HYUNDAI CORPORATION

Separate Financial Statements
December 31, 2011

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December 31, 2011

Report of Independent Auditors

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

We have audited the accompanying separate statement of financial position of HYUNDAI CORPORATION (the Company) as of December 31, 2011, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Company as of and for the year ended December 31, 2010, were audited by us as per our audit report dated March 3, 2011, where we expressed an unqualified opinion on those statements. The financial statements on which we expressed an unqualified opinion do not reflect the adjustments as described in Note 39 as required by the International Financial Reporting Standards adopted by the Republic of Korea ("Korean IFRS"). However, the financial statements presented herein for comparative purposes reflect such adjustments in accordance with Korean IFRS.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of HYUNDAI CORPORATION as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 15, 2012

This report is effective as of March 15, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI CORPORATION
Separate Statements of Financial Position
December 31, 2011 and 2010, and January 1, 2010

(in thousands of Korean won and thousands of US dollars)	Notes		December 31, 2011		December 31, 2010		January 1, 2010		December 31, 2011 (in US dollars)
Assets									**(Note 6)**
Current assets									
Cash and cash equivalents	7,10	₩	204,709,336	₩	66,562,786	₩	119,573,073	$	177,499
Short-term financial instruments	7		5,172,860		40,000,000		6,739,476		4,485
Current portion of held-to-maturity financial assets	7,15		-		900		900		-
Trade accounts receivable, net	7,11,38		858,140,237		702,790,110		381,824,645		744,074
Inventories	12		130,235,117		246,575,132		151,601,291		112,924
Other accounts receivable, net	7,13,38		22,281,388		7,539,366		14,514,290		19,320
Other current assets	14,38		132,634,283		23,014,196		37,514,992		115,004
Current tax assets			-		827,665		418,633		-
Derivative financial assets	7,37		477,183		494,200		694,733		414
			1,353,650,404		1,087,804,355		712,882,033		1,173,720
Non-current assets									
Long-term financial instruments	7,9		27,581		200,441		148,226		24
Available-for-sale financial assets	7,16,18		105,173,196		5,676,025		5,170,122		91,192
Held-to-maturity financial assets	7,15		3		2,351,213		4,007,982		1
Investments in subsidiaries, joint ventures and associates	2,17,18		71,353,819		64,362,699		63,956,489		61,869
Long-term loans receivables, net	7,18,38		58,932,686		46,198,606		36,641,305		51,099
Investments in petroleum and mineral development projects	7,18,38		105,554,511		110,142,748		96,148,303		91,524
Property, plant and equipment, net	19		2,945,848		1,987,295		657,676		2,554
Intangible assets	18,20		55,864,644		52,893,322		51,377,016		48,439
Other non-current assets	7,38		2,961,269		2,854,548		7,203,012		2,568
Deferred income tax assets	25		-		8,850,959		13,146,884		-
			402,813,557		295,517,856		278,457,015		349,270
Total assets		₩	1,756,463,961	₩	1,383,322,211	₩	991,339,048	$	1,522,990
Liabilities									
Current liabilities									
Trade accounts and notes payable	7,38	₩	560,233,138	₩	548,087,307	₩	338,831,405	$	485,765
Other payables	7,38		88,174,002		41,538,244		89,775,190		76,454
Advances from customers			140,733,327		68,512,451		27,978,892		122,027
Short-term borrowings	7,11,22		437,244,089		365,486,426		178,836,611		379,124
Current portion of debentures and long-term borrowings	7,22		49,131,414		48,010,780		133,631,764		42,601
Current portion of provisions	24		701,136		4,609,721		877,813		608
Other current liabilities	7,21,38		4,791,167		4,483,857		3,337,426		4,154
Current tax liabilites			9,483,740		-		-		8,223
Derivative financial liabilities	7,37		417,338		430,128		181,821		362
			1,290,909,351		1,081,158,914		773,450,922		1,119,318
Non-current liabilities									
Debentures, net	7,22		49,884,078		49,814,035		-		43,253
Long-term borrowings, net	7,22		67,390,971		56,144,459		65,616,909		58,433
Defined benefit liability	23		4,195,954		1,969,058		1,570,595		3,638
Provisions	24		2,745,449		3,026,244		2,741,121		2,381
Deferred income tax liabilities	25		14,589,028		-		-		12,650
			138,805,480		110,953,796		69,928,625		120,355
Total liabilities			1,429,714,831		1,192,112,710		843,379,547		1,239,673
Equity									
Paid-in capital									
Capital stock	1		111,649,010		111,649,010		111,649,010		96,808
Other components of equity	26		(15,172,087)		(15,172,105)		(15,172,302)		(13,155)
Accumulated other comprehensive income	26		76,457,736		622,440		4,914		66,295
Retained earnings	27		153,814,471		94,110,156		51,477,879		133,369
Total equity			326,749,130		191,209,501		147,959,501		283,317
Total liabilities and equity		₩	1,756,463,961	₩	1,383,322,211	₩	991,339,048	$	1,522,990

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

HYUNDAI CORPORATION
Separate Statements of Income
Years Ended December 31, 2011 and 2010

(in thousands of Korean won and thousands of US dollars except per share amounts)	**Notes**		**2011**		**2010**		**2011 (in US dollars) (Note 6)**
Net sales	5,18,28,38	₩	5,030,784,326	₩	3,633,796,316	$	4,362,078
Cost of sales	28,38		(4,889,592,754)		(3,522,520,398)		(4,239,654)
Gross profit			141,191,572		111,275,918		122,424
Selling, marketing and administrative expenses	30		(67,038,536)		(55,770,414)		(58,128)
Other operating income	31		177,890,022		131,714,525		154,244
Other operating expenses	31		(164,149,733)		(132,787,563)		(142,330)
Operating income			87,893,325		54,432,466		76,210
Loss on disposal of shares of subsidiaries	17		(1,333,646)		-		(1,156)
Financial income	32		42,173,925		10,788,639		36,568
Financial expenses	32		(50,067,761)		(17,880,934)		(43,413)
Income before income tax			78,665,843		47,340,171		68,209
Income tax expense	25		(11,094,309)		(4,250,702)		(9,619)
Income for the period		₩	67,571,534	₩	43,089,469	$	58,590
Earnings per share during the period (in won)							
Basic earnings per share	34		3,026		1,930		2.62

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HYUNDAI CORPORATION
Separate Statements of Comprehensive Income
Years Ended December 31, 2011 and 2010

(in thousands of Korean won and thousands of US dollars)		2011		2010		2011 (in US dollars) (Note 6)
Income for the period	₩	67,571,534	₩	43,089,469	$	58,590
Other comprehensive income (loss)						
Gain on valuation of available-for-sale financial assets		75,835,296		617,526		65,755
Actuarial loss on defined benefit liability		(2,284,751)		(457,192)		(1,981)
Other comprehensive loss for the period, net of tax		73,550,545		160,334		63,774
Total comprehensive income for the period	₩	141,122,079	₩	43,249,803	$	122,364

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HYUNDAI CORPORATION
Separate Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

(in thousands of Korean won and thousands of US dollars)		Paid-in capital		Other components of equity		Accumulated other comprehensive income		Retained earnings		Total		U.S. Dollars (Note 6)
Balance at January 1, 2010	₩	111,649,010	₩	(15,172,302)	₩	4,914	₩	51,477,879	₩	147,959,501	$	128,292
Disposal of treasury shares		-		197		-		-		197		-
Comprehensive income		-		-		-		-		-		-
Income for the period		-		-		-		43,089,469		43,089,469		37,362
Gain on valuation of available-for-sale financial assets		-		-		617,526		-		617,526		535
Actuarial loss on defined benefit liability		-		-		-		(457,192)		(457,192)		(396)
Total comprehensive income		-		-		617,526		42,632,277		43,249,803		37,501
Balance at December 31, 2010	₩	111,649,010	₩	(15,172,105)	₩	622,440	₩	94,110,156	₩	191,209,501	$	165,793
Balance at January 1, 2011	₩	111,649,010	₩	(15,172,105)	₩	622,440	₩	94,110,156	₩	191,209,501	$	165,793
Dividends paid		-		-		-		(5,582,450)		(5,582,450)		(4,840)
Loss on disposal of treasury shares		-		18		-		(18)		-		-
Comprehensive income												-
Income for the period		-		-		-		67,571,534		67,571,534		58,590
Loss on valuation of available-for-sale financial assets		-		-		75,835,296		-		75,835,296		65,755
Actuarial loss on defined benefit liability		-		-		-		(2,284,751)		(2,284,751)		(1,981)
Total comprehensive income		-		-		75,835,296		65,286,783		141,122,079		122,364
Balance at December 31, 2011	₩	111,649,010	₩	(15,172,087)	₩	76,457,736	₩	153,814,471	₩	326,749,130	$	283,317

The accompanying notes are an integral part of these separate financial statements.
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HYUNDAI CORPORATION
Separate Statements of Cash Flows
Years Ended December 31, 2011 and 2010

(in thousands of Korean won and thousands of US dollars)	Notes	2011	2010	2011 (in US dollars) (Note 6)
Cash flows from operating activities				
Cash generated from operations	35	₩ 35,791,442	₩ (165,635,113)	$ 31,034
Interest received		2,711,319	6,031,576	2,351
Interest paid		(15,071,235)	(16,248,795)	(13,068)
Dividends received		36,452,802	28,719,195	31,607
Income tax paid		(1,675,579)	(409,032)	(1,453)
Net cash generated from (used in) operating activities		58,208,749	(147,542,169)	50,471
Cash flows from investing activities				
Proceeds from disposal of short-term financial instruments, net		35,000,000	(33,260,524)	30,348
Proceeds from disposal of available-for-sale financial assets		1,445,500	651,803	1,253
Proceeds from disposal of held-to-maturity financial instruments		900	587,826	1
Proceeds from disposal of subsidiaries, joint ventures and associates		283,335	-	246
Collection of long-term loans		153,886	63,801	133
Proceeds from disposal of property, plant and equipment		12,209	65,334	11
Acquisition of subsidiaries, joint ventures and associates		(21,759,500)	(406,210)	(18,867)
Acquisition of long-term financial instruments		-	(52,215)	-
Long-term loans provided		(4,189,952)	(10,993,301)	(3,633)
Acquisition of property, plant and equipment		(1,963,913)	(1,606,909)	(1,703)
Acquisition of intangible assets		(5,916,807)	(4,222,922)	(5,130)
Net cash provided by (used in) investing activities		3,065,658	(49,173,317)	2,659
Cash flows from financing activities				
Issuance of short-term borrowings, net		71,757,663	186,649,814	62,219
Issuance of long-term borrowings		17,226,731	2,348,000	14,937
Issuance of debentures		-	49,799,800	-
Disposal of treasury shares		-	198	-
Payment of current portion of long-term debentures		(7,060,534)	(95,092,613)	(6,122)
Dividends paid		(5,582,451)	-	(4,840)
Net cash provided by financing activities		76,341,409	143,705,199	66,194
Net increase (decrease) in cash and cash equivalents		137,615,816	(53,010,287)	119,324
Exchange rate effect of cash and cash equivalents		530,734	-	460
Cash and cash equivalents at the beginning of year		66,562,786	119,573,073	57,715
Cash and cash equivalents at the end of year		₩ 204,709,336	₩ 66,562,786	$ 177,499

The accompanying notes are an integral part of these separate financial statements.
The US dollar figures are provided for information purposes only and do not form part of the separate financial statements. Refer to Note 6.

1. Organization

HYUNDAI CORPORATION (the "Company") was established on December 8, 1976, under the Commercial Code of the Republic of Korea to engage mainly in export and import goods. On December 1, 1977, the Company's shares of stock were listed in the Korean Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978.

As of December 31, 2011, the Company has ten overseas subsidiaries, associates and 29 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods, and exports vessels and plants on a deferred payment basis. During the past several years, the Company has been actively engaged in the overseas exploration of petroleum and minerals.

The Company is authorized to issue 80 million shares with a par value of ₩5,000 per share and its initial paid in capital amounted to ₩50 million. As of December 31, 2011, it has 22,329,802 common shares issued and outstanding, and its capital stock amounts to ₩111,649,010 thousand after several capital increases, conversions of bonds and capital reduction.

December 31, 2011			December 31, 2010		
Shareholders	Number of shares	Percentage of ownership(%)	Shareholders	Number of shares	Percentage of ownership(%)
HYUNDAI HEAVY INDUSTRIES CO., LTD.	4,992,782	22.36	HYUNDAI HEAVY INDUSTRIES CO., LTD.	4,992,782	22.36
KCC Corporation	2,679,576	12.00	KCC Corporation	2,679,576	12.00
Chung Mong-hyuk	1,852,694	8.30	Chung Mong-hyuk	1,652,694	7.40
HYUNDAI WELDING CO., LTD	446,596	2.00	HYUNDAI WELDING CO., LTD	446,596	2.00
Hyundai Development Co. - Engineering & Construction	446,596	2.00	Hyundai Development Co. - Engineering & Construction	446,596	2.00
Mando Corporation	446,596	2.00	HALLA ENGINEERING & CONSTUCTION CORPORATION	446,596	2.00
Others	11,464,962	51.34	Others	11,664,962	52.24
	22,329,802	100.00		22,329,802	100.00

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The Company's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The separate financial statements of the Company were prepared in accordance with Korean IFRS and are subject to Korean IFRS1101, 'First-time Adoption of Korean IFRS'. The transition date, according to Korean IFRS1101, from the previous accounting principles generally accepted in the Republic of Korea (the previous K-GAAP) to Korean IFRS is January 1, 2010. Reconciliations and descriptions of the effect of the transition from the previous K-GAAP to Korean IFRS on the Company's equity, comprehensive income and cash flows are described in Note 39.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, and not early adopted by the Company are as follows:

- Amendments to Korean IFRS1101, *Hyperinflation and Removal of Fixed Dates for first-time adopters*

As an exception to retrospective application requirements, this amendment to Korean IFRS1101 allows a prospective application of derecognition of financial assets for transactions occurring on or after the date of transition to Korean IFRS, instead of fixed date (January 1, 2004). Accordingly, the Company is not required to restate and recognize those assets or liabilities that were derecognized as a result of a transaction that occurred before the dated of transition to Korean IFRS. This amendment is effective for the Company as of January 1, 2012. The Company expects that the application of this amendment would not have material impact on its separate financial statements.

- Amendments to Korean IFRS1012, *Income Taxes*

According to the amendments to Korean IFRS1012, *Income Taxes*, for the investment property that is measured using the fair value model, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless evidences support otherwise. This amendment is effective for the Group as of January 1, 2012. The Company expects that the application of this amendment would not have material impact on its separate financial statements.

- Amendments to Korean IFRS1107, *Financial Instruments: Disclosures*

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment is effective for the Company as of January 1, 2012. The Company is assessing the impact of application of the amended Korean IFRS1107 on its separate financial statements as of the report date. The Company expects additional disclosures in relation to transfer of financial instruments upon application of the above amended Korean IFRS requirements.

- Enactment of Korean IFRS1113, *Fair value measurement*

Korean IFRS1113, *Fair value measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS1101 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRSs. This amendment is effective for the Company as of January 1, 2013, and the Company expects that the application of this amendment would not have a material impact on its separate financial statements.

2.2 Investments in Subsidiaries, Joint Ventures and Associates

The Company has prepared the separate financial statements in accordance with Korean IFRS 1027, 'Consolidated and separate financial statements'. The investments in subsidiaries, joint ventures and associates are recorded at cost on the basis of investment on the direct equity interest. However on the date of Korean IFRS transition, the book value determined under K-GAAP as of January 1, 2010, the date of transition to Korean IFRS was used as a deemed cost. And a dividend from subsidiaries, joint ventures and associates is recognized in the income statement when its right to receive the dividend is established.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The separate financial statements are presented in Korean won, which is the controlling entity's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'financial income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other gains and losses, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale, and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives or embedded derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables consist of 'cash and cash equivalents', 'trade accounts receivable, net', 'investments in petroleum and mineral development projects' and 'other accounts receivable, net'.

(c*) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity and are classified as 'other financial assets' in the statements of financial position. If the Company were to sell other than an insignificant amounts of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months after the end of the reporting period, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the income statement within 'other operating income (expenses)' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of 'other operating income' when the Company's right to receive dividend payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'other operating income (expenses)'.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. If the risk and rewards of ownership of transferred assets have not been substantially transferred, the Company reviews the level of control retained over that asset and the extent of its continuing involvement to determine if transfers do not qualify for derecognition.

Collaterals (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as 'Short-term borrowings' in the Company's statement of financial position.

2.7 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a Company of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Delinquency in interest or principal payments
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
    - (i) adverse changes in the payment status of borrowers in the portfolio;
    - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the income statement. In practice, the Company may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Company of financial assets is impaired. For debt securities, the Company uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the separate income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale 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 the income statement.

2.8 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in 'other operation income (expenses)'.

The Company designates certain derivatives as fair value hedge (hedges of the fair value of recognized assets or liabilities or a firm commitment).

The Company prepares documentation for the relationship between hedge instruments and hedged items, hedging purpose, and various hedging strategies at the starting dates of transactions. Also, the Company conducts continuous assessment on effects of offsetting changes in fair value of hedged items in connection with derivatives used in hedging transactions.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 37. Fair value of derivatives for hedging purpose is classified as non-current liabilities, if its maturity date exceeds 12 months. On the other hand, it is classified as current liabilities with the maturity date within 12 months.

The effective portion of changes in the fair value of derivatives and hedged items (liabilities) is recognized in the income statement. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other operating income and expense'. The Company uses the fair value hedge to account for hedging changes in metal price including aluminum.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

2.9 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the identification of cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	30 years
Vehicles	4 years
Machinery and equipment	4 years
Leasehold improvements	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income (expenses)' in the income statement.

2.12 Intangible Assets

(a) Mining rights

Acquired mining rights related to Vietnam (11-2 prospect) are amortized using the unit of production method.

(b) Other intangible assets

Other intangible assets consist of software, membership rights and trademarks (international trademark and sole right of use of "HYUNDAI"). Amortization on software is calculated using the straight-line method over five years. Membership rights and trademark are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

2.13 Impairment of Non-financial Assets

Membership with indefinite useful lives is not subject to amortization and is tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial Liabilities

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified as financial liabilities at fair value through profit or loss when incurred principally for the purpose of repurchasing it in the near term. Derivatives or embedded derivatives are also categorized as this category unless they are designated as hedges.

(b) Financial liabilities carried at amortized cost

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'trade accounts and notes payable', 'Other payables', 'Other current liabilities', 'Debentures, net' and 'Long-term borrowings, net' in the statement of financial position. In case when a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognized as asset and the consideration received is recognized as financial liabilities. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- amount calculated in accordance with Korean-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets;* or
- the initial amount, less accumulated amortization recognized in accordance with Korean-IFRS1018, *Revenue*.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. The Company classifies the liability as current when it does not have an unconditional right to defer its settlement for at least 12 months after the reporting date; otherwise, it is classified as non-current liability.

2.18 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against the temporary difference.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Employee Benefits

The Company operates a defined benefit plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized in the income statement over the vesting periods.

2.21 Share Capital

The total amount of the Company's share capital consists of ordinary shares.

Where the Company purchases the its own equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from the Company's equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in the Company's equity.

2.22 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Company is engaged in trading business. Sales of goods are recognized when the Company has delivered products to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

With regard to rendering of services, revenue is recognized according to the percentage of completion method. Percentage of completion is measured as the costs to date over the total estimated costs.

(c) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest income

Interest income is recognized using the effective interest method according to the time passed. When receivables are impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.23 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.24 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2011 separate financial statements of the Company was approved by the Board of Directors on February 29, 2012.

3. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting date are addressed below.

(a) Income Taxes

The Company is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recorded, based on its best estimate, current taxes and deferred taxes that the Company will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Provisions

As described in Note 24, the Company recognizes provisions for warranties, financial guarantee contract and repairs related to investments in petroleum and mineral development projects as of the reporting date. The amounts are estimated based on historical data.

(c) Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

If the discount rate evaluating present value of the cash flow used to decide the book value of available-for-sale financial assets fluctuates by 100bp from the estimation of the management, the book value of available-for-sale financial assets shall be lower by ₩5,407 million or higher by ₩5,933 million.

(d) Defined Benefit Liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 23.

4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities are exposed to a variety of financial risks: market risk (including exchange risks from foreign currency, price and cash flow interest rate), credit risk and liquidity risk. The Company manages those risks by monitoring and maintaining risk management policy and program for each risk.

4.1.1 Market risk

i) Foreign currency exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Japanese Yen. The purpose of foreign exchange risk management is to maximize the Company's value by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange fluctuations.

The Company manages foreign exchange risk by matching inflow and outflow of each currency to reduce exposure of foreign currency and Leading & Lagging. Also, the Company periodically assesses, manages and reports foreign currency risk exposure through a management system for receivables and payables in foreign currency.

As of December 31, 2011 and 2010, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income before tax would be as follows:

	2011		2010	
(in millilons of Korean won)	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
Income effect before tax	(621)	621	(6,508)	6,508

The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not in the Company's functional currency.

The Company's financial instruments denominated in major foreign currencies as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

(in thousnads of USD, in millions of Korean won)	December 31, 2011		December 31, 2010		January 1, 2010	
	Foreign currency (USD)	Korean won equivalent	Foreign currency (USD)	Korean won equivalent	Foreign currency (USD)	Korean won equivalent
Assets						
Cash and cash equivalents	99,357	114,588	48,903	55,696	17,617	20,569
Trade accounts receivable	789,418	910,436	646,079	745,123	349,786	403,408
Other accounts receivable	4,515	5,207	17,794	20,266	16,807	19,624
Long-term loans receivables	50,663	58,430	40,278	45,873	31,348	36,602
Investments in petroleum development projects	82,572	95,230	81,664	93,007	75,610	88,282
Other non-current assets	419	483	400	456	269	314
	1,026,944	1,184,374	835,118	960,421	491,437	568,799
Liabilities						
Trade accounts and notes payable	485,638	560,086	461,412	525,502	209,127	338,752
Short-term borrowings	379,124	437,244	316,905	365,486	155,065	178,837
Other payables	72,276	83,356	32,225	36,701	23,209	27,099
Current portion of long-term borrowings	42,600	49,131	42,155	48,011	62,582	73,071
Provisions	1,976	2,279	1,879	2,140	1,787	2,087
Other current liabilities	-	-	164	187	201	235
Long-term borrowings	50,715	58,490	41,687	47,477	49,461	57,750
	1,032,329	1,190,586	896,427	1,025,504	501,432	677,831

ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as available-for-sale financial assets. As of December 31, 2011, the fair value (book value for unlisted securities measured at cost) of equity security investments (excluding investments in subsidiaries, joint ventures and associates) is ₩105,173 million (December 31, 2010: ₩5,676 million; January 1, 2010: ₩5,170 million).

iii) Cash flow and interest rate risk

The Company's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As of December 31, 2011 and 2010, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates are as follows:

	2011		2010	
(in millions of Korean won)	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest Expense	(5,467)	5,467	(4,610)	4,610
Interest Income	2,690	(2,690)	1,530	(1,530)

4.1.2 Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with an outstanding rating are accepted. In case of wholesale and retail customers, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. The Company has an insurance contract with Korea Trade Insurance Corporation to decrease credit risk from trade receivables due to export.

4.1.3 Liquidity risk

The Company's finance and treasury departments manage liquidity risk in maintaining appropriate level of liquidity by estimating and adjusting funds periodically. Those departments conduct continuous monitoring liquidity forecasts to manage borrowing limits and agreements to support operating activities. Funding plans, agreement terms, the Company's targeted financial ratios and regulatory requirements are considered in order to forecast liquidity.

Maturity analysis of financial liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**				
	Less than 1 year	**1 ~ 2 years**	**2 ~ 3 years**	**Over 3 years**	**Total**
Trade accounts and notes payable	560,233	-	-	-	560,233
Other payables	88,174	-	-	-	88,174
Other current liabilities	4,791	-	-	-	4,791
Derivative financial liabilities	417	-	-	-	417
Short-term borrowings	437,244	-	-	-	437,244
Current portion of debentures and long-term borrowings	52,176	-	-	-	52,176
Debentures	2,250	51,781	-	-	54,031
Long-term borrowings	3,650	11,560	26,672	33,931	75,813
Financial guarantee contracts	168,513	-	-	-	168,513
Performance bonds	116,103	-	-	-	116,103
	1,433,551	**63,341**	**26,672**	**33,931**	**1,557,495**

(in millions of Korean won)	December 31, 2010				
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	Total
Trade accounts and notes payable	548,087	-	-	-	548,087
Other payables	41,538	-	-	-	41,538
Other current liabilities	4,484	-	-	-	4,484
Derivative financial liabilities	430	-	-	-	430
Short-term borrowings	365,486	-	-	-	365,486
Current portion of debentures and long-term borrowings	51,068	-	-	-	51,068
Debentures	2,250	2,250	51,781	-	56,281
Long-term borrowings	961	6,725	8,573	43,871	60,130
Financial guarantee contracts	106,017	-	-	-	106,017
Performance bonds	252,688	-	-	-	252,688
	1,373,009	**8,975**	**60,354**	**43,871**	**1,486,209**

(in millions of Korean won)	January 1, 2010				
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	Total
Trade accounts and notes payable	338,831	-	-	-	338,831
Other payables	89,775	-	-	-	89,775
Other current liabilities	3,337	-	-	-	3,337
Derivative financial liabilities	182	-	-	-	182
Short-term borrowings	178,837	-	-	-	178,837
Current portion of debentures and long-term borrowings	138,146	-	-	-	138,146
Long-term borrowings	2,888	9,320	8,989	57,002	78,199
Financial guarantee contracts	73,669	-	-	-	73,669
Performance bonds	475,125	-	-	-	475,125
	1,300,790	**9,320**	**8,989**	**57,002**	**1,376,101**

The table above analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity Groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4.2 Capital risk

The Company's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Company monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of December 31, 2011 and 2010, and January 1, 2010, details of debt-to-equity ratio and net borrowing ratio are summarized below:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Liabilities	1,429,715	1,192,113	843,380
Equity	326,749	191,210	147,960
Debt-to-equity ratio (%)	437.6	623.5	570

4.3 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly(that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets and financial liabilities that are measured at fair value as of December 31, 2011 and 2010, and January 1, 2010:

(in millions of Korean won)	**December 31, 2011**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial assets	-	477	-	477
Available-for-sale financial assets	219	-	104,295	104,514
Liabilities				
Derivative financial liabilities	-	417	-	417

(in millions of Korean won)	**December 31, 2010**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial assets	-	494	-	494
Available-for-sale financial assets	1,527	-	-	1,527
Liabilities				
Derivative financial liabilities	-	430	-	430

(in millions of Korean won)	**January 1, 2010**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial assets	-	695	-	695
Available-for-sale financial assets	735	-	-	735
Liabilities				
Derivative financial liabilities	-	182	-	182

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in Level 3 instruments.

(In millions of Korean won)	**2011**
Opening balance	-
Transfers into Level 3	3,490
Gains and losses recognized in other comprehensive income	100,805
Closing balance	104,295

In 2011, the Company measured Korea Ras Laffan LNG Ltd., available-for-sale financial asset related to the investments in exploration of resources, at fair value. As business plan of Ras Laffan Liquefied Natural Gas Company Limited (2012 Work Program and Budget) used to measure the fair value is not an input based on observable market data, the instrument was classified as Level 3.

As of December 31, 2011, the book value of the available-for-sale financial assets measured at cost is 659 million Korean won and the Company does not have plans to dispose the equities in the near future

5. Segment Information

The Company's business is segmented into machinery and plant, steel, chemicals, electricity and information and communications, and others based on the kinds of merchandise of the Company. The major customers of the machinery and plant segment are foreign shipbuilding companies, foreign national transportation ministries, electric power companies, transportation companies, construction companies and others. The major customers of the steel segment are foreign car-making companies, national oil and gas companies, construction companies, domestic and foreign shipbuilding companies and others. For the chemical segment, domestic and foreign oil refining companies and chemical companies are the major customers. The major customers of electricity and electronics segment are foreign IT companies and others.

For the years ended December 31, 2011 and 2010, the Company's financial information by segments is as follows:

(in millions of Korean won)	2011			
Segment	**Sales**	**Operating income**	**Depreciation**	**Amortization**
Machinery and plant	2,039,142	48,234	394	152
Steel	2,163,585	18,625	341	131
Chemicals	780,306	2,600	140	54
Electricity and information and communications	22,193	15,445	79	30
Others	25,558	2,989	47	2,578
	5,030,784	87,893	1,001	2,945

(in millions of Korean won)	2010			
Segment	**Sales**	**Operating income**	**Depreciation**	**Amortization**
Machinery and plant	1,538,882	29,252	93	13
Steel	1,650,135	9,173	90	13
Chemicals	395,782	2,763	33	5
Electricity and information and communications	21,074	14,233	23	3
Others	27,923	(989)	20	2,593
	3,633,796	54,432	259	2,627

Assets and liabilities of segments are not reported to the chief operating decision-maker. Accordingly, its information is not presented. Financial income and expenses, which are not included in segments' income, are not presented in the above tables.

For the years ended December 31, 2011 and 2010, the Company's sales information by regions is as follows:

(in millions of Korean won)	**2011**	**2010**
America	1,119,276	1,020,569
Asia	2,363,815	1,578,178
Europe	952,925	461,943
Others	594,768	573,106
	5,030,784	3,633,796

As of December 31, 2011, there is no external customer that comprises more than 10% of the Company's total revenue.

6. United States Dollar Amounts

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US$1 : ₩1,153.30, the exchange rate in effect on December 31, 2011. Such presentation is not in accordance with generally accepted financial accounting standards in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

7. Financial Instruments by Category

As of December 31, 2011 and 2010, and January 1, 2010, financial assets by category, are as follows:

(in millions of Korean won)	December 31, 2011				
Financial assets	**Loans and receivables**	**Profit or loss**	**Available -for-sale**	**Held-to-maturity**	**Total**
Cash and cash equivalents	204,681	-	-	-	204,681
Short-term financial instruments	5,173	-	-	-	5,173
Trade accounts receivable	925,465	-	-	-	925,465
Other accounts receivable	42,924	-	-	-	42,924
Derivative financial assets	-	463	-	14	477
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	105,173	-	105,173
Long-term loans receivable	59,155	-	-	-	59,155
Other non-current assets	1,832	-	-	-	1,832
Investments in petroleum and mineral development projects	95,230	-	-	-	95,230
	1,334,488	463	105,173	14	1,440,138

(in millions of Korean won)	December 31, 2010					
Financial assets	**Loans and receivables**	**Profit or loss**	**Available -for-sale**	**Held-to-maturity**	**Derivatives used for hedging**	**Total**
Cash and cash equivalents	66,551	-	-	-	-	66,551
Short-term financial instruments	40,000	-	-	-	-	40,000
Current portion of held-to-maturity	-	-	-	1	-	1
Trade accounts receivable	760,763	-	-	-	-	760,763
Other accounts receivable	24,760	-	-	-	-	24,760
Derivative financial assets	-	302	-	-	192	494
Long-term financial instruments	200	-	-	-	-	200
Available-for-sale financial assets	-	-	5,676	-	-	5,676
Held-to-maturity financial assets	-	-	-	2,351	-	2,351
Long-term loans receivable	46,421	-	-	-	-	46,421
Other non-current assets	1,592	-	-	-	-	1,592
Investments in petroleum and mineral development projects	99,818	-	-	-	-	99,818
	1,040,105	302	5,676	2,352	192	1,048,627

(in millions of Korean won)	January 1, 2010					
Financial assets	**Loans and receivables**	**Profit or loss**	**Available -for-sale**	**Held-to-maturity**	**Derivatives used for hedging**	**Total**
Cash and cash equivalents	119,568	-	-	-	-	119,568
Short-term financial instruments	6,740	-	-	-	-	6,740
Current portion of held-to-maturity	-	-	-	1	-	1
Trade accounts receivable	446,343	-	-	-	-	446,343
Other accounts receivable	55,234	-	-	-	-	55,234
Derivative financial assets	-	537	-	-	157	694
Long-term financial instruments	148	-	-	-	-	148
Available-for-sale financial assets	-	-	5,170	-	-	5,170
Held-to-maturity financial assets	-	-	-	4,008	-	4,008
Long-term loans receivable	36,864	-	-	-	-	36,864
Other non-current assets	2,321	-	-	-	-	2,321
Investments in petroleum and mineral development projects	78,315	-	-	-	-	78,315
	745,533	537	5,170	4,009	157	755,406

As of December 31, 2011 and 2010, and January 1, 2010, financial liabilities by category, are as follows:

(in millions of Korean won)	December 31, 2011			
Financial liabilities	**Carried at amortized cost**	**Profit or loss**	**Derivatives used for hedging**	**Total**
Trade accounts and notes payable	560,233	-	-	560,233
Other payables	88,174	-	-	88,174
Short-term borrowings	437,244	-	-	437,244
Other current liabilities	4,791	-	-	4,791
Current portion of debentures and long-term borrowings	49,131	-	-	49,131
Derivative financial liabilities	-	403	14	417
Debentures	49,884	-	-	49,884
Long-term borrowings	67,391	-	-	67,391
	1,256,848	403	14	1,257,265

(in millions of Korean won)	December 31, 2010			
Financial liabilities	**Carried at amortized cost**	**Profit or loss**	**Derivatives used for hedging**	**Total**
Trade accounts and notes payable	548,087	-	-	548,087
Other payables	41,538	-	-	41,538
Short-term borrowings	365,486	-	-	365,486
Other current liablilities	4,484	-	-	4,484
Current portion of debentures and long-term borrowings	48,011	-	-	48,011
Derivative financial liabilities	-	238	192	430
Debentures	49,814	-	-	49,814
Long-term borrowings	56,144	-	-	56,144
	1,113,564	238	192	1,113,994

(in millions of Korean won)	January 1, 2010			
Financial liabilities	**Carried at amortized cost**	**Profit or loss**	**Derivatives used for hedging**	**Total**
Trade accounts and notes payable	338,831	-	-	338,831
Other payables	89,775	-	-	89,775
Short-term borrowings	178,837	-	-	178,837
Other current liablilities	3,337	-	-	3,337
Current portion of debentures and long-term borrowings	133,632	-	-	133,632
Derivative financial liabilities	-	25	157	182
Long-term borrowings	65,617	-	-	65,617
	810,029	25	157	810,211

Income and loss of financial instruments by category for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	December 31, 2011				
	Interest income	**Interest expense**	**Others**	**Impairment loss**	**Other comprehensive income**
Loans and receivables	3,796	-	8,654	-	-
Financial assets (liabilities) at fair value through profit or loss	-	-	(1,613)	-	-
Available-for-sale financial assets	-	-	18,186	-	75,835
Held-to-maturity investments	-	-	-	(2,351)	-
Financial liabilities carried at amortized cost	-	(15,270)	(14,854)	-	-
	3,796	(15,270)	10,373	(2,351)	75,835

(in millions of Korean won)	December 31, 2010				
	Interest income	**Interest expense**	**Others**	**Impairment loss**	**Other comprehensive income**
Loans and receivables	5,727	-	(11,329)	-	-
Financial assets (liabilities) at fair value through profit or loss	-	-	2,720	-	-
Available-for-sale financial assets	-	-	12,886	-	618
Held-to-maturity investments	-	-	-	(1,068)	-
Financial liabilities carried at amortized cost	-	(16,597)	8,064	-	-
	5,727	(16,597)	12,341	(1,068)	618

8. Credit Quality of Financial Assets

As of December 31, 2011 and 2010, and January 1, 2010, financial assets exposed to credit risk are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets neither past due nor impaired	1,141,100	931,187	629,012
Past due but not impaired	-	-	-
Impaired	193,388	108,918	116,521
	1,334,488	1,040,105	745,533

The Company classifies credit quality of financial assets depending on counterparty and nature. As of December 31, 2011 and 2010, and January 1, 2010, details of the classified financial assets are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Subsidiaries	277,211	287,415	127,093
Associates	47,487	15,644	3,869
Equity method investor[1]	35,451	36,204	-
Financial institutions	209,968	106,886	126,699
Trade accounts receivables	413,810	336,204	250,116
Investments in petroleum and mineral develpments project	95,230	99,818	78,315
Loans for petroleum and mineral	58,717	46,094	36,597
Loans for employees	394	283	44
Others	2,832	2,639	6,279
	1,141,100	931,187	629,012

[1] Hyundai Heavy Industries Co., Ltd., the major shareholder of the Company, and its subsidiaries.

As of December 31, 2011, the Company has recognized provision and impairment losses for financial assets amounting to ₩97,778 million (December 31, 2010: ₩82,652 million; January 1, 2010: ₩120,924 million).

9. Restricted Financial Instruments

As of December 31, 2011 and 2010, and January 1, 2010, restricted financial instruments are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010	Remarks
Long-term financial instruments	28	28	28	Maintaining deposit for checking accounts

10. Cash and Cash Equivalents

As of December 31, 2011 and 2010, and January 1, 2010, cash and cash equivalents are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Cash in bank and on hand	179,582	10,867	119,094
Short-term bank deposits	25,127	55,696	479
	204,709	66,563	119,573

11. Trade Accounts Receivable

As of December 31, 2011 and 2010, and January 1, 2010, trade receivables are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Receivables	925,465	760,763	446,343
Less: allowance for bad debts	(67,325)	(57,973)	(64,518)
Receivables, net	858,140	702,790	381,825

The maximum exposure of trade receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2011 and 2010, and January 1, 2010, the aging analysis of trade receivables is as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Recivables not past due	753,076	669,104	376,909
Impaired	172,389	91,659	69,434
up to 1 year	94,581	45,053	18,871
over 1 year	77,808	46,606	50,563
	925,465	760,763	446,343

For the years ended December 31, 2011 and 2010, movements on the Company provision for impairment of trade receivables are as follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	57,973	64,518
Provision for receivables impairment	9,525	20,492
Receivables written off during the year as uncollectible	(173)	(24,290)
Unused amounts reversed	-	(2,747)
At December 31	67,325	57,973

The creation and release of provision for impaired receivables have been included in 'selling, marketing and administrative expenses' in the income statement.

As of December 31, 2011, the Company transferred receivables, amounting ₩437,244 million (December 31, 2010: ₩365,486million; January 1, 2010: ₩178,837 million), and accounted it as collateralized borrowing. In case the counterparties default under the loan agreement with banks, the Company is obligated to pay the amount to the banks.

12. Inventories

As of December 31, 2011 and 2010, and January 1, 2010, inventories are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Goods	124,147	246,207	151,600
Materials-in-transit	6,088	368	1
	130,235	246,575	151,601

13. Other Accounts Receivable

As of December 31, 2011 and 2010, and January 1, 2010, other accounts receivable are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Other accounts receivable	36,665	19,952	50,116
Less: allowance for bad debts	(20,643)	(17,220)	(40,703)
Accrued income	4,893	3,808	4,112
Due from banks	1,366	999	989
	22,281	7,539	14,514

The maximum exposure of other current receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2011 and 2010, and January 1, 2010, the aging analysis of other account receivables is as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Recivables not past due	15,709	2,738	3,269
Impaired	20,956	17,214	46,847
up to 1 year	3,423	582	13,907
over 1 year	17,533	16,632	32,940
	36,665	19,952	50,116

For the years ended December 31, 2011 and 2010, movements on the Company provision for impairment of trade receivables are as follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	17,220	40,703
Provision for receivables impairment	3,426	335
Receivables written off during the year as uncollectible	(3)	(23,519)
Unused amounts reversed	-	(299)
At December 31	20,643	17,220

The creation and release of provision for impaired receivables have been included in 'other operating income/expenses' in the income statement.

14. Other Current Assets

As of December 31, 2011 and 2010, and January 1, 2010, other current assets are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Advance payment	129,813	20,363	34,743
Prepaid expenses	2,821	2,651	2,772
	132,634	23,014	37,515

15. Held-to-maturity Investments

As of December 31, 2011 and 2010, held-to-maturity investments are as follows:

(in millions of Korean won)

Investee	**December 31, 2011**	**December 31, 2010**	**Remarks**
Government and public bonds	1	1	Seoul Metro Rapid Transit Corp.
Subordinated debt securities	2,351	4,008	Maturity date within 5 years
Less: Current portion	(1)	(1)	
	2,351	4,008	

The maximum exposure to credit risk at the reporting date is the carrying value of the held-to-maturity investments mentioned above.

Accordingly, an impairment loss of ₩2,351 million was recognized for the above investments in 2011.

16. Available-for-sale financial assets

The changes in available-for-sale financial assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	5,676	5,170
Additions	-	-
Disposals	(573)	(286)
Net gains (losses) transfer from equity[1]	(627)	-
Net gains (losses) transfer to equity[1]	100,697	792
At December 31	105,173	5,676

[1] Before income tax effect

As of December 31, 2011 and 2010, and January 1, 2010, available-for-sale financial assets are as follows:

(in millions of Korean won)	December 31, 2011					December 31, 2010	January 1, 2010
Investee	**Percentage of ownership (%)**	**Number of shares**	**Acquisition cost**	**FMV or net asset value**	**Book value**	**Book value**	**Book value**
Available-for-sale							
1) Marketable equity							
Daewoo Shipbuilding & Marine Engineering Co., Ltd [1]	0.01	9,000	156	219	219	1,527	735
			156	219	219	1,527	735
2) Non-marketable equity							
Korea Ras Laffan LNG Ltd.[2]	8.00	2,226,667	3,490	104,295	104,295	3,490	3,490
Hyundai Asan[3]	2.29	361,290	13,565	1,872	500	500	500
SEGINIAGA(M) SDN. BHD.[3]	4.39	550,800	159	122	159	159	159
Others[3]	-	-	28,012	1,853	-	-	286
			45,226	108,142	104,954	4,149	4,435
			45,382	108,361	105,173	5,676	5,170

[1] As of December 31, 2011, the difference between the fair market value and acquisition cost is accounted for as gain on valuation of long-term investments, which amounts to ₩63 million, before income tax effect.

[2] The Company recognized a gain of ₩100,805 million (before tax) as a result of measuring Korea Ras Laffan LNG Ltd. shares at fair value. The fair value was estimated based on the Ras Laffan LNG Ltd.'s business plan of Work Program and Budget paper by applying the profit approach method.

[3] The fair values of non-marketable equity securities could not be reliably estimated due to the lack of financial information of the said companies. Accordingly, these equities were presented at their acquisition cost. When the recoverable value is less than the acquisition cost, impairment losses are recognized in the statements of income.

17. Subsidiaries, Associates, and Joint Ventures

As of December 31, 2011 and 2010, and January 1, 2010, subsidiaries, associates, and joint ventures are as follows:

(in millions of Korean won)	Location	Percentage of ownership (%)	December 31, 2011	December 31, 2010	January 1, 2010
Subsidiaries					
Hyundai Corp. USA	USA	100.0	7,200	7,200	7,200
Hyundai Australia Pty., Ltd.	Australia	100.0	5,253	5,253	5,253
Hyundai Japan Co.,Ltd.	Japan	100.0	8,229	8,229	8,229
Hyundai Canada Inc.	Canada	100.0	3,723	3,723	3,723
Hyundai Corp. Europe GMBH	Germany	100.0	10,794	10,794	10,794
Hyundai Sangsa H.K., Ltd. [1]	Hong Kong	100.0	-	14,455	14,455
Hyundai Corp. Singapore Pte. Ltd. [2]	Singapore	100.0	11,108	-	-
Hyundai Corp. (Shanhai) Co., Ltd. [2]	China	100.0	5,652	-	-
POS-Hyundai Steel MFG.(I) Pvt. Ltd.	India	70.5	9,543	9,543	9,543
Qingdao H.D Shipbuilding Co., Ltd.	China	94.3	-	-	-
			61,502	59,197	59,197
Associates					
PTHD Intl. DEVE.[3]	Indonesia	55.0	1,697	1,697	1,697
Korea LNG Ltd.	U.K.	20.0	2,749	2,749	2,749
Hyundai Yemen LNG Company Limited[3]	Bermuda	51.0	-	-	-
PT. Hyundai Machinery Indonesia[4]	Indonesia	48.6	406	406	-
Hyundai-ENR[2, 5]	Korea	10.0	5,000	-	-
Hyundai Corp. U.K., Ltd.[6]	U.K.	-	-	313	313
			9,852	5,165	4,759
			71,354	64,362	63,956

[1] Hyundai Sangsa H.K., Ltd. implemented a capital reduction during the year with refund to its shareholders. Consequently, the Company recognized a loss on disposal of shares, except for one share, amounting ₩1,304 million.

[2] Incorporated and acquired during the current period.

[3] Although the Company holds more than 50% of the equity shares, the Company has no control over the associate and therefore excluded from the list of subsidiaries.

[4] Changed its name from PT. Golden Hyundai Machinery to PT. Hyundai Machinery Indonesia during the current period.

[5] Categorized as associate due to interlocking directorate.

[6] As liquidation is completed during the current period, the Company recognized a loss on disposal of shares amounting to ₩30 million.

For the years ended December 31, 2011 and 2010, changes in ownership interests in subsidiaries, associates, and joint ventures are as follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	64,362	63,956
Acquisitions	21,760	406
Disposals	(14,768)	-
At December 31	71,354	64,362

18. Investments in Exploration of Resources

As of December 31, 2011 and 2010, and January 1, 2010, the Company's investments in resource exploration projects are as follows:

(in millions of Korean won)

Project name	Accounts	December 31, 2011	December 31, 2010	January 1, 2010	Remarks
Vietnam (11-2 prospect)	Mining rights	26,386	27,665	27,153	Commenced in 2007
Yemen LNG [1]	Investments in petroleum development projects	86,143	93,007	88,281	Commenced in 2009
	Long-term loans	46,407	37,689	36,775	
West Kamchatka Prospect [2]	Investments in petroleum development projects	4,787	4,787	4,787	Under liquidation
Oman LNG(KOLNG)	Equity method investments	2,749	2,749	2,749	Commenced in 2000
Qatar LNG(KORAS)	Available-for-sale financial assets	104,295	3,490	3,490	Commenced in 1999
Peru prospect[2]	Investments in petroleum development projects	3,080	3,080	3,080	Under liquidation
Ambatovy Nickel Mine[3]	Investments in petroleum development projects	11,545	9,269	-	Commenced expected in 2011
	Long-term loans	12,309	8,184	-	

[1] The Company entered into a sales contract with Korea Gas Corporation, Suez LNG Trading S.A. and Total Gas & Power Ltd., through Hyundai Yemen LNG Company Limited, whose production started on October 15, 2009.

[2] The investments in petroleum development projects in oilfield in West Kamchatka (Russia) and the long-term investments in Peru whose liquidation is in progress are valued at their recoverable amount.

[3] The Company invested into a portion of shares of Ambatovy nickel mine through KORES as of December 31, 2011. The Company has a right to resell a portion of investment amount at the exercise price, which is calculated based on the initial investment amount, back to KORES in August 2013.

As of December 31, 2011 and 2010, and January 1, 2010, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2011	2010
Vietnam (11-2 prospect)	Sales	13,447	11,920
Qatar LNG(KORAS)	Dividend income	17,266	12,489
Oman LNG(KOLNG)	Dividend income	18,453	15,467
		49,166	39,876

The percentages of ownership in investments in the exploration of resources for the year ended December 31, 2011, are as follows:

	Percentage of ownership of consortium in investments	Percentage of ownership of the Company in consortium
Vietnam (11-2 prospect)	75.0%	6.5%
Yemen LNG	5.9%	51.0%
Oman LNG(KOLNG)	5.0%	20.0%
Qatar LNG(KORAS)	5.0%	8.0%
Ambatovy Nickel Mine	27.5%	1.8%

19. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011			2010		
	Buildings	Others	Total	Buildings	Others	Total
At January 1	242	1,745	1,987	259	399	658
Acquisition	-	1,964	1,964	-	1,607	1,607
Disposal	-	(4)	(4)	-	(19)	(19)
Depreciation	(16)	(985)	(1,001)	(17)	(242)	(259)
At December 31	226	2,720	2,946	242	1,745	1,987
Acquisition cost	2,334	4,758	7,092	2,334	12,152	14,486
Accumulated depreciation	(269)	(2,038)	(2,307)	(253)	(10,407)	(10,660)
Accumulated impairment	(1,839)	-	(1,839)	(1,839)	-	(1,839)

Depreciation costs are recognized in 'selling, marketing and administrative expenses'.

20. Intangible Assets

Changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011		
	Mining rights	**Other intangible assets**	**Total**
At January 1	27,665	25,228	52,893
Acquisition	1,281	4,636	5,917
Amortization[1]	(2,560)	(385)	(2,945)
At December 31	26,386	29,479	55,865
Acquisition cost	36,447	29,954	66,401
Accumulated depreciation	(10,061)	(475)	(10,536)

(in millions of Korean won)	2010		
	Mining rights	**Other intangible assets**	**Total**
At January 1	27,153	24,224	51,377
Acquisition	3,103	1,040	4,143
Amortization[1]	(2,591)	(36)	(2,627)
At December 31	27,665	25,228	52,893
Acquisition cost	35,166	25,612	60,778
Accumulated depreciation	(7,501)	(384)	(7,885)

[1] Amortizations of mining rights and other intangible assets are classified as cost of sales and selling, marketing and administrative expenses, respectively.

Details of intangible assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Trademark[1]	20,700	20,700	20,700
Memberships	5,541	4,121	3,476
Others	3,238	407	48
	29,479	25,228	24,224

[1] On December 26, 2007, the Company purchased the “HYUNDAI” trademark, which Hynix Semiconductor Inc. owned with exclusive usage right, for ₩20.7 billion.

21. Other Current Liabilities

As of December 31, 2011 and 2010, and January 1, 2010, other current liabilities are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Deposits	3,381	510	959
Guarantee deposits	101	366	443
Accrued expenses	1,309	3,608	1,935
	4,791	4,484	3,337

22. Debentures, Short-term and Long-term Borrowings

As of December 31, 2011 and 2010, and January 1, 2010, debentures are as follows:

(in millions of Korean won)	**Series**	**Interest rate**	**Maturity**	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Non-guaranteed debentures	37th	4.5%	2013-10-15	50,000	50,000	-
Non-guaranteed debentures	31st	-	-	-	-	8,130
Non-guaranteed debentures	36th	-	-	-	-	52,480
Less : Discounts				(116)	(186)	(49)
Less : Current Portion				-	-	(60,561)
				49,884	49,814	-

As of December 31, 2011 and 2010, and January 1, 2010, short-term and long-term borrowings are as follows:

(in millions of Korean won)

Type	Creditor	Purpose	Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Foreign Currency Short-term Borrowings	The Korea Development Bank and others	Trading finance	-	437,244	365,486	178,837
Foreign Currency Long-term Borrowings	Korea National Oil Corporation and others	Investments in petroleum development projects	1.00~7.00	27,538	28,292	28,819
	Korea Exim Bank	Investments in petroleum development projects	Libor (6M)+2.20	17,300	-	10,311
	Korea Exchange Bank	Operational borrowings	Libor (1M)+3.00	10,185	10,058	24,173
	Woori Bank	Operational borrowings	Libor (3M)+3.43	23,876	23,578	23,191
	NH Bank	Operational borrowings	Libor (3M)+3.08	8,660	8,552	8,767
	Societe Generale and others	Financial investments in overseas[1]	Libor (6M)+0.40	27,928	32,874	43,427
Korean Won Borrowing	Kores Corp.	Investments in petroleum development projects	1.70	1,035	801	-
				116,522	104,155	138,688
	Less : Current portion of long-term liabilities			(49,131)	(48,011)	(73,071)
				67,391	56,144	65,617

[1] As of December 31, 2011, Korea Export Insurance Corporation has provided guarantees for the Company's borrowings from Societe Generale.

The Company has the borrowings of ₩7,867 million, which will not be repaid if the overseas resource exploration project fails.

23. Defined Benefit Liability

As of December 31, 2011 and 2010, and January 1, 2010, the amounts recognized in the statements of financial position are determined as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Present value of funded obligations	13,846	10,235	8,467
Fair value of plan assets[1]	(9,650)	(8,266)	(6,896)
Defined benefit liabilities	4,196	1,969	1,571

[1] Includes deposits to the National Pension Fund of ₩52 million (December 31, 2010: ₩60 million, January 1, 2010: ₩73 million).

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**
At January 1	10,235	8,467
Current service cost	1,704	1,238
Interest expense	536	501
Actuarial losses	2,928	458
Transfer from/to associates	(687)	2,155
Benefits paid	(870)	(2,584)
At December 31	13,846	10,235

The movement in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**
At January 1	8,266	6,896
Expected return on plan assets	349	347
Actuarial losses	(86)	(128)
Employer contribution	2,130	2,850
Transfer from/to associates	(445)	-
Benefits paid	(564)	(1,699)
At December 31	9,650	8,266

The amounts of severance benefits recognized on the income statements for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**
Current service cost	1,704	1,238
Interest expense	536	501
Expected return on plan assets	(349)	(347)
	1,891	1,392

Actual return of plan assets was ₩263 million (2010: ₩219 million).

Actuarial losses recognized as other comprehensive losses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**
Acturial losses before tax	(3,014)	(586)
Tax (charge) credit	729	129
Acturial losses after tax	(2,285)	(457)

The principal actuarial assumptions as of December 31, 2011 and 2010, and January 1, 2010, were as follows:

(%)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Discount rate	4.56	5.45	6.23
Expected rate of return	3.28	4.01	4.89
Future salary growth rate	5.66	4.73	4.73

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Changes in Principle Assumption	**Impact on overall liability**
Discount rate	0.5% increase/decrease	4.16% increase/decrease
Salary growth rate	0.5% increase/decrease	4.29% increase/decrease

Plan assets as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(in millions of Korean won)	**December 31, 2011**		**December 31, 2010**		**January 1, 2010**	
	Amount	**Composition(%)**	**Amount**	**Composition(%)**	**Amount**	**Composition(%)**
Transfer from National Pension	52	0.5	60	0.7	73	1.1
Financial Instruments	9,598	99.5	8,206	99.3	6,823	98.9
	9,650	100	8,266	100	6,896	100

24. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**Warranty**	**Restoration**	**Others**	**Total**
At January 1, 2011	709	2,140	4,787	7,636
Addition	-	107	-	107
Reversal	(8)	-	(4,321)	(4,329)
Other changes	-	32	-	32
At December 31, 2011	701	2,279	466	3,446
Less: Current	(701)	-	-	(701)
Non-current	-	2,279	466	2,745

(in millions of Korean won)	**Warranty**	**Restoration**	**Others**	**Total**
At January 1, 2010	878	2,087	654	3,619
Addition	-	107	4,133	4,240
Reversal	(169)	-	-	(169)
Other changes	-	(54)	-	(54)
At December 31, 2010	709	2,140	4,787	7,636
Less: Current	(709)	-	(3,901)	(4,610)
Non-current	-	2,140	886	3,026

25. Deferred Income Tax

As of December 31, 2011 and 2010, January 1, 2010, the analysis of deferred tax assets and deferred tax liabilities are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Deferred tax assets			
Deferred tax assets to be recovered within 12 months	152	99	2,066
Deferred tax assets to be recovered after more than months	12,997	12,472	13,720
	13,149	12,571	15,786
Deferred tax liabilities			
Deferred tax liabilities to be recovered within 12 months	(860)	(1,191)	(18)
Deferred tax liabilities to be recovered after more than 12 months	(26,878)	(2,529)	(2,621)
	(27,738)	(3,720)	(2,639)
Deferred tax assets (liabilities), net	(14,589)	8,851	13,147

The gross movement on the deferred income tax account for the years ended December 31, 2011 and 2010, follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	8,851	13,147
Income statement charge	65	(4,251)
Tax charge/(credit) relating to components of other comprehensive income	(23,505)	(45)
At December 31	(14,589)	8,851

Income tax expense for the years ended December 31, 2011 and 2010, consists of:

(in millions of Korean won)	**2011**	**2010**
Current tax		
Current tax on profits for the year	11,159	-
Deferred tax		
Origination and reversal of temporary differences	864	4,251
Impact of change in Korean tax rate	(929)	-
Total deferred tax	(65)	4,251
Income tax expense	11,094	4,251

The difference between tax on the Company's profit before tax and the theoretical amount that would arise using the weighted average tax rate applicable to profits for the years ended December 31, 2011 and 2010, follows:

(in millions of Korean won)	**2011**	**2010**
Profit before tax	78,666	47,340
Tax calculated at domestic tax rates	19,011	11,430
Tax effects of:		
Income not subject to tax	(4,733)	(1)
Expenses not deductible for tax purposes	5,355	2,624
Impact of change in tax rate	(929)	-
Impact of tax credit	(7,610)	(9,802)
Tax charge	11,094	4,251

The weighted average applicable tax rate was 14.1% (2010: 9.0%). The Company recalculated deferred income tax considering the change in the Korean corporate tax rate.

Changes in the deferred assets and liabilities for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	January 1, 2011	Income Statement	Other comprehensive income	December 31, 2011
Available-for-sale financial assets	8,034	397	(24,234)	(15,803)
Held-to-maturity financial assets	1,006	673	-	1,679
Investments in petroleum and mineral development projects	638	4	-	642
Investments in subsidiaries, joint ventures and associates	(544)	(924)	-	(1,468)
Intangible assets	(482)	(224)	-	(706)
Allowance for bad debts	321	628	-	949
Gain (loss) on foreign currency translation	(614)	(225)	-	(839)
Provisions	575	146	-	721
Defined benefit liabilities	(133)	(290)	729	306
Others	50	(120)	-	(70)
	8,851	65	(23,505)	(14,589)

(in millions of Korean won)	January 1, 2010	Income Statement	Other comprehensive income	December 31, 2010
Available-for-sale financial assets	8,107	101	(174)	8,034
Held-to-maturity financial assets	1,288	(282)	-	1,006
Investments in petroleum and mineral development projects	2,115	(1,477)	-	638
Investments in subsidiaries, joint ventures and associates	(615)	71	-	(544)
Intangible assets	(314)	(168)	-	(482)
Allowance for bad debts	282	39	-	321
Gain (loss) on foreign currency translation	(216)	(398)	-	(614)
Provisions	337	238	-	575
Defined benefit liabilities	(147)	(115)	129	(133)
Tax loss carryforwards	1,830	(1,830)	-	-
Others	480	(430)	-	50
	13,147	(4,251)	(45)	8,851

As of December 31, 2011 and 2010, and January 1, 2010, the income tax charged (credited) directly to equity is as follows:

	December 31, 2011			December 31, 2010			January 1, 2010		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Fair value gains from available-for-sale financial assets	100,868	(24,410)	76,458	798	(176)	622	6	(1)	5
Actuarial loss on retirement benefit obligations	(3,600)	858	(2,742)	(586)	129	(457)	-	-	-

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion. The Company has not recognized deferred tax assets of ₩53,071 million whose realizability is uncertain.

26. Accumulated Other Comprehensive Income and Other Components of Equity

As of December 31, 2011 and 2010, and January 1, 2010, accumulated other comprehensive income and other components of equity are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Accumulated other comprehensive income			
Fair value gains from available-for-sale financial assets	76,458	622	5
Other components of equity			
Actuarial loss on retirement benefit obligations	(15,172)	(15,172)	(15,172)

Changes in accumulated other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	622	5
Reclassification to profit or loss	(489)	-
Increase/Decrease	76,325	617
At December 31	76,458	622

Changes in accumulated other comprehensive income represent net of tax effect amounts.

27. Retained Earnings

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such a reserve equals 50% of its issued capital stock. This reserve is not available for dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Controlling Company's majority shareholders.

As of December 31, 2011 and 2010, and January 1, 2010, retained earnings consist of:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Legal reserve	558	-	-
Unappropriated retained earnings	153,257	94,110	51,478
	153,815	94,110	51,478

The appropriation of retained earnings for the years ended December 31, 2011 and 2010, is as follows:

(in millions of Korean won)	**2011**		**2010**	
At January 1		153,257		94,110
Unappropriated retained earnings carried over from prior year	87,969		42,195	
Effects of Korean-IFRS adoption	-		9,283	
Actuarial gains and losses	(2,284)		(457)	
Net income	67,572		43,089	
Disposition of accumulated dificit		(12,282)		(6,141)
Loss on treasury stock	-		-	
Legal reserve	1,117		559	
Dividends[1]	11,165		5,582	
At December 31		140,975		87,969

[1] Details of cash dividend for the years ended December 31, 2011 and 2010, are as follows:

	2011	**2010**
Dividend per share *(in Korean won)*	500	250
Dividend ratio *(%)*	10.0	5.0

The dividends paid in 2011 were ₩5,582 million (₩250 per share). A dividend in respect of the year ended December 31, 2011, of ₩500 per share, amounting to total dividends of ₩11,165 million, is to be proposed at the annual general meeting on March 23, 2012. These financial statements do not reflect this dividend payable.

28. Sales and Cost of sales

Sales and cost of sales for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	**2011**	**2010**
Sales		
Sales	4,979,804	3,588,687
Commisions	37,533	33,189
Resource development	13,447	11,920
	5,030,784	3,633,796
Cost of sales		
Cost of sales	4,873,399	3,509,904
Cost of commisions	8,365	4,987
Cost of resource development	7,829	7,629
	4,889,593	3,522,520

The following presents the breakdown of in-progress electric locomotive supply contracts such as accumulated construction revenue and cost as of December 31, 2011.

(in millions of Korean won)	**2011**
Accumulated construction cost	226,369
Accumulated construction revenue	243,441
Unbilled amount[1]	76,929

[1] Categorized as trade accounts receivable in the statement of financial position.

The following table presents changes in the remaining balance of construction contracts in 2011 and 2010.

(in millions of Korean won)	**2011**	**2010**
At January 1	349,642	-
Changes[1]	4,421	349,642
Recognized construction revenue	(243,441)	-
At December 31	110,622	349,642

[1] New contracts, additional contracts, change of contracts, and gain (loss) on foreign currency translation.

29. Expenses by Nature

Expenses by nature included in the cost of sales, selling, marketing, and administrative expenses, and other expenses in the income statements for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Changes in inventories	4,873,399	3,509,904
Wages and salaries	29,220	22,915
Employee benefits	2,660	2,115
Depreciation	1,001	259
Amortization	2,946	2,627
Others	211,555	173,258
	5,120,781	3,711,078

30. Selling, Marketing and Administrative Expenses

Selling, marketing and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Wages and salaries	27,329	21,523
Severance benefits	1,891	1,392
Employee benefits	2,660	2,115
Travel expense	3,337	2,774
Taxes and dues	1,062	931
Entertainment expenses	1,691	1,428
Overseas branches expenses	14,591	12,824
Rental expenses	1,357	1,547
Service fees	4,414	3,826
Bad debts expense	267	-
Computer system expenses	1,959	2,140
Depreciation expenses	1,001	259
Amortization	386	36
Others	5,094	4,975
	67,039	55,770

31. Other Operating Income and Expenses

Other operating income and expenses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Other income		
Gain on foreign currency assets and liabilities	125,615	88,360
Dividends	36,453	28,719
Gain on derivatives	11,545	9,212
Others	4,277	5,424
	177,890	131,715

(in millions of Korean won)	2011	2010
Other expenses		
Loss on foreign currency assets and liabilities	131,327	91,490
Gain on derivatives	13,158	6,492
Impairment of held-to-maturity financial assets	2,351	1,068
Financial expenses of disposal of trade receivables	4,068	3,913
Others	13,246	29,825
	164,150	132,788

32. Financial Income and Expenses

Financial income and expenses for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	2011	2010
Financial income		
Gain on foreign currency assets and liabilities	38,378	5,062
Interest income	3,796	5,727
	42,174	10,789

(in millions of Korean won)	2011	2010
Financial expenses		
Loss on foreign currency assets and liabilities	34,798	1,284
Interest expense	15,270	16,597
	50,068	17,881

33. Effects on Operating Income

According to Korean IFRS, operating income is computed by subtracting selling, marketing and administrative expenses and other operating expenses from gross profit and adding other operating income to gross profit. Accordingly, operating income under K-IFRS differs from previous GAAP (K-GAAP) in amount of other operating income and expenses.

34. Earnings per Share

Earnings per share for the years ended December 31, 2011 and 2010, is computed as follows:

(in Korean won)	**2011**	**2010**
Profit attributable to ordinary shares	67,571,533,921	43,089,468,691
Weighted-average number of common stock outstanding[1]	22,329,802 shares	22,329,794 shares
Basic earnings per share	3,026	1,930

[1] Weighted average number of common stock is as follows:

	2011	**2010**
Beginning balance	22,329,802	22,329,802
Treasury shares	-	(8)
Weighted-average number of ordinary shares outstanding	22,329,802	22,329,794

As of December 31, 2011 and 2010, as the Company has no dilutive potential ordinary shares, diluted earnings per share is the same with basic earnings per share.

35. Cash Generated from Operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities is as follows:

(in millions of Korean won)	**2011**	**2010**
Net income	67,572	43,089
Adjustment		
Interest income	(3,796)	(5,727)
Interest expense	15,270	16,597
Dividends	(36,453)	(28,719)
Tax expense	11,094	4,251
Depreciation	1,001	259
Amortization	2,945	2,627
Provision for severance benefits	1,891	1,392
Bad debts expense	267	-
Impairment of held-to-maturity financial assets	2,351	1,068
Other bad debts expense	2,321	-
Gain (loss) on valuation of derivatives	(60)	(64)
Gain (loss) on foreign currency translation	152	2,293
Financial expenses of disposal of trade receivables	4,068	3,913
Reversal of allowance for bad debts	-	(3,046)
Others	6,370	24,626
	7,421	19,470
Changes in operating assets and liabilities		
Trade accounts receivable	(159,928)	(346,712)
Inventories	116,340	(94,974)
Other accounts receivable	(3,712)	6,150
Other current assets	(109,620)	14,713
Investments in petroleum and mineral development projects	(2,112)	(16,858)
Other non-current assets	(100)	4,123
Trade accounts and notes payable	4,127	212,211
Other payables	45,092	(47,115)
Advances received	72,221	40,534
Other operating assets and liabilities	(2,338)	(266)
Current tax assets	828	-
	(39,202)	(228,194)
Cash generated from (used in) operations	35,791	(165,635)

Significant transactions not affecting cash flows are as follows:

(in millions of Korean won)	**2011**	**2010**
Reclassification to current portion from long-term borrowings	8,181,168	10,485,436

36. Commitments and Contingencies

As of December 31, 2011, the Company is contingently liable for guarantees of its overseas subsidiaries and associated companies amounting to approximately US$ 125,514 thousand for local financial transactions, including US$ 68,314 thousand for Qingdao Hyundai Shipbuilding Co., Ltd.

As a participant in the Yemen LNG and Ambatovy Nickel Mine project, the Company offers a guarantee of US$ 121,270 thousand to the Korea Gas Corporation and three others. And the Company is provided guarantees, amounting to US$ 2,017 thousand by Korea Finance Corporation regarding Ambatovy Nickel Mine project.

As of December 31, 2011, the Company provided notes and checks, including 17 blank notes and 4 checks (3 blank checks and 1 check of which issuing amount is ₩693 million) as collaterals for the Company's various borrowings and guarantees of indebtedness.

As of December 31, 2011, the Company has filed four suits claiming US$ 20,163 thousand and ₩100 million in damages. As the outcome of these cases cannot be reasonably determined, the Company has not reflected adjustments that may arise from this uncertainty.

On February 4, 2010, the Company received a tax assessment from the Seoul Regional Tax Office regarding its VAT-related investigation of the Company's purchases of gold bars in 2003 and 2004, and a loss of approximately ₩52 billion was recorded in the financial statements for the year ended December 31, 2009, to recognize the tax assessment. The Company had submitted an appeal to the tax assessment to Tax Tribunal, but it was denied during the current period. Thereafter, the Company filed a lawsuit against the denial at the Seoul Administrative Court, and its outcome cannot be reasonably determined as of report date.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2011, are as follows:

(in thousands of USD)	**Maximum amount**	**Used amount**
D/A, D/P	813,000	379,124
L/C	587,549	188,578
Bonds	430,473	200,736
R/G[1]	68,077	68,077
	1,899,099	836,515

[1] The Company is provided with guarantees on R/G from Korea Trade Insurance Corporation and others.

37. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011		2010	
	Gain	**Losses**	**Gain**	**Losses**
Foreign currency forward	463	403	302	238
Commodity futures	14	-	92	100
	477	403	394	338

The Company enters into foreign currency forward contracts with Korea Exchange Bank to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. Details of foreign currency exchange contracts as of December 31, 2011, are as follows:

(in millions of Korean won)

Position	Contract amounts		Contract rate	Gain on valuation of derivative	Loss on valuation of derivative
Selling	USD	21,570,283	1,063 ~ 1,162	33	(377)
Buying	USD	9,630,182	1,063 ~ 1,151	377	-
Selling	EUR	7,509,239	1,494 ~ 1,600	51	(3)
Buying	EUR	430,000	1,177 ~ 1,178	1	-
Selling	JPY	362,650,000	14.89 ~ 14.94	1	(23)
				463	(403)

The Company has an aluminum futures contract, which was recorded as firm commitment liabilities on valuation of firm commitment of ₩14 million, as of December 31, 2011.

38. Related Party Transactions

Details of the subsidiaries as of December 31, 2011, are as follows:

(in millions of Korean won)	Capital stock	Percentage of ownership (%)	Location	Reporting date
Hyundai Corp. USA	27,139	100.0	USA	31-Dec
Hyundai Sangsa H.K., Ltd.	-	100.0	Hong Kong	31-Dec
Hyundai Corp. Europe GMBH	80,296	100.0	Germany	31-Dec
Hyundai Canada Inc.	1,739	100.0	Canada	31-Dec
Hyundai Japan Co., Ltd.	11,097	100.0	Japan	31-Dec
Hyundai Australia Pty., Ltd.	11,813	100.0	Australia	31-Dec
Hyundai Corporation Singapore PTE. Ltd.	11,225	100.0	Singapore	31-Dec
Hyundai Corporation (Shanghai) Co., Ltd.	5,652	100.0	China	31-Dec
POS-Hyundai Steel MFG. (I) PVT. Ltd.	8,904	70.5	India	31-Mar
Qingdao Hyundai Shipbuilding Co., Ltd.	84,568	94.3	China	31-Dec

Significant transactions with related parties for years ended December 31, 2011 and 2010, are as follows:

	2011		2010	
(in millions of Korean won)	Sales	Purchases	Sales	Purchases
Equity method investor[1]	159,282	1,440,717	46,727	972,117
Subsidiaries	700,569	5,011	646,174	5,805
Joint venture and associates	116,380	1,255	29,524	-
	976,231	1,446,983	722,425	977,922

[1] Hyundai Heavy Industries Co., Ltd., the major shareholder of the Company, and its subsidiaries.

Significant receivables and payables with related parties as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011		December 31, 2010		January 1, 2010	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Equity method investor	135,783	269,105	47,006	337,621	-	-
Subsidiaries	355,844	73,312	349,639	25,373	172,003	16,429
Joint venture and associates	180,038	994	150,485	-	132,798	46
	671,665	343,411	547,130	362,994	304,801	16,475

Allowance for doubtful accounts with related parties as of December 31, 2011, amounted to ₩69,950 million.

The compensation paid or payable to key management for the years ended December 31, 2011 and 2010, consists of:

(in millions of Korean won)	2011	2010
Wages and salaries	2,051	2,366
Severance benefits	1,111	501
	3,162	2,867

39. Transition to the Korean IFRS

39.1 First-time Adoption of the Korean IFRS

The Company's transition date to the Korean IFRS is January 1, 2010, and adoption date is January 1, 2011.

In preparing separate financial statements in accordance with the Korean IFRS 1101(First-time Adoption of Korean International Financial Reporting Standards), the Group has applied the mandatory exceptions and certain optional exemptions allowed by the Korean IFRS.

39.2 Exemption Options under Korean IFRS 1101

The Company has elected to apply the following optional exemption (deemed cost) from full retrospective application.
The Company has elected to measure investments in subsidiaries, joint ventures and associates on the separate financial statements at book value determined under K-GAAP as of January 1, 2010, the date of transition to Korean IFRS and uses that book value as its deemed cost at that date.

39.3 Mandatory Exceptions to Retroactive Application of Other Korean IFRS

Exceptions for estimates

The Company's Korean IFRS estimates at the transition date are consistent with the estimates as at the same date made in accordance with the previous K-GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

39.4 Reconciliations between the previous K-GAAP to the Korean IFRS

Effects on the total assets, liabilities and equity as of January 1, 2010, the date of K-IFRS transition, are as follows:

	Assets	**Liabilities**	**Equity**
Reported amount under previous K-GAAP	808,779	662,087	146,692
Adjustments for:			
Defined benefit liability[1]	-	(285)	285
Provisions for restoration costs[2]	1,210	2,087	(877)
Intangible assets[3]	2,070	-	2,070
Provisions for guarantees of indebtedness[4]	-	654	(654)
Financial assets transfer[5]	180,831	178,837	1,994
Others	(645)	-	(645)
Tax effects	(906)	-	(906)
	182,560	181,293	1,267
Adjusted amount under K-IFRS	991,339	843,380	147,959

Effects on total assets, liabilities, equity, net income and other comprehensive income as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)	**Assets**	**Liabilities**	**Equity**	**Net income**	**Other comprehensive income**
Reported amount under previous K-GAAP	1,018,102	824,314	193,788	46,852	243
Adjustments for:					
Defined benefit liability[1]	-	(194)	194	495	(586)
Provisions for restoration costs[2]	1,122	2,140	(1,018)	(141)	-
Intangible assets [3]	3,105	-	3,105	1,035	-
Provisions for guarantees of indebtedness[4]	-	886	(886)	(231)	-
Financial assets transfer[5]	367,337	365,487	1,850	(144)	-
Applying cost method[6]	(4,476)	(520)	(3,956)	(4,205)	249
Others	(1,161)	-	(1,161)	(516)	-
Tax effects	(707)	-	(707)	(56)	254
	365,220	367,799	(2,579)	(3,763)	(83)
Adjusted amount under K-IFRS	1,383,322	1,192,113	191,209	43,089	160

[1] Defined benefit liability is calculated by using an actuarial method and actuarial gains and losses on defined benefit liability are recognized in other comprehensive income (immediately recognized in retained earnings), and the Company also changed the timing in recognizing employee leave.

[2] Effect on recognition of provision for restoration cost for Vietnam (11-2 prospect) is reflected.

[3] "Hyundai" trademark is classified to intangible asset with an indefinite useful life.

[4] Recognition of provision for guarantees provided to overseas subsidiaries for their borrowings.

[5] Certain trade receivables, accounted for as sale transaction under K-GAAP, are classified as loan transaction.

[6] The accounting for investments in subsidiaries, joint ventures and associates is changed to the cost method from equity method, and book value at the transition date is applied as deemed cost.

39.5 Effects on Cash Flows

According to Korean IFRS, cash flows of the related income (expenses) and assets (liabilities) are adjusted to separately disclose the cash flows from interest received, interest paid and cash payments of income taxes that were not presented separately under K-GAAP.

Cash flows from operating and financing activities are adjusted respectively because certain transactions are treated as borrowings with collateralized trade receivables, which were treated as a selling transaction under K-GAAP. Also, other Korean IFRS transition effects are reflected on cash flows if they have an effect on cash flows.

39.6 Change in Scope of Consolidation

Hyundai Yemen LNG Company Limited, a subsidiary, was included in consolidation in accordance with the previous audit regulation enforcement decree 1.3(1). Under K-IFRS, it is excluded from consolidation due to the absence of de facto control.

40. Event after the Reporting Period

The Company provided a guarantee amounting to ₩28,407 million on the borrowings of Qingdao Hyundai Shipbuilding Co., Ltd.

Report of Independent Accountants'
Review of Internal Accounting Control System

To the President of
HYUNDAI CORPORATION CO., LTD.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of HYUNDAI CORPORATION CO., LTD. (the "Company") as of December 31, 2011. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2011, the Company's IACS has been designed and is operating effectively as of December 31, 2011, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting-principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management’s report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company’s IACS as of December 31, 2011, and we did not review management’s assessment of its IACS subsequent to December 31, 2011. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 15, 2012

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of HYUNDAI CORPORATION CO., LTD.

I, as the Internal Accounting Control Officer (“IACO”) of HYUNDAI CORPORATION CO., LTD. (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2011.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS.

Based on the assessment on the operation of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2011, in all material respect, in accordance with the IACS standards.

February 29, 2012

Ha Myung Ho, Internal Accounting Control Officer

Chung Mong Hyuk, Chief Executive Officer