTORY

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(11) INVESTMENTS IN ASSOCIATES

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

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

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

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

(12) INTERESTS IN JOINT VENTURES

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

(13) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

(14) INVESTMENT PROPERTY

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

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

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

(15) INTANGIBLE ASSET

1) GOODWIL

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

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

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

2) DEVELOPMENT COSTS

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3) INTANGIBLE ASSETS ACQUIRED SEPARATELY

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

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

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

Club membership included in other intangible assets is deemed to have an indefinite useful life as there is no foreseeable limit on the period over which the membership is expected to generate economic benefit for the Group, therefore the Group does not amortize it.

(16) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

(17) NON-CURRENT ASSETS HELD FOR SALE

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

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

(18) LEASE

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

1) THE GROUP AS LESSOR

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

2) THE GROUP AS LESSEE

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

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

(19) BORROWING COSTS

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

(20) RETIREMENT BENEFIT COSTS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(21) PROVISIONS

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

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

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

(22) TAXATION

Income tax expense is composed of current and deferred tax.

1) CURRENT TAX

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

2) DEFERRED TAX

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

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

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

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

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

3) CURRENT AND DEFERRED TAX FOR THE YEAR

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

(23) TREASURY STOCK

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

(24) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

1) EQUITY INSTRUMENTS

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

2) FINANCIAL GUARANTEE LIABILITIES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

3) FINANCIAL LIABILITIES AT FVTPL

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

4) OTHER FINANCIAL LIABILITIES

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

5) DERECOGNITION OF FINANCIAL LIABILITIES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(25) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedge).

1) FAIR VALUE HEDGES

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

2) CASH FLOW HEDGES

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

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

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

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

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

1) GOODWILL

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

2) WARRANTY PROVISION

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

3) POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

4) TAXATION

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

5) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

6) MEASUREMENT AND USEFUL LIVES OF PROPERTY, PLANT, EQUIPMENT OR INTANGIBLE ASSETS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) TRADE NOTES AND ACCOUNTS RECEIVABLE AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(2) AGING ANALYSIS OF TRADE RECEIVABLES

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

(3) TRANSFERRED TRADE NOTES AND ACCOUNTS RECEIVABLE THAT ARE NOT DERECOGNIZED

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

(4) THE CHANGES IN ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

4. OTHER RECEIVABLES:

OTHER RECEIVABLES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

5. OTHER FINANCIAL ASSETS:

(1) OTHER FINANCIAL ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(2) AVAILABLE FOR SALE FINANCIAL ASSETS WHICH ARE MEASURED AT FAIR VALUE AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(3) EQUITY INSTRUMENTS CLASSIFIED INTO AFS FINANCIAL ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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

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

6. INVENTORIES:

INVENTORIES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

7. OTHER ASSETS:

OTHER ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

8. NON-CURRENT ASSETS HELD FOR SALE:

NON-CURRENT ASSETS HELD FOR SALE AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

Description	December 31, 2012	December 31, 2011
Land	₩ 19,995	₩ -
Buildings	3,312	-
	₩ 23,307	₩ -

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

9. PROPERTY, PLANT AND EQUIPMENT:

(1) PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(*) Accumulated impairment is included.

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

In millions of Korean Won

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

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

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

In millions of Korean Won

Description	Beginning of year	Acquisition	Transfer within PP&E	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

10. INVESTMENT PROPERTY:

(1) INVESTMENT PROPERTY AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(2) THE CHANGES IN INVESTMENT PROPERTY FOR THE YEAR ENDED DECEMBER 31, 2012 ARE AS FOLLOWS:

In millions of Korean Won

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

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

In millions of Korean Won

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

(3) THE FAIR VALUE OF INVESTMENT PROPERTY AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

Description	December 31, 2012	December 31, 2011
Land	₩ 62,874	₩ 46,757
Buildings	367,472	380,249
Structures	15,223	15,223
	₩ 445,569	**₩ 442,229**

On January 1, 2010, K-IFRS transition date, the Group remeasured the fair value of its investment property through an independent third party. As of December 31, 2012, no fair value remeasurement was performed, as the change in fair value is considered not to be material.

(4) INCOME AND EXPENSES RELATED TO INVESTMENT PROPERTY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

Description	2012	2011
Rental income	₩ 30,683	₩ 26,093
Operating and maintenance expenses	12,862	11,308

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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

11. INTANGIBLE ASSETS:

(1) INTANGIBLE ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(*) Accumulated impairment is included.

(2) THE CHANGES IN INTANGIBLE ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012 ARE AS FOLLOWS:

In millions of Korean Won

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

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

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

In millions of Korean Won

Description	Beginning of year	Internal development and separate acquisition	Transfer within intangible assets	Disposal	Amortization	Impairment	Other (*)	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.

(3) RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(4) IMPAIRMENT TEST OF GOODWILL

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

In millions of Korean Won

Description	December 31, 2012	December 31, 2011
Vehicle	₩ 199,130	₩ 96,327
Finance	1,911	482
Other	99,970	80,345
	₩ 301,011	₩ 177,154

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES AS OF DECEMBER 31, 2012 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(*1) Joint venture.

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

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

In millions of Korean Won

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

(*1) Joint venture.

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

(2) THE CHANGES IN INVESTMENTS IN JOINT VENTURES AND ASSOCIATES FOR THE YEAR ENDED DECEMBER 31, 2012 ARE AS FOLLOWS:

In millions of Korean Won

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

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

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

In millions of Korean Won

Name of company	Beginning of year	Acquisition/(Disposition)	Gain on valuation	Other (*)	End of year
BHMC	₩ 1,231,700	₩ 86,569	₩ 579,016	₩ (343,414)	₩ 1,553,871
WAE	66,215	-	11,366	3,679	81,260
HMGC	93,822	-	77,518	(43,022)	128,318
Kia Motors Corporation	3,242,033	204,408	1,107,807	11,435	4,565,683
Hyundai engineering & construction Co., Ltd	-	2,984,937	57,910	(31,426)	3,011,421
Hyundai HYSCO Co., Ltd.	376,298	-	77,951	(4,811)	449,438
Hyundai WIA Corporation	377,072	-	79,258	26,666	482,996
Hyundai Powertech Co., Ltd.	216,242	-	38,356	(532)	254,066
HMC Investment Securities Co., Ltd.	198,317	-	10,282	1,912	210,511
Hyundai Dymos Inc.	159,887	-	27,958	6,487	194,332
Eukor Car Carriers Inc.	82,259	-	32,413	(3,360)	111,312
Hyundai Commercial Inc.	90,043	-	35,234	(2,913)	122,364
Other	775,563	(333,720)	137,536	(35,713)	543,666
	₩ 6,909,451	₩ 2,942,194	₩ 2,272,605	₩ (415,012)	₩ 11,709,238

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

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(3) CONDENSED FINANCIAL INFORMATION OF THE GROUP'S MAJOR JOINT VENTURES AND ASSOCIATES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012 IS AS FOLLOWS:

In millions of Korean Won

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

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

Condensed financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2011 is as follows:

In millions of Korean Won

Name of company	Assets	Liabilities	Sales	Net income
BHMC	₩ 6,692,470	₩ 3,547,238	₩ 12,405,949	₩ 1,177,038
WAE	995,381	626,017	926,476	51,664
HMGC	622,038	333,536	2,336,190	165,184
Kia Motors Corporation	30,255,179	16,745,469	43,190,942	3,519,236
Hyundai engineering & construction Co., Ltd.	11,871,889	7,508,415	11,920,167	685,139
Hyundai HYSCO Co., Ltd.	4,720,646	3,087,008	8,170,343	297,785
Hyundai WIA Corporation	4,252,849	2,757,406	6,392,708	240,884
Hyundai Powertech Co., Ltd.	1,791,495	1,081,452	2,803,987	98,750
HMC Investment Securities Co., Ltd. (*)	3,485,634	2,836,685	703,424	44,333
Hyundai Dymos Inc.	1,155,459	722,679	1,799,714	69,941
Eukor Car Carriers Inc.	2,671,900	1,744,300	2,558,996	270,115
Hyundai Commercial Inc.	3,465,237	3,114,580	325,819	76,247

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

(4) THE MARKET PRICE OF LISTED EQUITY SECURITIES AS OF DECEMBER 31, 2012 IS AS FOLLOWS:

In millions of Korean Won, except price per share

Name of company	Price per share	Number of shares	Market value
Kia Motors Corporation	₩ 56,500	137,318,251	₩ 7,758,481
Hyundai engineering & construction Co., Ltd.	70,000	23,327,400	1,632,918
Hyundai HYSCO Co., Ltd.	45,450	23,554,188	1,070,538
Hyundai WIA Corporation	173,000	6,893,596	1,192,592
HMC Investment Securities Co., Ltd.	14,200	7,705,980	109,425

13.FINANCIAL SERVICES RECEIVABLES:

(1) FINANCIAL SERVICES RECEIVABLES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(2) AGING ANALYSIS OF FINANCIAL SERVICES RECEIVABLES

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

(3) TRANSFERRED FINANCIAL SERVICES RECEIVABLES THAT ARE NOT DERECOGNIZED

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(4) THE CHANGES IN ALLOWANCE FOR DOUBTFUL ACCOUNTS OF FINANCIAL SERVICES RECEIVABLES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(5) GROSS INVESTMENTS IN FINANCIAL LEASE AND ITS PRESENT VALUE OF MINIMUM LEASE RECEIPTS AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(6) UNEARNED INTEREST INCOME OF FINANCIAL LEASE AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

14. OPERATING LEASE ASSETS:

(1) OPERATING LEASE ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(2) FUTURE MINIMUM LEASE RECEIPTS RELATED TO OPERATING LEASE ASSETS AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

Description	December 31, 2012	December 31, 2011
Within 1 year	₩ 1,643,559	₩ 1,232,216
Within 5 years more than 1 year	1,842,246	1,339,767
More than 5 years	2	4
	₩ 3,485,807	**₩ 2,571,987**

15. BORROWINGS AND DEBENTURES:

(1) SHORT-TERM BORROWINGS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(2) LONG-TERM DEBT AS OF DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

(3) DEBENTURES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

16. PROVISIONS:

(1) PROVISIONS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWINGS:

In millions of Korean Won

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

(2) THE CHANGES IN PROVISIONS FOR THE YEAR ENDED DECEMBER 31, 2012 ARE AS FOLLOWS:

In millions of Korean Won

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

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

In millions of Korean Won

Description	Warranty	Other long-term employee benefit	Other
Beginning of year	₩ 5,252,340	₩ 431,518	₩ 301,720
Charged (reversed)	1,169,889	214,622	(25,353)
Utilized	(728,419)	(59,370)	(63,115)
Amortization of present value discounts	164,071	-	-
Changes in expected reimbursements by third parties	(2,550)	-	-
Effect of foreign exchange differences	(5,046)	(142)	(3,012)
End of year	₩ 5,850,285	₩ 586,628	₩ 210,240

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17. OTHER FINANCIAL LIABILITIES:

OTHER FINANCIAL LIABILITIES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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

18. OTHER LIABILITIES:

OTHER LIABILITIES AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

19. FINANCIAL INSTRUMENTS:

(1) CATEGORIES OF FINANCIAL ASSETS AS OF DECEMBER 31, 2012 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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

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

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

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

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

(3) FAIR VALUE ESTIMATION

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

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

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2012 are as follows:

In millions of Korean Won

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

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

In millions of Korean Won

	December 31, 2011			
Description	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

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

In millions of Korean Won

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

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

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

(4) INTEREST INCOME, DIVIDEND INCOME AND INTEREST EXPENSES BY CATEGORIES OF FINANCIAL INSTRUMENTS FOR YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(5) THE COMMISSION INCOME (FINANCIAL SERVICES REVENUE) ARISING FROM FINANCIAL ASSETS OR LIABILITIES OTHER THAN FINANCIAL ASSETS OR LIABILITIES AT FVTPL FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE ₩1,616,825 MILLION AND ₩1,615,068 MILLION, RESPECTIVELY. IN ADDITION, THE FEE EXPENSES (COST OF SALES FROM FINANCIAL SERVICES) OCCURRING FROM FINANCIAL ASSETS OR LIABILITIES OTHER THAN FINANCIAL ASSETS OR LIABILITIES AT FVTPL FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE ₩808,147 MILLION AND ₩687,019 MILLION, RESPECTIVELY.

20. CAPITAL STOCK:

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

(1) COMMON STOCK

In millions of Korean Won, except par value

Description	December 31, 2012	December 31, 2011
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

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

(2) PREFERRED STOCK

In millions of Korean Won

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

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

21. CAPITAL SURPLUS:

CAPITAL SURPLUS AS OF DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

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22. OTHER CAPITAL ITEMS:

OTHER CAPITAL ITEMS CONSIST OF TREASURY STOCKS PURCHASED FOR THE STABILIZATION OF STOCK PRICE. NUMBER OF TREASURY STOCKS AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

Number of shares

Description	December 31, 2012	December 31, 2011
Common stock	11,006,710	11,006,710
1st preferred stock	1,950,960	1,950,960
2nd preferred stock	1,000,000	1,000,000

23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

ACCUMULATED OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

24. RETAINED EARNINGS AND DIVIDENDS:

(1) RETAINED EARNINGS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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

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

(2) THE COMPUTATION OF THE PROPOSED DIVIDENDS FOR THE YEAR ENDED DECEMBER 31, 2012 IS AS FOLLOWS:

In millions of Korean Won, except per share amounts

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

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

In millions of Korean Won, except per share amounts

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

25. SALES:

SALES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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26. SELLING AND ADMINISTRATIVE EXPENSES:

SELLING AND ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

28. FINANCIAL INCOME AND EXPENSES:

(1) FINANCIAL INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

(2) FINANCIAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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29. OTHER INCOME AND EXPENSES:

(1) OTHER INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

(2) OTHER EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

30. EXPENSES BY NATURE:

EXPENSES BY NATURE FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

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

31. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing profit available to common shares by the weighted average number of common shares outstanding during the year. The Group does not compute diluted earnings per common share for the years ended December 31, 2012 and 2011 as there are no dilutive items during the periods.

BASIC EARNINGS PER COMMON SHARE FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE COMPUTED AS FOLLOWS:

In millions of Korean Won, except per share amounts

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

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

32. INCOME TAX EXPENSE:

(1) INCOME TAX EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 CONSISTS OF THE FOLLOWING:

In millions of Korean Won

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

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(2) THE CHANGES IN DEFERRED TAX ASSETS (LIABILITIES) FOR THE YEAR ENDED DECEMBER 31, 2012 ARE AS FOLLOWS:

In millions of Korean Won

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

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

In millions of Korean Won

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

(3) THE COMPONENTS OF ITEMS CHARGED TO EQUITY AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(4) THE TEMPORARY DIFFERENCES NOT RECOGNIZED AS DEFERRED TAX LIABILITIES RELATED TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES ARE ₩4,793,848 MILLION AND ₩3,946,606 MILLION AS OF DECEMBER 31, 2012 AND 2011.

33. RETIREMENT BENEFIT PLAN:

(1) EXPENSES RECOGNIZED IN RELATION TO DEFINED CONTRIBUTION PLANS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

Description	2012	2011
Paid in cash	₩ 6,049	₩ 6,190
Recognized liability	957	916
	₩ 7,006	₩ 7,106

(2) ACTUARIAL ASSUMPTIONS USED BY THE COMPANY AND ITS SUBSIDIARIES, RESPECTIVELY, AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(3) PROFIT AND LOSSES IN RELATION TO DEFINED BENEFIT PLANS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(4) THE AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION RELATED TO DEFINED BENEFIT PLANS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

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

(5) CHANGES IN PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

(6) CHANGES IN FAIR VALUE OF THE PLAN ASSETS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

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

(7) FAIR VALUE OF THE PLAN ASSETS AS OF DECEMBER 31, 2012 AND 2011 CONSIST OF THE FOLLOWING:

In millions of Korean Won

Description	December 31, 2012	December 31, 2011
Insurance instruments	₩ 1,948,010	₩ 1,428,546
Debt instruments	50,859	29,346
Other	155,153	142,709
	₩ 2,154,022	**₩ 1,600,601**

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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

34. CASH GENERATED FROM OPERATIONS:

CASH GENERATED FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 IS AS FOLLOWS:

In millions of Korean Won

Description	2012	2011
Profit for the year	₩ 9,056,277	₩ 8,104,863
Adjustments:		
Post-employment benefits	433,266	365,627
Depreciation	1,700,775	1,596,081
Amortization of intangible assets	823,144	738,676
Provision for warranties	712,587	1,169,889
Income tax expense	2,548,853	2,342,247
Loss (gain) on foreign currency translation, net	(48,601)	97,551
Loss on disposal of property, plant and equipment, net	31,617	70,098
Interest expenses (income), net	(163,579)	35,989
Gain on valuation of equity-accounted investees, net	(2,443,766)	(2,272,605)
Gain on disposal of investments in associates, net	(136,140)	(131,148)
Cost of sales (revenue) from financial services, net	3,300,405	2,775,142
Other	364,830	130,493
	7,123,391	6,918,040
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	297,742	(813,966)
Decrease in other receivables	371,695	235,836
Decrease in other financial assets	155,604	7,459
Increase in inventories	(538,355)	(961,690)
Decrease (increase) in other assets	(710,477)	56,187
Increase in trade notes and accounts payable	16,971	342,451
Increase in other payables	1,415,433	1,747,476
Increase in other liabilities	945,772	186,666
Decrease in other financial liabilities	(168,904)	(52,370)
Changes in retirement benefit obligation	(529,504)	(311,961)
Payment of severance benefits	(59,418)	(137,507)
Decrease in provisions	(997,138)	(850,904)
Changes in financial services receivables	(4,160,902)	(4,475,606)
Increase in operating lease assets	(4,415,826)	(3,548,013)
Other	65,728	(20,148)
	(8,311,579)	(8,596,090)
Cash generated from operations	**₩ 7,868,089**	**₩ 6,426,813**

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

35. RISK MANAGEMENT:

(1) CAPITAL RISK MANAGEMENT

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

In millions of Korean Won

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

(2) FINANCIAL RISK MANAGEMENT

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

1) MARKET RISK

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

a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currencies on income before income tax as of December 31, 2012, is as follows:

In millions of Korean Won

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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b) Interest rate risk management

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

The Group's sensitivity to a 1% change in interest rates on income before income tax as of December 31, 2012 is as follows:

In millions of Korean Won

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

c) Equity price risk

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

2) CREDIT RISK

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in financial loss to the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 37, the book value of financial assets on the financial statements represents the maximum amounts of exposure to credit risk

3) LIQUIDITY RISK

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of December 31, 2012 is as follows:

In millions of Korean Won

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

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

(3) DERIVATIVE INSTRUMENT

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

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

The longest period in which the forecasted transactions are expected to occur is within 57 months as of December 31, 2012.

For the years ended December 31, 2012 and 2011, the Group recognized a net loss of ₩410,510 million and a net gain of ₩171,847 million in profit or loss(before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

36. RELATED PARTY TRANSACTIONS:

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

(1) SIGNIFICANT TRANSACTIONS ARISING FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 BETWEEN THE GROUP AND RELATED PARTIES OR AFFILIATES BY MONOPOLY REGULATION AND FAIR TRADE ACT OF THE REPUBLIC OF KOREA ("ACT") ARE AS FOLLOWS:

In millions of Korean Won

	2012		2011	
Description	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
Related parties:				
Entity with significant influence over the Company	₩ 630,445	₩ 8,785,788	₩ 511,319	₩ 7,907,032
Joint ventures and associates	4,609,762	8,722,623	5,116,055	8,952,433
Other related parties	15,677	1,341,143	12,970	1,111,019
Affiliates by Act:	1,164,960	6,182,864	519,911	4,796,922

(2) AS OF DECEMBER 31, 2012 AND 2011 SIGNIFICANT BALANCES ARISING FROM OPERATIONS RELATED TO THE TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES OR AFFILIATES BY ACT ARE AS FOLLOWS:

In millions of Korean Won

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

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(3) COMPENSATION OF REGISTERED AND UNREGISTERED DIRECTORS, WHO ARE CONSIDERED TO BE THE KEY MANAGEMENT PERSONNEL FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

37. COMMITMENTS AND CONTINGENCIES:

(1) AS OF DECEMBER 31, 2012, THE DEBT GUARANTEES PROVIDED BY THE GROUP, EXCLUDING THE COMPANY'S SUBSIDIARIES, ARE AS FOLLOWS:

In millions of Korean Won

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

(*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2012.

(2) AS OF DECEMBER 31, 2012, THE GROUP IS INVOLVED IN DOMESTIC AND FOREIGN LAWSUITS AS A DEFENDANT. IN ADDITION, THE GROUP IS INVOLVED IN LAWSUITS FOR PRODUCT LIABILITIES AND OTHER. THE GROUP OBTAINS INSURANCES FOR POTENTIAL LOSSES WHICH MAY RESULT FROM PRODUCT LIABILITIES AND OTHER LAWSUITS. THE GROUP IS CURRENTLY UNABLE TO ESTIMATE THE OUTCOME OR THE POTENTIAL FINANCIAL IMPACT OF SUCH LAWSUITS BUT EXPECTS IT WILL NOT HAVE A MATERIAL EFFECT ON ITS CONSOLIDATED FINANCIAL STATEMENTS.

(3) AS OF DECEMBER 31, 2012, THE GROUP'S PROPERTY, PLANT AND EQUIPMENT ARE PLEDGED AS COLLATERAL FOR VARIOUS LOANS UP TO ₩859,007 MILLION. IN ADDITION, THE GROUP PLEDGED CERTAIN BANK DEPOSITS, CHECKS, PROMISSORY NOTES AND INVESTMENT SECURITIES, INCLUDING 213,466 SHARES OF KIA MOTORS CORPORATION, AS COLLATERAL TO FINANCIAL INSTITUTIONS AND OTHERS. CERTAIN RECEIVABLES HELD BY THE COMPANY'S FOREIGN SUBSIDIARIES SUCH AS FINANCIAL SERVICES RECEIVABLES ARE PLEDGED AS COLLATERAL FOR THEIR BORROWINGS.

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

(5) HYUNDAI CAPITAL SERVICES, INC., A SUBSIDIARY OF THE COMPANY, HAS A REVOLVING CREDIT FACILITY AGREEMENT WITH THE FOLLOWING FINANCIAL INSTITUTIONS:

Financial institutions	Credit line	
GE Capital Corporation	Euro worth of USD	1,000 million
Citi Bank, N.A.	USD	200 million
The Bank of Tokyo Mitsubishi UFJ., LTD.	USD	200 million
Mizuho Corporate Bank, Seoul Branch	KRW	65,000 million
JP Morgan, Seoul Branch	KRW	110,000 million
Citi Bank, Seoul	KRW	50,000 million
Standard Chartered, Seoul Branch	KRW	50,000 million
Societe Generale, Seoul Branch	KRW	55,000 million
Bank of China, Seoul	KRW	30,000 million
DBS Bank, Seoul	KRW	100,000 million
Credit Agricole, Seoul	KRW	100,000 million
RBS, Seoul	KRW	110,000 million
Kookmin Bank	KRW	200,000 million
Korea Development Bank	KRW	60,000 million
Kyobo life insurance co., ltd.	KRW	50,000 million

(6) HYUNDAI CARD CO., LTD, A SUBSIDIARY OF THE COMPANY, HAS A REVOLVING CREDIT FACILITY AGREEMENT WITH THE FOLLOWING FINANCIAL INSTITUTIONS:

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

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

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

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38. SEGMENT INFORMATION:

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

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

In millions of Korean Won

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

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
Inter-company sales	(27,253,897)	(113,783)	(513,280)	27,880,960	-
Net sales	67,128,058	7,288,026	3,381,811	-	77,797,895
Operating income	6,633,588	1,203,430	146,324	45,487	8,028,829

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

In millions of Korean Won

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

In millions of Korean Won

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

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

In millions of Korean Won

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

In millions of Korean Won

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

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(5) NON-CURRENT ASSETS BY REGION WHERE THE GROUP'S ENTITIES ARE LOCATED IN AS OF DECEMBER 31, 2012 AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

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

(6) THERE IS NO SINGLE EXTERNAL CUSTOMER WHO HAS 10% OR MORE OF THE GROUP'S REVENUES FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011.

39. CONSTRUCTION CONTRACTS:

COST, INCOME AND LOSS AND CLAIMED CONSTRUCTION FROM CONSTRUCTION IN PROGRESS AS OF DECEMBER 31, 2012, AND 2011 ARE AS FOLLOWS:

In millions of Korean Won

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

40. BUSINESS COMBINATIONS:

(1) THE COMPANY ACQUIRED 100% OF THE SHARES IN HMF, HAS AND HAAP, RESPECTIVELY, AS OF JANUARY 3, 2012 TO IMPROVE SALES NETWORKS IN EUROPE MARKET, AND HMF HAS MERGED WITH HAS AND HAAP AS OF AUGUST 31, 2012. IN ADDITION, THE COMPANY HAS OBTAINED CONTROL OVER HMD TO IMPROVE SALES NETWORKS BY ACQUIRING ADDITIONAL SHARES (THE COMPANY HAS OWNED 100% OF SHARES AFTER ACQUISITION) AS OF JANUARY 3, 2012. NONE OF THE GOODWILL RECOGNIZED IS EXPECTED TO DEDUCTIBLE FOR TAX PURPOSES.

1) CONSIDERATIONS FOR ACQUISITION AND THE FAIR VALUE OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE ARE AS FOLLOWS:

In millions of Korean Won

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

2) SALES AND NET INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2012 AFTER THE ACQUISITION DATE INCLUDED IN THE CONSOLIDATED STATEMENTS OF INCOME ARE AS FOLLOWS:

In millions of Korean Won

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

3) CONTRACTUAL GROSS AMOUNTS FOR TRADE RECEIVABLES AND EXPECTED UNCOLLECTABLE AMOUNTS ASSUMED AT ACQUISITION DATE ARE AS FOLLOWS:

In millions of Korean Won

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(2) HYUNDAI KEFICO CORPORATION REDUCED THE CAPITAL THROUGH THE COMPENSATIONAL CANCELLATION OF 1,670,000 SHARES AMONG ITS COMMON SHARES AS OF AUGUST 1, 2012. AS A RESULT OF THE CAPITAL REDUCTION, THE COMPANY HAS OWNED 100% OF SHARES AND OBTAINED CONTROL OVER HYUNDAI KEFICO CORPORATION AFTER THE CAPITAL REDUCTION. THE COMPANY MEASURED GOODWILL BY USING THE ACQUISITION-DATE FAIR VALUE OF ITS INTERESTS.

1) CONSIDERATIONS FOR ACQUISITION AND THE AMOUNTS OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE ARE AS FOLLOWS:

In millions of Korean Won

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

2) SALES OF ₩643,567 MILLION AND NET INCOME OF ₩36,040 MILLION ARISING AFTER THE ACQUISITION DATE ARE INCLUDED IN THE CONSOLIDATED STATEMENT OF INCOME. HAD THE ACQUISITION DATE BEEN AS OF JANUARY 1, 2012, SALES AND NET INCOME INCLUDED IN THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 WOULD BE ₩1,524,399 MILLION AND ₩71,950 MILLION, RESPECTIVELY. CONTRACTUAL GROSS AMOUNTS FOR TRADE RECEIVABLES ARE ₩266,577 MILLION AND THE CONTRACTUAL AMOUNTS NOT EXPECTED TO BE COLLECTED ARE ₩50 MILLION AT THE ACQUISITION DATE.

(3) HYUNDAI CAPITAL SERVICES, INC., A SUBSIDIARY OF THE COMPANY, OBTAINED CONTROL OF GE CAPITAL KOREA, CO., LTD. BY ACQUIRING 100% OF ITS SHARES AS OF JULY 3, 2012.

1) CONSIDERATIONS FOR ACQUISITION AND THE AMOUNTS OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE ARE AS FOLLOWS:

In millions of Korean Won

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

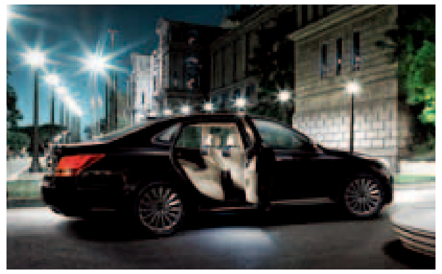
2) HYUNDAI CAPITAL SERVICES, INC. SHOULD ADJUST THE DIFFERENCE WHICH WILL OCCUR FROM THE IMPAIRMENT OF THE FINANCIAL RECEIVABLES AND CHANGES IN THE REMAINING VALUE OF THE LEASED ASSETS FOR THE TERM OF GUARANTEE OF LOSS OF THREE YEARS IN ACCORDANCE WITH CONTRACT OF COMPENSATION FOR LOSS WITH GE CAPITAL ASIA INVESTMENTS, INC. NO INDEMNIFICATION ASSETS BASED ON THE TERM ARE RECOGNIZED AT THE ACQUISITION DATE.

3) SALES OF ₩20,554 MILLION ARISING AFTER THE ACQUISITION DATE ARE INCLUDED IN THE CONSOLIDATED STATEMENTS OF INCOME. HAD THE ACQUISITION DATE BEEN AS OF JANUARY 1, 2012, SALES INCLUDED IN THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 WOULD BE ₩49,486 MILLION.

41. AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS:

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

PRODUCT LINEUP



CENTENNIAL (EQUUS)

The essence of Hyundai's advanced engine technology is found on the Centennial, with its Lambda 3.8 GDi and Tau 5.0 GDi engines. Flowing with the times and at the same time leading it, it is Korea's most prestigious luxury sedan.

GENESIS

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

The newly introduced Genesis Coupe sports a more dynamic and individualistic design and exceptional power to offer a faster-paced, exciting ride.

AZERA (GRANDEUR)

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 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.

SONATA

With 28 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.

ELANTRA (AVANTE)

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.

ELANTRA (AVANTE) COUPE

Elantra Coupe is a 2-door model of Elantra with dynamic coupe styling. It provides dynamic driving performance with the high-performance Nu 1.8 MPi engine with maximum of 150 ps power output and 18.2 kg·m torque.

VELOSTER / VELOSTER TURBO

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

ACCENT 4DOOR / 5DOOR

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.

* The images in this brochure may differ from the actual cars for sale.

PRODUCT LINEUP

i40 / i40 SEDAN

European sensibility and premium exemplified in a new concept CUV that marries style with utility.

i30

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

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

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

ix20

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.

EON

Eon is an Indian market-specific sub-compact model embodying the concept of 'Suburban City Car.' The 5-passenger hatchback features a front-wheel drive system with an 814 cc engine that has a maximum power output of 56 ps with 20.8 km/ℓ fuel economy.

HB20

HB, standing for Hyundai Brasil, and 20, designating the compact class, is a bi-fuel vehicle that can utilize both bio-ethanol and gasoline. Named car of the year in 2012, HB20 captivates the hearts of Brazilian people with style and economy.

VERACRUZ (ix55)

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.

TUCSON ix (ix35)

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.

SANTA FE

Santa Fe sets the standard for the family SUV, at home, offroad or in the suburbs.

GRAND SANTA FE

Grand Santa Fe offers best-in-class amenity features and plentiful space through the widened roof-line. It is a premium SUV born for the family enjoying the outdoor leisure life.

* The images in this brochure may differ from the actual cars for sale.

PRODUCT LINEUP

H-1 (GRAND STAREX)

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

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

AEROTOWN

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.

SUPER AERO CITY

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.

COUNTY

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-100

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.

HD65 / HD72 / HD78

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.

HD45

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 make it look good as well.

HD120

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

DUMP TRUCK

The newly reinforced heavy-duty Hyundai dump truck provides greater durability and superior performance, responding exactly to customer needs.

CARGO TRUCK

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.

TRACTOR TRUCK

The Hyundai tractor truck delivers more cost-effectiveness, high payload, and maximum vehicle performance in long-distance transport.

MIXER TRUCK

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.

* The images in this brochure may differ from the actual cars for sale.

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.'

Hyundai Official Partner
FIFA WORLD CUP Brasil

NEW THINKING. NEW POSSIBILITIES.

People's expectation toward individual mobility requires more than just a convenient means of transportation. The old understanding of cars has become outdated. A car represents individuals' lifestyles, and it became an integral part of their lives. At the same time, the automobile industry has experienced seismic change. Hyundai Motor Company has grown rapidly to become one of the largest automakers, backed by world class production capability and superior quality. We have now reached a point where we need a qualitative approach to bring bigger ideas and relevant solutions to our customers. This is an opportunity to move forward and we have developed a new brand slogan that encapsulates our willingness to take a big leap. Led by our new slogan and the new thinking underlying it, we will become a company that keeps challenging itself to unlock new possibilities for people and the planet.

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Annual Report. 1305 English. KM-SW

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