

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and subsidiaries. The consolidated financial statements consist of the consolidated statements of financial position as of March 31, 2011 and December 31, 2010, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months ended March 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent accountant's responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews. We did not review the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 38.3% and 38.1% of the consolidated total assets as of March 31, 2011 and December 31, 2010, respectively, and 37.4% and 33.3% of the consolidated total sales for the three months ended March 31, 2011 and 2010, respectively. Those statements were reviewed by other auditors whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for those entities, is based solely on the conclusions of the other auditors.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review conclusion

Based on our reviews and review conclusions of other auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with K-IFRS 1034, Interim Financial Reporting, and the requirements of K-IFRS 1101, First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

Deloitte Anjin LLC

May 27, 2011

Notice to Readers

This report is effective as of May 27, 2011, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

<u>ASSETS</u>	<u>NOTES</u>	March 31, <u>2011</u>	December 31, <u>2010</u>
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	17	₩ 8,356,560	₩ 6,215,815
Short-term financial instruments	17	7,285,005	7,421,776
Trade notes and accounts receivable	3,17	3,083,111	3,192,003
Other receivables	4,17	2,294,174	2,117,900
Other financial assets	5,17	773,005	125,746
Inventories	6	5,473,700	5,491,437
Other assets	7,17	1,114,595	1,188,813
Current tax assets		34,001	35,109
Financial services assets	16,17	<u>19,100,065</u>	<u>17,731,555</u>
Total current assets		<u>47,514,216</u>	<u>43,520,154</u>
Non-current assets:			
Long-term financial instruments	17	1,621	1,121,612
Long-term trade notes and accounts receivable	3,17	89,249	98,384
Other receivables	4,17	1,274,447	1,060,151
Other financial assets	5,17	1,810,262	2,145,803
Other assets	7,17	20,651	1,497
Property, plant and equipment	8	18,525,667	18,514,209
Investment property	9	279,395	267,116
Intangibles	10	2,588,029	2,651,568
Investments in joint ventures and associates	11	7,450,676	6,909,451
Deferred tax assets		527,946	588,674
Financial services assets	16,17	<u>17,725,893</u>	<u>17,835,512</u>
Total non-current assets		<u>50,293,836</u>	<u>51,193,977</u>
 Total assets		 <u>₩ 97,808,052</u>	 <u>₩ 94,714,131</u>

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>NOTES</u>	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	17	₩ 6,619,211	₩ 6,353,365
Other payables	17	2,681,027	3,453,797
Short-term borrowings	12,17	8,257,643	9,336,468
Current portion of long-term debt and debentures	12,17	7,330,889	6,522,705
Income tax payable		867,104	894,913
Provisions	13	1,836,890	1,595,229
Other financial liabilities	14,17	226,668	117,715
Other liabilities	15,17	3,950,672	3,066,008
Financial services liabilities	16,17	<u>272,886</u>	<u>105,286</u>
Total current liabilities		<u>32,042,990</u>	<u>31,445,486</u>
Non-current liabilities:			
Long-term trade notes and accounts payable	17	23,643	45,540
Long-term other payables	17	9,300	9,419
Debentures	12,17	21,271,864	20,276,590
Long-term borrowings	12,17	2,371,117	2,460,485
Defined benefit obligations	30	483,780	489,597
Provisions	13	4,267,831	4,390,349
Other financial liabilities	14,17	528,562	622,624
Other liabilities	15,17	1,254,299	1,172,667
Deferred tax liabilities		<u>1,048,546</u>	<u>913,401</u>
Total non-current liabilities		<u>31,258,942</u>	<u>30,380,672</u>
Total liabilities		<u>63,301,932</u>	<u>61,826,158</u>
Shareholder's equity:			
Capital stock	18	1,488,993	1,488,993
Capital surplus	19	3,900,935	3,900,935
Other capital items	20	(918,214)	(918,214)
Accumulated other comprehensive income	21	570,107	409,914
Retained earnings	22	<u>26,565,877</u>	<u>25,216,163</u>
Equity attributable to the owners of the Parent Company		<u>31,607,698</u>	<u>30,097,791</u>
Non-controlling interests		<u>2,898,422</u>	<u>2,790,182</u>
Total shareholder's equity		<u>34,506,120</u>	<u>32,887,973</u>
Total liabilities and shareholder's equity		<u>₩ 97,808,052</u>	<u>₩ 94,714,131</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
		(In millions of Korean Won, except per share amounts)	
Sales	23,35	₩ 18,233,361	₩ 15,021,429
Cost of sales	27	<u>14,076,461</u>	<u>11,664,155</u>
Gross profit		4,156,900	3,357,274
Selling and administrative expenses	24,27	2,434,347	2,165,205
Other operating income	25	318,829	468,407
Other operating expenses	25,27	<u>213,911</u>	<u>404,973</u>
Operating income		1,827,471	1,255,503
Finance income	26	254,032	214,354
Finance expenses	26	188,900	224,739
Share of profit of equity-accounted investees	11	<u>572,017</u>	<u>345,697</u>
Income before income tax		2,464,620	1,590,815
Income tax expense	29	<u>587,849</u>	<u>309,533</u>
Profit for the period		<u>₩ 1,876,771</u>	<u>₩ 1,281,282</u>
Profit attributable to:			
Owners of the Parent Company		1,751,514	1,152,014
Non-controlling interests		125,257	129,268
Earnings per share attributable to the owners of the Parent Company:	28		
Basic earnings per common share		<u>₩ 6,446</u>	<u>₩ 4,247</u>
Diluted earnings per common share		<u>₩ 6,446</u>	<u>₩ 4,247</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	(In millions of Korean Won)	
Profit for the period	₩ 1,876,771	₩ 1,281,282
Other comprehensive income		
Gain on valuation of available-for-sale financial assets	143,113	118,044
Gain on valuation of cash flow hedge derivatives	78,478	29,930
Shares of changes of equity-accounted investees	41,523	(58,125)
Actuarial gain on defined benefit obligations	6,637	2,953
Loss on foreign operations translation	(70,911)	(161,770)
Total other comprehensive income	<u>198,840</u>	<u>(68,968)</u>
Total comprehensive income	<u>₩ 2,075,611</u>	<u>₩ 1,212,314</u>
Comprehensive income attributable to:		
Owners of the Parent Company	1,921,402	1,082,946
Non-controlling interests	<u>154,209</u>	<u>129,368</u>
Total comprehensive income	<u>₩ 2,075,611</u>	<u>₩ 1,212,314</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Capital stock	Capital surplus	Other Capital Items	Accumulated other comprehensive income	Retained earnings	Total	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2010	₩ 1,488,993	₩ 3,731,315	₩ (743,909)	₩ (71,649)	₩ 20,165,746	₩ 24,570,496	₩ 2,575,017	₩ 27,145,513
Comprehensive income:								
Profit for the period					1,152,014	1,152,014	129,268	1,281,282
Gain on valuation of available-for-sale financial assets, net				114,544		114,544	3,500	118,044
Gain on valuation of cash flow hedge derivatives, net				29,792		29,792	138	29,930
Change in valuation of equity-accounted investees				(58,131)		(58,131)	6	(58,125)
Actuarial gain on defined benefit obligations					3,033	3,033	(80)	2,953
Loss on foreign operations translation				(158,306)		(158,306)	(3,464)	(161,770)
Total comprehensive income	-	-	-	(72,101)	1,155,047	1,082,946	129,368	1,212,314
Transactions with owners, recorded directly in equity								
Payment of cash dividends					(317,199)	(317,199)	(160,077)	(477,276)
Purchase of treasury stock			(218,619)			(218,619)		(218,619)
Disposal of treasury stock		75,962	148,983			224,945		224,945
Other					(1,560)	(1,560)	(88)	(1,648)
Total transactions with owners, recorded directly in equity	-	75,962	(69,636)	-	(318,759)	(312,433)	(160,165)	(472,598)
Balance at March 31, 2010	₩ 1,488,993	₩ 3,807,277	₩ (813,545)	₩ (143,750)	₩ 21,002,034	₩ 25,341,009	₩ 2,544,220	₩ 27,885,229

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Capital stock	Capital surplus	Other Capital Items	Accumulated other comprehensive income	Retained earnings	Total	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2011	₩ 1,488,993	₩ 3,900,935	₩ (918,214)	₩ 409,914	₩ 25,216,163	₩30,097,791	₩ 2,790,182	₩ 32,887,973
Comprehensive income:								
Profit for the period					1,751,514	1,751,514	125,257	1,876,771
Gain on valuation of available-for-sale financial assets, net				143,017		143,017	96	143,113
Gain on valuation of cash flow hedge derivatives, net				50,910		50,910	27,568	78,478
Change in valuation of equity-accounted investees				38,182	3,296	41,478	45	41,523
Actuarial gain on defined benefit obligations					6,399	6,399	238	6,637
Loss on foreign operations translation				(71,916)		(71,916)	1,005	(70,911)
Total comprehensive income	-	-	-	160,193	1,761,209	1,921,402	154,209	2,075,611
Transactions with owners, recorded directly in equity								
Payment of cash dividends					(412,227)	(412,227)	(45,423)	(457,650)
Other					732	732	(546)	186
Total transactions with owners, recorded directly in equity	-	-	-	-	(411,495)	(411,495)	(45,969)	(457,464)
Balance at March 31, 2011	<u>₩ 1,488,993</u>	<u>₩ 3,900,935</u>	<u>₩ (918,214)</u>	<u>₩ 570,107</u>	<u>₩ 26,565,877</u>	<u>₩31,607,698</u>	<u>₩ 2,898,422</u>	<u>₩ 34,506,120</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
(In millions of Korean Won)			
Cash flows from operating activities:			
Cash generated from operations	31		
Profit for the period		₩ 1,876,771	₩ 1,281,282
Adjustments		988,921	1,091,567
Changes in operating assets and liabilities		<u>(1,568,940)</u>	<u>(741,429)</u>
		1,296,752	1,631,420
Interest received		111,185	74,514
Interest paid		(102,865)	(104,992)
Dividend received		106,577	47,510
Income tax paid		<u>(447,140)</u>	<u>(361,521)</u>
		<u>964,509</u>	<u>1,286,931</u>
Cash flows from investing activities:			
Cash inflows from investing activities:			
Proceeds from withdrawal of short-term financial instruments		1,670,991	1,271,535
Proceeds from disposal of other financial assets		2,163	67,938
Proceeds from disposal of other receivables		54,052	39,450
Proceeds from disposal of property, plant and equipment		48,268	79,885
Proceeds from disposal of intangible assets		199	21
Other cash receipts from investing activities		<u>36,623</u>	<u>18,584</u>
		<u>1,812,296</u>	<u>1,477,413</u>
Cash outflows from investing activities:			
Purchase of short-term financial instruments		430,802	1,553,724
Acquisition of other financial assets		143,046	347,877
Acquisition of other receivables		335,217	51,672
Purchase of long-term financial instruments		-	40,000
Acquisition of investments in joint ventures and associates		10,809	37,576
Acquisition of property, plant and equipment		462,273	481,786
Acquisition of intangible assets		152,703	191,854
Other cash payments from investing activities		<u>44,078</u>	<u>41,675</u>
		<u>(1,578,928)</u>	<u>(2,746,164)</u>
		<u>233,368</u>	<u>(1,268,751)</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
		(In millions of Korean Won)	
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings	₩	4,945,400	₩ 6,455,026
Proceeds from issue of debentures		3,958,457	1,711,776
Proceeds from long-term borrowings		79,138	251,150
Other cash receipts from financing activities		-	6,539
		<u>8,982,995</u>	<u>8,424,491</u>
Cash outflows from financing activities:			
Repayment of short-term borrowings		5,987,000	6,526,331
Repayment of current portion of long-term debt and debentures		137,445	183,182
Repayment of finance lease liabilities		-	3,473
Repayment of debentures		1,765,207	1,883,810
Repayment of long-term borrowings		138,006	146,377
Purchase of treasury stock		-	218,619
Dividends paid		44	44
Other cash payments from financing activities		232	71
		<u>(8,027,934)</u>	<u>(8,961,907)</u>
		<u>955,061</u>	<u>(537,416)</u>
Net increase(decrease) in cash and cash equivalents		2,152,938	(519,236)
Effect of exchange rate changes on cash and cash equivalents		(12,193)	(50,580)
Cash and cash equivalents, beginning of the period		<u>6,215,815</u>	<u>5,400,090</u>
Cash and cash equivalents, end of the period	₩	<u>8,356,560</u>	₩ <u>4,830,274</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

1. GENERAL:

Hyundai Motor Company (“the Company”) was incorporated in 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts.

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

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

The Company’s consolidated subsidiaries as of March 31, 2011 are as follows:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd.(*)	“	“	31.52%	
Hyundai Rotem Company	Manufacturing	“	57.64%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Maintrans Co., Ltd.	Services	“	80.00%	Hyundai Rotem 80.00%
Hyundai Partecs Company Ltd.	Manufacturing	“	56.00%	
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	“	100.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	97.76%	
Hyundai Carnes Co., Ltd.	R&D	“	100.00%	
Hyundai Motor America (HMA)	Manufacturing	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	93.96%	HMA 93.96%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Auto Canada Corp. (HAC)	“	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Incorporation (HACCI)	Insurance	“	100.00%	HAC 100.00%
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding Company	USA	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center Inc. (HATCI)	R&D	“	100.00%	
Hyundai Translead, Inc. (HT)	Manufacturing	“	100.00%	
Rotem USA Corporation	“	“	100.00%	Hyundai Rotem 100.00%
Hyundai Motor India (HMI)	“	India	100.00%	
Hyundai Motor India Engineering (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Motor Japan Co. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	“	100.00%	
China Millennium Corporations (CMEs)	Real estate development	China	59.60%	
Beijing Hines Millennium Real Estate Development	“	“	99.00%	CMEs 99.00%
Beijing Jinxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	“	100.00%	
Beijing Jungxianronghua Motor Sale Co., Ltd.	“	“	100.00%	BJMSS 100.00%

Subsidiaries	Nature of business	Location	Percentage ownership	Indirect ownership
Beijing Xinhuaqiyuetong Motor Chain Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Rotem Equipments (Beijing) Co., Ltd.	Manufacturing	"	100.00%	Hyundai Rotem 100.00%
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, Ltd. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	"	Turkey	85.03%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	"	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding Company	Netherlands	100.00%	HMMR 1.4%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Motor UK Ltd. (HMUK)	"	UK	100.00%	
Hyundai Motor Europe GmbH (HME)	"	Germany	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	"	Czech	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	Poland	100.00%	
Hyundai Motor Espana. S.L (HMES)	"	Spain	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Norway AS (HMN)	"	Norway	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	Germany	100.00%	
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai de Mexico, SA DE C.V., (HYMEX)	"	Mexico	99.99%	HT 99.99%
Hyundai Capital Europe GmbH	Financing	Germany	100.00%	Hyundai Capital Services 100.00%
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S	Manufacturing	Turkey	50.50%	Hyundai Rotem 50.50%
Autopia Thirty-Third ~ Forty-Fifth Asset Securitization Specialty Company	Financing	Korea	91.00%	Hyundai Capital Services 100.00%
Work & Joy 2007-1 Securitization Specialty Co.(*)	"	"	0.90%	Hyundai Card 0.90%
Privia the First and Second Securitization Specialty Co., Ltd.(*)	"	"	0.90%	Hyundai Card 0.90%
Hyundai BC Funding Corporation	"	USA	100.00%	HCA 100%
Hyundai CHA Funding Corporation	"	"	100.00%	HCA 100%
Hyundai Lease Titling Trust	"	"	100.00%	HCA 100%
Hyundai HK Funding, LLC	"	"	100.00%	HCA 100%
Hyundai HK Funding One, LLC	"	"	100.00%	HCA 100%
Hyundai HK Funding Two, LLC	"	"	100.00%	HCA 100%
Hyundai Auto Lease Funding, LLC	"	"	100.00%	HCA 100%
Hyundai ABS Funding Corporation	"	"	100.00%	HCA 100%
Hyundai Capital Insurance Services, LLC	"	"	100.00%	HCA 100%
HK Real Properties, LLC	"	"	100.00%	HCA 100%

(*) As the Company is considered to have substantial control over the entity, it is included in the consolidated financial statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(1) Basis of consolidated financial statements presentation

The Company and its subsidiaries (the “Group”) adopted the Korean International Financial Reporting Standards (“K-IFRS”) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 *First-time Adoption of K-IFRS*, the date of transition to K-IFRS is January 1, 2010. Reconciliations of the effect of the transition to K-IFRS are described in Note 36.

The Group’s interim consolidated financial statements for the three months ended March 31, 2011 are prepared in accordance with K-IFRS 1034 *Interim Financial Reporting*. The interim consolidated financial statements are prepared in accordance with the K-IFRS that are effective as of March 31, 2011.

There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end. Accordingly, accounting policies that are used for the preparation of the interim consolidated financial statements may be different from the policies that are used for the preparation of the first annual consolidated financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

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

(2) Basis of measurement

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

(3) Basis of consolidation

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

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

(4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value.

Acquisition-related costs are generally recognized in profit or loss as incurred. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

(5) Revenue recognition

1) Sale of goods

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

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

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

2) Rendering of services

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

3) Royalties

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

4) Dividend and interest income

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

(6) Foreign currency translation

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

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

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

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

(7) Financial assets

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

1) Financial assets at FVTPL

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

2) Held-to-maturity investments

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

3) Loans and receivables

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

4) AFS financial assets

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

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

(8) Impairment of financial assets

1) Financial assets carried at amortized cost

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

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

2) Financial assets carried at cost

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

3) Available-for-sale financial assets

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

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

(9) Derecognition of financial assets

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

(10) Inventory

Inventory is measured at the lower of cost and net realizable value. Inventory cost including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method except for the cost for inventory in transit which are determined by identified cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments in associates

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

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

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

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

(12) Interests in joint ventures

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

(13) Property, plant and equipment

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

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

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

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

(14) Investment property

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

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

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

(15) Intangible asset

1) Goodwill

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

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

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

2) Development costs

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

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

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

3) Intangible assets acquired separately

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

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

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

(16) Impairment of tangible and intangible assets

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

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

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

(17) Lease

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

1) The Group as lessor

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

2) The Group as lessee

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

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

(18) Borrowing costs

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

(19) Retirement benefit costs

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

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation, less fair value of plan assets and adjustment for unrecognized past service cost. Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method. The present value of the defined benefit obligation are measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds with similar maturity as the expected post-employment benefit payment date. Actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results is recognized in other comprehensive income of the statement of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit and loss of current period. Past service costs are recognized in profit and loss of the period, but if the changes in pension plans require a vesting period, the past service costs are expensed over the vesting period using a straight-line method.

(20) Provisions

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

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

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

(21) Taxation

Income tax expense is composed of current and deferred tax.

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

(22) Treasury stock

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

(23) Financial liabilities and equity instruments

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

1) Equity instruments

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

2) Financial guarantee liabilities

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

3) Financial liabilities at FVTPL (Fair Value Through Profit or Loss)

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

4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

(24) Derivative financial instruments

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

1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2) Cash flow hedges

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

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

(25) Significant accounting judgements and key sources of estimation uncertainties

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

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

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

Description	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,116,201	₩ 98,339	₩ 3,222,358	₩ 109,244
Allowance for doubtful accounts	(33,090)	-	(30,355)	-
Present value discount accounts	-	(9,090)	-	(10,860)
	<u>₩ 3,083,111</u>	<u>₩ 89,249</u>	<u>₩ 3,192,003</u>	<u>₩ 98,384</u>

The balances of trade receivables that are past due, but not impaired as of March 31, 2011 and December 31, 2010 are ₩220,186 million and ₩360,014 million, respectively, and the balances that are past due under 90 days are ₩133,594 million and ₩162,965 million, respectively. The impaired amounts as of March 31, 2011 and December 31, 2010 are ₩33,313 million and ₩31,229 million, respectively.

- (2) The changes in allowance for doubtful accounts for the three months ended March 31, 2011 and 2010 are as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Beginning of the period	₩ 30,355	₩ 29,993
Impairment loss	3,234	4,324
Effect of foreign exchange differences	(499)	(652)
End of the period	<u>₩ 33,090</u>	<u>₩ 33,665</u>

4. OTHER RECEIVABLES:

Other receivables as of March 31, 2011 and December 31, 2010 consist of the following:

Description	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivables-other	₩ 1,342,689	₩ 686,565	₩ 1,276,609	₩ 774,737
Due from customers for contract work	883,114	-	751,016	-
Lease and rental deposits	57,738	537,304	82,216	234,521
Deposits	5,553	39,072	2,323	39,430
Other	7,832	20,348	9,754	21,810
Allowance for doubtful accounts	(2,752)	-	(4,018)	-
Present value discount accounts	-	(8,842)	-	(10,347)
	<u>₩ 2,294,174</u>	<u>₩ 1,274,447</u>	<u>₩ 2,117,900</u>	<u>₩ 1,060,151</u>

5. OTHER FINANCIAL ASSETS:

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

Description	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial assets at FVTPL	₩ 260,640	₩ 48,093	₩ 10,684	₩ 198,617
Derivative assets that are effective hedging instruments	478,862	-	109,545	461,773
AFS financial assets	24,805	1,753,893	3,372	1,476,613
Loans and receivables	8,698	8,276	2,145	8,800
	<u>₩ 773,005</u>	<u>₩ 1,810,262</u>	<u>₩ 125,746</u>	<u>₩ 2,145,803</u>

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

Description	March 31, 2011			December 31, 2010	
	Acquisition cost	Fair value	Difference	Book value	Book value
	(In millions of Korean Won)				
Debt instruments	₩ 23,594	₩ 26,038	₩ 2,444	₩ 26,038	₩ 24,783
Equity instruments	<u>508,683</u>	<u>1,752,660</u>	<u>1,243,977</u>	<u>1,752,660</u>	<u>1,455,202</u>
	<u>₩ 532,277</u>	<u>₩ 1,778,698</u>	<u>₩ 1,246,421</u>	<u>₩ 1,778,698</u>	<u>₩ 1,479,985</u>

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

Name of company	Ownership percentage (%)	Acquisition cost	March 31, 2011		December 31, 2010
			Book value	Difference	Book value
(In millions of Korean Won)					
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 1,134,420	₩ 1,077,496	₩ 970,170
Hyundai Glovis Co., Ltd.	4.88	210,688	285,626	74,938	150,743
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	120,211	66,477	120,211
Seoul Metro Line Nine Corporation(*)	25.00	41,779	41,779	-	41,779
Hyundai Green Food Co., Ltd.	2.56	15,005	28,154	13,149	25,962
Hyundai Merchant Marine Co., Ltd.	0.45	9,161	23,839	14,678	26,715
Doosan Capital Co., Ltd.	9.99	10,000	22,866	12,866	22,866
Hyundai Development Company	0.60	9,025	14,333	5,308	15,300
Hyundai Finance Corporation	9.29	9,888	10,084	196	9,887
KT Corporation	0.09	8,655	9,340	685	11,104
Ubivelo Co., Ltd.	5.65	1,710	7,111	5,401	5,444
Hyundai Venture Investment Corp.	14.97	4,490	4,490	-	4,490
Industry Otomotif Komersial	15.00	4,439	4,439	-	4,439
Hyundai Asan Corporation	2.85	22,500	4,239	(18,261)	4,239
NICE Information Service Co., Ltd.	2.25	3,312	4,016	704	4,221
NICE Holdings Co., Ltd.	1.42	3,491	3,023	(468)	3,097
Kihyup Finance	10.34	3,000	3,000	-	3,000
EUKOR Shipowning Singapore Pte Ltd.	12.00	2,099	2,099	-	2,099
NESSCAP Inc.	7.30	1,997	1,997	-	1,997
Muan environment Co., Ltd.(*)	29.90	1,848	1,848	-	1,848
Hyundai Research Institute	14.90	1,359	1,271	(88)	1,271
Heesung PM Tech Corporation	19.90	1,194	1,194	-	1,194
Dongbu NTS Co., Ltd.	19.90	1,134	1,134	-	1,134
Micro Infinity	9.02	607	607	-	607
UI Trans Corporation	4.00	501	501	-	501
Clean Air Technology Inc.	16.13	500	500	-	500
ENOVA System	0.59	2,204	308	(1,896)	271
Green village Co., Ltd.	5.43	4,800	284	(4,516)	284
Jinil MVC Co., Ltd.	18.00	180	180	-	180
ROTIS Inc.	0.19	1,000	8	(992)	8
Equity investment and other		21,459	19,759	(1,700)	19,641
		<u>₩ 508,683</u>	<u>₩ 1,752,660</u>	<u>₩ 1,243,977</u>	<u>₩ 1,455,202</u>

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

As of March 31, 2011 the difference between the book value and the acquisition cost of equity securities includes the impairment loss of ₩25,557 million.

6. INVENTORIES:

Inventories as of March 31, 2011 and December 31, 2010 consist of the following:

	<u>March 31, 2011</u>			<u>December 31, 2010</u>		
	<u>Acquisition cost</u>	<u>Valuation allowance</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Valuation allowance</u>	<u>Book value</u>
	(In millions of Korean Won)					
Finished goods	₩ 2,653,218	₩ (9,055)	₩ 2,644,163	₩ 2,821,526	₩ (11,697)	₩ 2,809,829
Merchandise	174,628	(16,492)	158,136	168,882	(15,322)	153,560
Semi-finished goods	292,100	(11)	292,089	282,519	(18)	282,501
Work in progress	293,900	(14)	293,886	274,025	(1,158)	272,867
Raw materials	1,015,040	(1,607)	1,013,433	1,070,210	(627)	1,069,583
Supplies	163,779	-	163,779	155,091	-	155,091
Materials in transit	392,829	-	392,829	211,779	-	211,779
Other	517,360	(1,975)	515,385	538,359	(2,132)	536,227
	<u>₩ 5,502,854</u>	<u>₩ (29,154)</u>	<u>₩ 5,473,700</u>	<u>₩ 5,522,391</u>	<u>₩ (30,954)</u>	<u>₩ 5,491,437</u>

7. OTHER ASSETS:

Other assets as of March 31, 2011 and December 31, 2010 consist of the following:

<u>Description</u>	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
	(In millions of Korean Won)			
Accrued income	₩ 308,294	₩ -	₩ 295,254	₩ -
Advanced payments	381,548	19,217	480,168	-
Prepaid expenses	173,875	1,434	170,117	1,497
Prepaid VAT and other	250,878	-	243,274	-
	<u>₩ 1,114,595</u>	<u>₩ 20,651</u>	<u>₩ 1,188,813</u>	<u>₩ 1,497</u>

8. PROPERTY, PLANT AND EQUIPMENT:

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

<u>Description</u>	<u>March 31, 2011</u>			<u>December 31, 2010</u>		
	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
	(In millions of Korean Won)					
Land	₩ 5,623,113	₩ -	₩ 5,623,113	₩ 5,667,851	₩ -	₩ 5,667,851
Buildings	5,887,261	(1,564,608)	4,322,653	5,869,056	(1,533,238)	4,335,818
Structures	871,123	(313,142)	557,981	849,730	(302,794)	546,936
Machinery and equipment	10,189,720	(5,033,795)	5,155,925	10,020,479	(4,912,738)	5,107,741
Vehicles	277,753	(103,270)	174,483	258,988	(98,558)	160,430
Dies, molds and tools	4,878,097	(3,531,762)	1,346,335	4,794,467	(3,429,965)	1,364,502
Office equipment	1,282,321	(958,267)	324,054	1,271,737	(951,749)	319,988
Other	72,113	(48,480)	23,633	69,771	(62,786)	6,985
Construction in progress	997,490	-	997,490	1,003,958	-	1,003,958
	<u>₩ 30,078,991</u>	<u>₩ (11,553,324)</u>	<u>₩ 18,525,667</u>	<u>₩ 29,806,037</u>	<u>₩ (11,291,828)</u>	<u>₩ 18,514,209</u>

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

Description	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of period
(In millions of Korean Won)							
Land	₩ 5,667,851	₩ 3,706	₩ 7,477	₩ (40,079)	₩ -	₩ (15,842)	₩ 5,623,113
Buildings	4,335,818	12,680	28,528	(2,233)	(45,370)	(6,770)	4,322,653
Structures	546,936	935	16,102	(933)	(11,260)	6,201	557,981
Machinery and equipment	5,107,741	44,141	181,010	(1,613)	(162,474)	(12,880)	5,155,925
Vehicles	160,430	11,069	1,308	(5,729)	(8,537)	15,942	174,483
Dies, molds and tools	1,364,502	14,960	88,237	(222)	(121,119)	(23)	1,346,335
Office equipment	319,988	12,710	23,886	(272)	(31,964)	(294)	324,054
Other	6,985	4,523	13,963	(482)	(1,905)	549	23,633
Construction in progress	1,003,958	357,549	(360,511)	(858)	-	(2,648)	997,490
	<u>₩ 18,514,209</u>	<u>₩ 462,273</u>	<u>₩ -</u>	<u>₩ (52,421)</u>	<u>₩ (382,629)</u>	<u>₩ (15,765)</u>	<u>₩ 18,525,667</u>

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

The changes in property, plant and equipment for the three months ended March 31, 2010 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other (*)	End of period
(In millions of Korean Won)							
Land	₩ 5,667,985	₩ 5,476	₩ 40,633	₩ (13,696)	₩ -	₩ (14,789)	₩ 5,685,609
Buildings	4,296,820	6,347	31,370	(9,877)	(44,884)	(62,862)	4,216,914
Structures	486,670	9,288	5,345	(2,402)	(8,936)	(20,131)	469,834
Machinery and equipment	5,066,628	58,192	46,858	(34,725)	(177,246)	(32,444)	4,927,263
Vehicles	152,917	13,206	1,370	(17,211)	(6,888)	9,066	152,460
Dies, molds and tools	1,405,635	23,819	35,562	(173)	(119,577)	(32,212)	1,313,054
Office equipment	340,013	8,054	22,201	(385)	(32,476)	(5,849)	331,558
Other	52,148	5,142	125	(75)	(1,823)	(5,099)	50,418
Construction in progress	936,582	352,262	(183,464)	(15,384)	-	(60,969)	1,029,027
	<u>₩ 18,405,398</u>	<u>₩ 481,786</u>	<u>₩ -</u>	<u>₩ (93,928)</u>	<u>₩ (391,830)</u>	<u>₩ (225,289)</u>	<u>₩ 18,176,137</u>

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

9. INVESTMENT PROPERTY:

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

Description	March 31, 2011			December 31, 2010		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
(In millions of Korean Won)						
Land	₩ 46,757	₩ -	₩ 46,757	₩ 32,159	₩ -	₩ 32,159
Buildings	328,535	(110,533)	218,002	322,169	(101,398)	220,771
Structures	18,303	(3,667)	14,636	17,620	(3,434)	14,186
	<u>₩ 393,595</u>	<u>₩ (114,200)</u>	<u>₩ 279,395</u>	<u>₩ 371,948</u>	<u>₩ (104,832)</u>	<u>₩ 267,116</u>

(2) The changes in investment property for the three months ended March 31, 2011 are as follows:

<u>Description</u>	<u>Beginning of period</u>	<u>Depreciation</u>	<u>Transfer</u>	<u>Effect of exchange differences</u>	<u>End of period</u>
(In millions of Korean Won)					
Land	₩ 32,159	₩ -	₩ 14,598	₩ -	₩ 46,757
Buildings	220,771	(2,710)	1,436	(1,495)	218,002
Structures	<u>14,186</u>	<u>(98)</u>	<u>548</u>	<u>-</u>	<u>14,636</u>
	<u>₩ 267,116</u>	<u>₩ (2,808)</u>	<u>₩ 16,582</u>	<u>₩ (1,495)</u>	<u>₩ 279,395</u>

The changes in investment property for the three months ended March 31, 2010 are as follows:

<u>Description</u>	<u>Beginning of period</u>	<u>Depreciation</u>	<u>Transfer</u>	<u>Effect of exchange differences</u>	<u>End of period</u>
(In millions of Korean Won)					
Land	₩ 32,159	₩ -	₩ -	₩ -	₩ 32,159
Buildings	230,911	(2,768)	30	(2,423)	225,750
Structures	<u>14,572</u>	<u>(96)</u>	<u>-</u>	<u>-</u>	<u>14,476</u>
	<u>₩ 277,642</u>	<u>₩ (2,864)</u>	<u>₩ 30</u>	<u>₩ (2,423)</u>	<u>₩ 272,385</u>

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

<u>Description</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
(In millions of Korean Won)		
Land	₩ 46,757	₩ 32,159
Buildings	363,866	361,782
Structures	<u>15,223</u>	<u>14,656</u>
	<u>₩ 425,846</u>	<u>₩ 408,597</u>

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

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

<u>Description</u>	<u>2011</u>	<u>2010</u>
(In millions of Korean Won)		
Rental income	₩ 6,404	₩ 5,174
Operating and maintenance expenses	1,923	1,851

10. INTANGIBLES:

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

Description	March 31, 2011				December 31, 2010			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
	(In millions of Korean Won)							
Goodwill	₩ 181,392	₩ -	₩ (2,500)	₩ 178,892	₩ 180,077	₩ -	₩ (2,470)	₩ 177,607
Development costs	4,544,032	(2,346,173)	(342,331)	1,855,528	4,436,620	(2,230,027)	(263,127)	1,943,466
Industrial property rights	87,764	(62,323)	-	25,441	82,182	(61,155)	-	21,027
Software	242,990	(91,776)	-	151,214	219,153	(81,620)	-	137,533
Other	369,648	(85,458)	(6,795)	277,395	362,866	(82,376)	-	273,778
Construction in progress	99,559	-	-	99,559	98,157	-	-	98,157
	<u>₩ 5,525,385</u>	<u>₩ (2,585,730)</u>	<u>₩ (351,626)</u>	<u>₩ 2,588,029</u>	<u>₩ 5,379,055</u>	<u>₩ (2,455,178)</u>	<u>₩ (272,309)</u>	<u>₩ 2,651,568</u>

(2) The changes in intangibles for the three months ended March 31, 2011 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of period
		(In millions of Korean Won)						
Goodwill	₩ 177,607	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,285	₩ 178,892
Development costs	1,943,466	119,251	7,196	-	(138,382)	(79,204)	3,201	1,855,528
Industrial property rights	21,027	3,997	1,721	-	(1,346)	-	42	25,441
Software	137,533	7,969	664	-	(10,576)	-	15,624	151,214
Other	273,778	9,262	-	(37)	(3,644)	-	(1,964)	277,395
Construction in progress	98,157	12,224	(9,581)	-	-	-	(1,241)	99,559
	<u>₩ 2,651,568</u>	<u>₩ 152,703</u>	<u>₩ -</u>	<u>₩ (37)</u>	<u>₩ (153,948)</u>	<u>₩ (79,204)</u>	<u>₩ 16,947</u>	<u>₩ 2,588,029</u>

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

The changes in intangibles for the three months ended March 31, 2010 are as follows:

Description	Beginning of period	Acquisition	Transfer	Disposal	Amortization	Impairment	Other changes(*)	End of period
		(In millions of Korean Won)						
Goodwill	₩ 181,833	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (4,202)	₩ 177,631
Development costs	1,840,072	187,190	47,708	-	(142,613)	(101,306)	(2,439)	1,828,612
Industrial property rights	19,477	9	1,071	(1)	(1,231)	-	(35)	19,290
Software	97,976	699	949	(20)	(6,176)	-	3,030	96,458
Other	256,890	3,156	419	-	(4,856)	(178)	(3,777)	251,654
Construction in progress	96,051	800	(50,147)	-	-	-	(24,717)	21,987
	<u>₩ 2,492,299</u>	<u>₩ 191,854</u>	<u>₩ -</u>	<u>₩ (21)</u>	<u>₩ (154,876)</u>	<u>₩ (101,484)</u>	<u>₩ (32,140)</u>	<u>₩ 2,395,632</u>

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

(3) Research and development expenditure for the three months ended March 31, 2011 and 2010 are as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Development costs	₩ 119,251	₩ 187,190
Ordinary development (manufacturing cost)	22,681	29,717
Research costs (administrative expenses)	109,171	55,959
	<u>₩ 251,103</u>	<u>₩ 272,866</u>

(4) Impairment test of goodwill

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

Description	March 31,	December 31,
	2011	2010
	(In millions of Korean Won)	
Vehicle	₩ 98,065	₩ 96,780
Finance	482	482
Other	80,345	80,345
	<u>₩ 178,892</u>	<u>₩ 177,607</u>

The recoverable amount of the Group's cash-generating units are measured at its' value-in-use calculated by cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate of the region to which the CGUs belong to. No impairment loss is recognized based on the impairment test for the three months ended March 31, 2011 and 2010.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

Name of company	Nature of business	Location	March 31,	December 31,
			2011	2010
			Ownership Percentage	Book value
			(%)	(In millions of Korean Won)
Beijing-Hyundai Motor Company (BHMC)	Manufacturing	China	50.00	₩ 1,345,675
Kia Motors Manufacturing Georgia Inc. (KMMG)	"	U.S.A	30.00	178,379
Hyundai Motor Group China, Ltd. (HMGC)	Investment	China	50.00	105,941
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	"	22.00	66,624
Beijing Mobis Transmission Co., Ltd. (BMT)	Sales	"	24.08	52,782
Hyundai Motor Deutschland GmbH (HMDG)	"	Germany	35.29	34,928
Hyundai Powertech Manufacturing America (HPMA)	Manufacturing	U.S.A	30.00	22,371
Hyundai Powertech (Shandong) Co., Ltd (PTS)	"	China	30.00	21,446
Innocean Worldwide Americas, LLC. (IWA)	Advertisement	U.S.A	30.00	6,531
Hyundai Information Service North America (HISNA)	Information technology	"	30.00	2,612
Global Engine Alliance, LLC. (GEA)	Manufacturing	"	33.33	1,791
Hyundai Capital Germany GmbH (HCGG)	Financing	Germany	40.01	1,377
Kia Motors Corporation	Manufacturing	Korea	33.70	3,537,029
Hyundai WIA Corporation	"	"	33.33	418,892
Hyundai HYSOCO Co., Ltd.	"	"	26.13	389,865

Name of company	Nature of business	Location	Ownership Percentage	March 31,	December 31,
				2011	2010
				Book value	Book value
				(In millions of Korean Won)	
Hyundai Powertech Co., Ltd.	"	"	37.58	₩ 227,594	₩ 216,242
HMC Investment Securities Co., Ltd.	Securities				
	Brokerage	"	26.27	201,158	198,317
Hyundai Dymos Inc.	Manufacturing	"	47.27	176,655	159,887
KEFICO Corporation	"	"	50.00	152,375	155,077
Korea Aerospace Industries, Co., Ltd.	"	"	20.66	135,061	129,177
Hyundai Commercial Inc.	Financing	"	50.00	97,876	90,043
Eukor Car Carriers Inc.(*)	Transportation	"	12.00	81,360	82,259
HK Mutual Savings Bank	Financing	"	20.00	45,677	42,849
Hyundai Autoever Corp.	Information				
	technology	"	29.90	38,700	39,969
The Korea Economic Daily Co., Ltd.	Newspaper	"	20.55	30,744	31,171
Iljin Bearing Co., Ltd.	Manufacturing	"	20.00	20,901	20,602
HMC Win Win Fund	Investment				
	association	"	33.33	18,220	18,131
Hyundai M & Soft Co., Ltd.	Information				
	technology	"	31.84	17,207	16,378
Daesung Automotive Co., Ltd.	Manufacturing	"	20.00	14,365	14,731
Korea Credit Bureau Co., Ltd.(*)	Financing	"	9.00	4,484	4,514
Seoul Metro Line Nine Corporation	Metro				
	operation	"	20.00	1,548	1,290
HI Network Inc.(*)	Financing	"	19.99	508	1,055
Haevichi Country Club., Ltd	Golf course				
	operation	"	30.00	-	-
				<u>₩ 7,450,676</u>	<u>₩ 6,909,451</u>

(*) As the Group is considered to be able to exercise significant influence, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(2) The changes in investments in joint ventures and associates for the three months ended March 31, 2011 and 2010 are as follows:

Description	Three months March 31,	
	2011	2010
(In millions of Korean Won)		
Beginning of the period	₩ 6,909,451	₩ 5,484,413
Acquisition	10,809	37,576
Share of profit for the period	572,017	345,697
Dividends	(102,909)	(47,056)
Other(*)	61,308	(81,723)
End of the period	<u>₩ 7,450,676</u>	<u>₩ 5,738,907</u>

(*) Other changes consist of the changes of accumulated other comprehensive income, retained earnings and ownership percentage caused by capital increases in investments.

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

Name of company	Assets	Liabilities	Sales	Net income (loss)
(In millions of Korean Won)				
BHMC	₩ 5,326,449	₩ 2,621,668	₩ 2,933,363	₩ 277,217
KMMG	2,019,488	1,399,976	1,305,341	85,267
HMGC	471,422	231,775	542,125	34,960
WAE	763,986	461,153	219,240	8,240
BMT	304,452	85,258	85,901	6,449
HMDG	379,116	280,154	376,833	1,383
HPMA	312,884	236,387	182,342	1,081
PTS	91,928	20,443	-	-
IWA	193,603	178,546	43,130	3,269
HISNA	18,761	10,993	20,074	433
GEA	20,119	13,561	7,333	54
HCGG	3,287	108	130	12
Kia Motors Corporation	28,312,737	17,133,835	10,657,827	953,221
Hyundai WIA Corporation	3,844,659	2,547,951	1,496,872	54,681
Hyundai HYSKO Co., Ltd.	4,160,862	2,756,066	1,856,461	73,332
Hyundai Powertech Co., Ltd.	1,875,668	1,233,425	683,689	30,542
HMC Investment Securities Co., Ltd.	2,821,822	2,208,480	102,406	15,903
Hyundai Dymos Inc.	1,069,499	692,700	449,304	14,003
KEFICO Corporation	699,637	392,764	281,012	13,809
Korea Aerospace Industries, Co., Ltd.	1,752,278	1,114,260	323,884	33,438
Hyundai Commercial Inc.	3,021,666	2,826,956	80,258	18,121
Eukor Car Carriers Inc.	2,484,073	1,806,075	541,791	51,230
HK Mutual Savings Bank	2,487,736	2,320,593	88,477	13,626
Hyundai Autoever Corp.	301,844	172,251	138,422	5,831
The Korea Economic Daily Co., Ltd.	191,413	56,673	26,947	(2,079)
Iljin Bearing Co., Ltd.	142,059	37,560	52,756	2,618
HMC Win Win Fund	54,660	-	424	266
Hyundai M & Soft Co., Ltd.	73,773	19,968	18,188	3,051
Daesung Automotive Co., Ltd.	89,547	17,724	14,458	1,157
Korea Credit Bureau Co., Ltd.	42,029	7,066	6,876	(423)
Seoul Metro Line Nine Corporation	18,422	10,735	13,645	1,285
HI Network Inc.	8,641	2,567	5,075	798
Haevichi Country Club., Ltd	215,697	262,078	952	(3,560)

(4) The market price of listed equity securities as of March 31, 2011 is as follows:

Name of company	Price per share	Number of shares	Market value
(In millions of Korean Won, except price per share)			
Kia Motors Corporation	₩ 69,000	134,285,491	₩ 9,265,699
Hyundai WIA Corporation	77,300	8,575,239	662,866
Hyundai HYSKO Co., Ltd.	31,850	20,954,188	667,391
HMC Investment Securities Co., Ltd.	20,550	7,705,980	158,358

(5) The losses for the three months ended March 31, 2011 and cumulative losses as of March 31, 2011, which are not recognized due to the discontinuation of the equity method, are ₩1,068 million and ₩9,287 million, respectively, related to Haevichi Country Club., Ltd.

12. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate	March 31, 2011	March 31, 2011	December 31, 2010
		March 31, 2011 (%)			
Overdrafts	Nordea Bank and other	1.93 ~ 2.80	₩	147,065	₩ 190,791
General loans	Kookmin Bank and other	0.34 ~ 6.06		3,823,222	3,981,880
Loans on trade receivables collateral	Korea Exchange Bank and other	Libor + 0.70 ~ 0.80		1,283,828	1,589,168
Usance	Kookmin Bank and other	Libor + 0.65 ~ 0.75		631,136	584,076
Short-term debentures	Hyundai Securities and other	1.76 ~ 5.07		873,060	1,008,906
Commercial paper	Shinhan Bank and other	2.93 ~ 4.15		1,404,000	1,940,000
Other	Korea Exchange Bank and other	0.82 ~ 2.26		95,332	41,647
				<u>₩ 8,257,643</u>	<u>₩ 9,336,468</u>

(2) Long-term borrowings as of March 31, 2011 and December 31, 2010 consist of the following:

Description	Lender	Annual interest rate	March 31, 2011	March 31, 2011	December 31, 2010
		March 31, 2011 (%)			
General loans	Shinhan Bank and other	1.75~11.00	₩	1,210,006	₩ 1,093,597
Facility loan	Korea Development Bank and other	0.76~4.38		1,354,762	1,125,824
Commercial paper	SK Securities and other	3.71~3.75		130,000	330,000
Other	Export-Import Bank of Korea and other	1.00~7.73		482,982	960,231
				<u>3,177,750</u>	<u>3,509,652</u>
Less: present value discounts				190,919	201,124
Less: current maturities				615,714	848,043
				<u>₩ 2,371,117</u>	<u>₩ 2,460,485</u>

(3) Debentures as of March 31, 2011 and December 31, 2010 consist of the following:

Description	Latest maturity date	Annual interest rate	March 31, 2011	March 31, 2011	December 31, 2010
		March 31, 2011 (%)			
Domestic debentures:					
Non-guaranteed public debentures	March 29, 2018	1.33~8.95	₩	19,926,257	₩ 18,192,913
Non-guaranteed private debentures	March 18, 2015	0.33~7.00		2,930,757	3,099,035
Overseas debentures:					
Guaranteed public debentures	April, 6, 2016	3.75~4.50		1,099,443	1,125,126
Guaranteed private debentures	April 25, 2015	5.68		83,040	85,418
Secured debentures	June 15, 2017	0.32~5.48		3,995,655	3,486,551
				<u>28,035,152</u>	<u>25,989,043</u>
Less: discount on debentures				48,113	37,791
Less: current maturities				6,715,175	5,674,662
				<u>₩ 21,271,864</u>	<u>₩ 20,276,590</u>

13. PROVISIONS:

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

Description	March 31,		December 31,	
	2011		2010	
	(In millions of Korean Won)			
Warranty	₩	5,354,110	₩	5,252,340
Employee benefit		429,694		431,518
Other		320,917		301,720
	₩	<u>6,104,721</u>	₩	<u>5,985,578</u>

(2) The changes of provisions for the three months ended March 31, 2011 are as follows:

Description	Warranty		Employee benefit		Other	
	(In millions of Korean Won)					
Beginning of the period	₩	5,252,340	₩	431,518	₩	301,720
Accrual		294,664		12,975		11,273
Use		(128,816)		(14,651)		(9,137)
Changes in the discount rate		35,796		-		-
Changes in expected reimbursements by third parties		(86,918)		-		-
Effect of foreign exchange differences		(12,956)		(148)		(100)
Other		-		-		17,161
End of the period	₩	<u>5,354,110</u>	₩	<u>429,694</u>	₩	<u>320,917</u>

14. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of March 31, 2011 and December 31, 2010 consist of the following:

Description	March 31,		December 31,	
	2011		2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL	₩	54,086	₩	424,043
Derivative liabilities that are effective hedging instruments		172,582		71,519
Other		-		85,799
	₩	<u>226,668</u>	₩	<u>528,562</u>
	₩		₩	<u>117,715</u>
	₩		₩	<u>622,624</u>

15. OTHER LIABILITIES:

Other liabilities as of March 31, 2011 and December 31, 2010 consist of the following:

Description	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advance received	₩	393,070	₩	33,152
Withholdings		929,497		603,930
Accrued expenses		1,430,822		969,355
Unearned income		329,551		1,007,750
Accrued dividends		412,332		321,863
Other		455,400		330,881
	₩	<u>3,950,672</u>	₩	<u>1,254,299</u>
	₩		₩	<u>3,066,008</u>
	₩		₩	<u>1,172,667</u>

16. FINANCIAL SERVICES ASSETS AND LIABILITIES:

(1) Financial services assets as of March 31, 2011 and December 31, 2010 consist of the following:

<u>Description</u>	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
(In millions of Korean Won)		
I. Financial services receivables:		
Loans	₩ 23,943,816	₩ 23,155,855
Card receivables	8,965,436	9,028,064
Financial lease receivables	1,899,037	1,771,393
Other lease receivables	<u>59,318</u>	<u>31,932</u>
	34,867,607	33,987,244
Allowance of doubtful accounts	(659,659)	(615,599)
Loan origination fee	(385,171)	(398,300)
Present value discount accounts	<u>(8,144)</u>	<u>(8,346)</u>
	33,814,633	32,964,999
II. Lease assets:		
Operating lease assets	3,389,994	2,998,691
Accumulated depreciation	(351,119)	(378,654)
Accumulated impairment loss	<u>(27,550)</u>	<u>(17,969)</u>
	<u>3,011,325</u>	<u>2,602,068</u>
Total	<u>₩ 36,825,958</u>	<u>₩ 35,567,067</u>

The balances of financial services receivables that are past due, but not impaired as of March 31, 2011 and December 31, 2010 are ₩1,127,814 million and ₩1,059,980 million, respectively, and the balances that are past due under 90 days are ₩1,105,164 million and ₩1,059,977 million, respectively. The impaired amounts as of March 31, 2011 and December 31, 2010 are ₩239,270 million and ₩479,660 million, respectively.

(2) The changes in allowance for doubtful accounts of financial services receivables for the three months ended March 31, 2011 and 2010 are as follows:

<u>Description</u>	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
(In millions of Korean Won)		
Beginning of the period	₩ 615,599	₩ 431,817
Impairment loss	157,579	81,038
Write-off	(74,859)	(74,854)
Effect of foreign exchange differences	(5,190)	(3,789)
Transfer and other	<u>(33,470)</u>	<u>(5,555)</u>
End of the period	<u>₩ 659,659</u>	<u>₩ 428,657</u>

(3) Financial services liabilities as of March 31, 2011 and December 31, 2010 mainly consist of business operating accounts payables.

17. CATEGORIES OF FINANCIAL INSTRUMENTS:

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

Description	Financial assets		Loans		AFS		Derivatives		Book value	Fair value		
	at FVTPL		and receivables		financial assets		designated as					
							hedging instruments					
(In millions of Korean Won)												
Cash and cash equivalents	₩	-	₩	8,356,560	₩	-	₩	-	₩	8,356,560	₩	8,356,560
Short-term and long-term financial instruments		-		7,286,626		-		-		7,286,626		7,286,626
Trade notes and accounts receivable		-		3,172,360		-		-		3,172,360		3,172,360
Other receivables		-		3,568,621		-		-		3,568,621		3,568,621
Other financial assets		308,733		16,974		1,778,698		478,862		2,583,267		2,583,267
Other assets		-		308,294		-		-		308,294		308,294
Financial services receivables		-		33,814,633		-		-		33,814,633		33,814,633
	₩	<u>308,733</u>	₩	<u>56,524,068</u>	₩	<u>1,778,698</u>	₩	<u>478,862</u>	₩	<u>59,090,361</u>	₩	<u>59,090,361</u>

(2) Categories of financial liabilities as of March 31, 2011, consist of the following:

Description	Financial liabilities		Financial liabilities		Derivatives		Book value	Fair value		
	at FVTPL		carried at		designated as					
			amortized cost		hedging instruments					
(In millions of Korean Won)										
Trade notes and accounts payable	₩	-	₩	6,642,854	₩	-	₩	6,642,854	₩	6,642,854
Other payables		-		2,690,327		-		2,690,327		2,690,327
Borrowings and Debentures		-		39,231,513		-		39,231,513		39,571,735
Other financial liabilities		478,129		104,519		172,582		755,230		755,230
Other liabilities		-		1,430,822		-		1,430,822		1,430,822
Financial services Liabilities		-		272,886		-		272,886		272,886
	₩	<u>478,129</u>	₩	<u>50,372,921</u>	₩	<u>172,582</u>	₩	<u>51,023,632</u>	₩	<u>51,363,854</u>

(3) Fair value estimation

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

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

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

Description	March 31, 2011			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial Assets:				
Financial assets at FVTPL	₩ 187,425	₩ 121,308	₩ -	₩ 308,733
Derivatives designated as hedging instruments	-	478,862	-	478,862
AFS financial assets	<u>1,510,170</u>	<u>158,948</u>	<u>109,580</u>	<u>1,778,698</u>
	<u>₩ 1,697,595</u>	<u>₩ 759,118</u>	<u>₩ 109,580</u>	<u>₩ 2,566,293</u>
Financial Liabilities:				
Financial liabilities at FVTPL	412,225	65,904	-	478,129
Derivatives designated as hedging instruments	-	<u>172,582</u>	-	<u>172,582</u>
	<u>₩ 412,225</u>	<u>₩ 238,486</u>	<u>₩ -</u>	<u>₩ 650,711</u>

The changes in financial instruments classified as level 3 for the three months ended March 31, 2011 are as follows:

Description	Beginning of period	Purchases	Sales	Valuation	Transfer	End of period
	(In millions of Korean Won)					
AFS financial assets	₩ 109,401	₩ 1,104	₩ (309)	₩ (616)	₩ -	₩ 109,580

18. CAPITAL STOCK:

Common stock as of March 31, 2011 and December 31, 2010 consists of the following:

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

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

Preferred stock as of March 31, 2011 and December 31, 2010 consists of the following:

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

On March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount.

19. CAPITAL SURPLUS:

Capital surplus as of March 31, 2011 and December 31, 2010 consists of the following:

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Other	<u>579,601</u>	<u>579,601</u>
	<u>₩ 3,900,935</u>	<u>₩ 3,900,935</u>

20. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks for the stabilization of stock price. Treasury stocks as of March 31, 2011 and December 31, 2010 are as follows:

Description	March 31, 2011	December 31, 2010
	(Number of shares)	
Common shares	11,005,030	11,005,030
1 preferred shares	1,950,960	1,950,960
2 preferred shares	1,000,000	1,000,000

21. ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS):

Accumulated other comprehensive income(loss) as of March 31, 2011 and December 31, 2010 consists of the following:

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 993,541	₩ 850,568
Loss on valuation of AFS financial assets	(1,514)	(1,558)
Gain on valuation of derivatives	48,312	53,096
Loss on valuation of derivatives	(31,151)	(86,845)
Gain on valuation of investment securities accounted for using the equity method	85,959	107,704
Loss on valuation of investment securities accounted for using the equity method	(322,967)	(382,894)
Loss on foreign operations translation	<u>(202,073)</u>	<u>(130,157)</u>
	<u>₩ 570,107</u>	<u>₩ 409,914</u>

22. RETAINED EARNINGS:

Retained earnings as of March 31, 2011 and December 31, 2010 consist of the following:

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Legal reserve	₩ 375,113	₩ 333,890
Discretionary reserve	19,046,647	14,336,647
Unappropriated	7,144,117	10,545,626
	₩ 26,565,877	₩ 25,216,163

23. SALES:

Sales for the three months ended March 31, 2011 and 2010 consist of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Sales of goods	₩ 16,078,183	₩ 13,080,202
Rendering of services	225,464	201,280
Royalties	34,006	35,861
Other	61,717	63,511
Financial services revenue	1,833,991	1,640,575
	₩ 18,233,361	₩ 15,021,429

24. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2011 and 2010 consist of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Selling expenses :		
Export expenses	₩ 117,615	₩ 174,846
Overseas market expenses	122,822	177,506
Advertisements	329,611	288,501
Sales commissions	184,892	177,867
Warranty expenses	54,393	62,993
Campaign and recall expenses	11,498	9,647
Transportation expenses	41,710	54,671
Sales promotion	238,953	164,371
Provision for warranties	294,664	185,865
	1,396,158	1,296,267
Administrative expenses :		
Salaries	413,694	369,974
Post-employment benefits	29,780	24,728
Welfare expenses	65,586	62,217
Service charges	192,655	147,838
Research	109,171	55,959
Other	227,303	208,222
	1,038,189	868,938
	₩ 2,434,347	₩ 2,165,205

25. OTHER OPERATING INCOME AND EXPENSES:

(1) Other operating income for the three months ended March 31, 2011 and 2010 consists of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Gain on foreign exchange transaction	₩ 45,240	₩ 130,622
Gain on foreign currency translation	52,095	106,162
Gain on disposal of property, plant and equipment	2,615	14,424
Commission income	3,419	6,230
Rental income	18,605	18,606
Miscellaneous income and other	196,855	192,363
	<u>₩ 318,829</u>	<u>₩ 468,407</u>

(2) Other operating expenses for the three months ended March 31, 2011 and 2010 consist of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Loss on foreign exchange transaction	₩ 49,178	₩ 129,868
Loss on foreign currency translation	35,120	61,458
Loss on disposal of property, plant and equipment	6,768	28,467
Impairment loss on intangible assets	79,204	101,484
Donations	6,768	5,452
Miscellaneous loss and other	36,873	78,244
	<u>₩ 213,911</u>	<u>₩ 404,973</u>

26. FINANCIAL INCOME AND EXPENSES:

(1) Financial income for the three months ended March 31, 2011 and 2010 consist of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Interest income	₩ 116,674	₩ 87,026
Gain on foreign currency transaction	4,827	13,586
Gain on foreign currency translation	42,216	53,777
Dividends income	17,750	9,266
Income on financial guarantee	291	1,328
Gain on disposal of AFS financial assets	2,182	-
Gain on valuation of derivatives	67,397	48,036
Other	2,695	1,335
	<u>₩ 254,032</u>	<u>₩ 214,354</u>

(2) Financial expenses for the three months ended March 31, 2011 and 2010 consist of the following:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Interest expenses	₩ 137,842	₩ 170,311
Loss on foreign currency transaction	5,527	16,832
Loss on foreign currency translation	2,291	9,245
Loss on disposal of receivables	4,110	2,948
Loss on valuation of financial instruments at FVTPL	7,305	23,924
Loss on disposal of AFS financial assets	11	3
Impairment loss on AFS financial assets	-	1,200
Loss on valuation of derivatives	31,814	276
	₩ 188,900	₩ 224,739

27. EXPENSES BY NATURE:

Expenses by nature for the three months ended March 31, 2011 consist of the following:

Description	Three months ended
	March 31, 2011
	(In millions of Korean Won)
Changes in inventories	₩ 151,324
Purchase of raw materials and merchandise	15,696,972
Employee benefits	1,396,551
Depreciation	385,437
Amortization	153,948
Other	4,399,937
	22,184,169
Consolidation adjustments	(5,459,450)
Total(*)	₩ 16,724,719

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

28. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of expenses related to diluted securities, by weighted average number of common shares and diluted securities outstanding during the period. The Group does not compute diluted earnings per common share for the three months ended March 31, 2011 and 2010 because there is no item related to dilution.

Basic earnings per common share for the three months ended March 31, 2011 and 2010 are computed as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won, except per share amounts)	
Net income attributable to owners of the parent	₩ 1,751,514	₩ 1,152,014
Expected dividends on preferred stock	(402,517)	(265,069)
Net income available to common share	1,348,997	886,945
Weighted average number of common shares outstanding (*)	209,275,129	208,821,908
Basic earnings per common share	₩ 6,446	₩ 4,247

(*) Weighted average number of common shares outstanding includes transactions pertaining to change of treasury stock.

29. INCOME TAX EXPENSE:

Income tax expense for the three months ended March 31, 2011 and 2010 consists of the following:

<u>Description</u>	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	(In millions of Korean Won)	
Income tax currently payable	₩ 461,055	₩ 328,286
Adjustments recognized in the current year in relation to the prior years	(6,608)	(33,795)
Changes in deferred taxes due to:		
Temporary differences	361,826	97,216
Tax credits and deficits	(165,953)	(1,301)
Items directly charged to equity	(67,103)	(44,433)
Current tax directly charged to equity	-	(28,524)
Effect of foreign exchange differences	4,632	(7,916)
Income tax expense	<u>₩ 587,849</u>	<u>₩ 309,533</u>

30. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the three months ended March 31, 2011 and 2010 are as follows:

<u>Description</u>	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	(In millions of Korean Won)	
Paid in cash	₩ 1,561	₩ 686
Recognized liability	516	3,469
	<u>₩ 2,077</u>	<u>₩ 4,155</u>

(2) Actuarial assumptions used as of March 31, 2011 and December 31, 2010 are as follows:

<u>Description</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Discount rate	4.90~5.90%	4.90~5.90%
Expected return on plan assets	4.20~8.25%	4.20~8.25%
Expected rate of salary increase	1.50~5.50%	1.50~5.50%

(3) Income and loss in relation to defined benefit plans for the three months ended March 31, 2011 and 2010 are as follows:

<u>Description</u>	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	(In millions of Korean Won)	
Current service cost	₩ 80,745	₩ 69,026
Interest cost	23,899	25,541
Expected return on plan assets	(14,921)	(18,054)
	<u>₩ 89,723</u>	<u>₩ 76,513</u>
Cost of sales (Manufacturing cost)	48,918	44,917
Selling and administrative expenses	28,863	21,734
Other	11,942	9,862
	<u>₩ 89,723</u>	<u>₩ 76,513</u>

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

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Present value of defined benefit obligation	₩ 1,789,957	₩ 1,808,027
Fair value of plan assets	<u>(1,306,177)</u>	<u>(1,318,430)</u>
Defined benefit obligation	<u>₩ 483,780</u>	<u>₩ 489,597</u>

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

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Beginning of the period	₩ 1,808,027	₩ 1,934,504
Current service cost	80,745	69,026
Interest cost	23,899	25,541
Transfer in(out)	2,476	1,168
Actuarial loss	(5,227)	(3,797)
Benefits paid	(117,559)	(75,345)
Effect of foreign exchange differences	(4,425)	(4,729)
Other	2,021	5,673
End of the period	<u>₩ 1,789,957</u>	<u>₩ 1,952,041</u>

- (6) Changes in fair value of the plan assets for the three months ended March 31, 2011 and 2010 are as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Beginning of the period	₩ 1,318,430	₩ 1,406,898
Expected return on plan assets	14,921	18,054
Actuarial gain	4,755	1,116
Transfer in(out)	497	166
Contributions from plan participants	6,212	-
Benefits paid	(35,926)	(41,061)
Effect of foreign exchange differences	(2,712)	(2,829)
End of the period	<u>₩ 1,306,177</u>	<u>₩ 1,382,344</u>

The actual returns on plan assets for the three months ended March 31, 2011 and 2010 are ₩22,805 million and ₩15,930 million, respectively.

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

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Insurance instruments	₩ 1,081,478	₩ 1,110,313
Equity instruments	84,608	84,025
Debt instruments	30,312	27,045
Other	109,779	97,047
	<u>₩ 1,306,177</u>	<u>₩ 1,318,430</u>

31. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the three months ended March 31, 2011 and 2010 is as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Profit for the period	₩ 1,876,771	₩ 1,281,282
Addition of items not involving cash outflows:		
Payroll	12,975	12,280
Retirement benefits	89,723	76,513
Depreciation	385,437	394,694
Income tax expense	587,849	309,533
Interest expense	137,842	170,311
Provision for warranties	294,664	185,865
Amortization of intangible assets	153,948	154,876
Loss on foreign currency translation	37,411	70,703
Impairment loss on AFS financial assets	-	1,200
Loss on disposal of property, plant and equipment	6,768	28,467
Loss on valuation of derivatives	31,814	276
Loss on valuation of equity method investee	1,410	30,172
Loss on valuation of financial instruments at FVTPL	7,305	23,924
Impairment loss on intangible assets	79,204	101,484
Cost of sales from financial services	542,569	362,871
Other	39,707	38,088
	<u>2,408,626</u>	<u>1,961,257</u>
Deduction of items not involving cash inflows:		
Interest income	116,674	87,026
Dividend income	17,750	9,266
Gain on foreign currency translation	94,311	159,939
Gain on disposal of property, plant and equipment	2,615	14,424
Gain on valuation of derivatives	67,397	50,537
Gain on valuation of equity method investee	573,427	375,869
Revenue from financial services	493,919	65,447
Other	53,612	107,182
	<u>(1,419,705)</u>	<u>(869,690)</u>
Changes in operating assets and liabilities		
Decrease(increase) in trade notes and accounts receivable	163,525	(743,279)
Decrease(increase) in other receivables	(87,886)	86,667
Decrease in other financial assets	41,371	251,956
Decrease(increase) in inventories	(16,861)	64,856
Decrease(increase) in other assets	92,537	(50,145)
Increase in trade notes and accounts payable	269,890	280,146
Decrease in other payables	(808,308)	(368,953)
Increase in other liabilities	692,941	102,463
Decrease in other financial liabilities	(33,661)	(27,279)
Changes in retirement benefit obligation	(13,907)	(138)
Payment of severance benefits	(81,633)	(34,284)
Decrease in provisions	(152,434)	(146,480)
Changes in financial services assets and liabilities	(1,606,429)	(114,730)
Other	(28,085)	(42,229)
	<u>(1,568,940)</u>	<u>(741,429)</u>
Cash generated from operations	<u>₩ 1,296,752</u>	<u>₩ 1,631,420</u>

32. RISK MANAGEMENT:

(1) Capital risk management

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

Description	March 31, 2011	December 31, 2010
	(In millions of Korean Won)	
Total liabilities	₩ 63,301,932	₩ 61,826,158
Total equity	34,506,120	32,887,973
Debt to equity ratio	183.5%	188.0%

(2) Financial risk management

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

1) Market risk

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

a) Foreign exchange risk management

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

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

The effect of 5% change of the exchange rate of the functional currency against each foreign currency on income before income tax as of March 31, 2011, is as follows:

Description	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (51,665)	₩ 51,665
EUR	(63,494)	63,494
JPY	(20,640)	20,640

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

b) Interest rate risk management

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

The effect of changes in interest rates by 1% to income before income tax as of March 31, 2011 is as follows;

Description	Increase by 1%		Decrease by 1%	
	(In millions of Korean Won)			
Cash and cash equivalents	₩	2,890	₩	(2,890)
AFS financial assets				
(Debt investments)		219		(219)
Borrowing		(32,763)		32,763
Debentures		(1,745)		1,745

c) Equity price risk

The Group is exposed to price fluctuation risk arising from available-for-sale equity investments. As of March 31, 2011, the amount of available-for-sale equity investments measured at fair value is ₩1,752,660 million.

2) Credit risk

The credit risk refers to risk of financial losses to the Group when the counterpart defaults on the obligations of the contract. The Group operates a policy to transact only with counterparties that are more than a certain level of credit rating, based on the counterparty's financial conditions, default history, and other factors. The credit risk on liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for guarantee of indebtedness discussed in Note 34, the book value of financial assets on the financial statements represents the maximum amount of exposure to credit risk.

3) Liquidity risk

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

Due to the inherent nature of the Group's industry of continuous R&D investment and sensitivity to economic fluctuations, the Group minimizes the credit risk of its cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration, and has secured stable financing ability through the strengthening of its credit ratings.

The maturity analysis of non-derivative liabilities according to their remaining contract expiration as of March 31, 2011 is as follows:

Description	Nominal cash flows				Book value
	Less than 1 years	1-5 years	More than 5 years	Total	
	(In millions of Korean Won)				
Non interest-bearing liabilities	₩ 11,003,946	₩ 137,326	₩ 136	₩ 11,141,408	₩ 11,141,408
Interest-bearing liabilities	<u>15,594,584</u>	<u>20,617,675</u>	<u>3,670,511</u>	<u>39,882,770</u>	<u>39,643,738</u>
	<u>₩ 26,598,530</u>	<u>₩ 20,755,001</u>	<u>₩ 3,670,647</u>	<u>₩ 51,024,178</u>	<u>₩ 50,785,146</u>

(*) Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made.

(3) Derivative

- 1) The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of March 31, 2011 and December 31, 2010, the Company deferred net gain of ₩26,143 million and ₩6,169 million, respectively, as accumulated other comprehensive income (loss), resulting from the effective portion of its cash flow hedging instruments. The longest period in which the forecasted transactions are expected to occur is within 12 months from March 31, 2011. Accordingly, the aforementioned total amount of deferred net gain recorded as accumulated other comprehensive income as of March 31, 2011, is expected to be realized and charged to current operations within 12 months from March 31, 2011.

For the three months ended March 31, 2011 and 2010, the Company recognized gain of ₩67,397 million and ₩48,036 million, respectively, and loss of ₩8,835 million and ₩275 million, respectively, as finance income (expense), which resulted from the ineffective portion of its cash flow hedging instruments and change in the valuation of its' other non-hedging derivative instruments.

- 2) The derivatives transactions held by subsidiaries as of March 31, 2011 consist of the following:

Description	Gain(Loss)	Accumulate Other comprehensive income
(In millions of Korean Won)		
Currency forward	₩ -	₩ 144
Currency swap	(134,408)	(10,119)
Interest rate swap	(3,440)	(361)
Total	<u>₩ (137,848)</u>	<u>₩ (10,336)</u>

As of March 31, 2011, certain subsidiaries entered into derivative instrument contracts including currency forwards, currency swaps and interest swaps, to hedge the risk of changes in cash flow of foreign exchange rate and interest rate. The longest period in which the forecasted transactions are expected to occur is within 12 months from March 31, 2011.

33. RELATED PARTY TRANSACTIONS:

The transactions and outstanding balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group. The Group's significant joint ventures and associates are Kia Motors Corporation, Hyundai WIA Corp, Hyundai HYSCO and Beijing-Hyundai Motor Company. Hyundai MOBIS and Hyundai Steel Company and others are included in other related parties.

- (1) Significant transactions parties for the three months ended March 31, 2011 and 2010 between the Group and related parties are as follows:

Description	Three months ended March 31,			
	2011		2010	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
(In millions of Korean Won)				
Joint ventures and associates	₩ 972,220	₩ 2,089,509	₩ 736,988	₩ 1,342,365
Others	272,237	2,594,196	361,601	2,152,019
	<u>₩ 1,244,457</u>	<u>₩ 4,683,705</u>	<u>₩ 1,098,589</u>	<u>₩ 3,494,384</u>

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

Description	March 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
	(In millions of Korean Won)			
Joint ventures and associates	₩ 893,317	₩ 1,332,455	₩ 992,629	₩ 1,310,784
Others	375,858	1,895,145	350,691	1,653,601
	<u>₩ 1,269,175</u>	<u>₩ 3,227,600</u>	<u>₩ 1,343,320</u>	<u>₩ 2,964,385</u>

- (3) Compensations for registered and unregistered directors for the three months ended March 31, 2011 and 2010 are as follows:

Description	Three months ended March 31,	
	2011	2010
	(In millions of Korean Won)	
Short-term salaries	₩ 16,500	₩ 16,523
Long-term salaries	50	41
Severance benefits	5,217	3,188
	<u>₩ 21,767</u>	<u>₩ 19,752</u>

34. COMMITMENTS AND CONTINGENCIES:

- (1) As of March 31, 2011, the debt guarantees provided by the Group to related parties, excluding the Group's subsidiaries, are as follows:

	Domestic	Overseas (*)
	(In millions of Korean Won)	
Associates and joint ventures	₩ -	₩ 149,472
Others	170,150	287,134
Customer financing and lease financing	89,389	-
	<u>₩ 259,539</u>	<u>₩ 436,606</u>

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

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

The Group estimates and accrues product liability and completed operations liability insurance for potential losses which may result from foreign operations lawsuits.

- (3) As of March 31, 2011, the Group's property, plant and equipment are pledged as collateral for various loans with a limit of ₩1,343,260 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain foreign subsidiaries' receivables and financial services receivables are pledged as collateral for their borrowings.
- (4) Hyundai Rotem Company, a subsidiary, provided two promissory notes and two checks as collateral for contract performance and payment guarantees.

- (5) As of March 31, 2011, the Group's consolidated subsidiaries have been provided with payment guarantee from other companies as follows:

Subsidiaries	Provider	Amounts of guarantee (KRW in millions)		
Hyundai Rotem Company	Machinery Financial Cooperative	KRW	846,092	
	Korea Defense Industry Association	KRW	327,715	
	Seoul Guarantee Insurance Company	KRW	646,856	
	Woori Bank	USD	19,822,222	
	Export-Import Bank of Korea	USD	385,902,383	
	"	EUR	453,139,686	
	"	CAD	8,032,593	
	"	GBP	489,190	
	"	TWD	31,870,312	
	"	HKD	-	
	"	SGD	6,409,023	
	"	CNY	69,820,205	
	"	OMR	6,580,290	
	"	EGP	15,000,000	
	"	BRL	6,000,000	
	"	TND	2,000,000	
	"	KRW	1,155	
	"	Korea Exchange Bank	USD	1,292,085
	"	"	EUR	4,063,636
	"	"	SGD	2,662,000
"	"	INR	6,287,457	
"	"	VND	9,633,724,973	
"	"	KRW	3,463	
"	BNP Paribas	USD	7,620,000	
"	ANZ Bank	NZD	46,015,237	
"	Standard Chartered, Seoul Branch	THB	686,000,000	
"	MARSH	USD	5,000,000	
Hyundai Capital Services, Inc.	Hyundai WIA Corporation	KRW	8,732	
Hyundai Card Co., Ltd.	Seoul Guarantee Insurance Company	KRW	5,134	
Hyundai Carnes Co., Ltd.	Korea Exchange Bank	KRW	1,000	
		USD	300,000	
HAOS	Other	USD	111,958,072	
HMCI	Dealers' network	EUR	33,979,536	

- (6) In 2006, the Group sold 10,658,367 shares of Hyundai Rotem Company, a subsidiary, to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to a put option to sell those shares back to the Group in certain events (as defined) in accordance with the agreement. In relation to the agreement, the present value of exercise price of the put option is recognized as a liability (other financial liability) by the Group.
- (7) Hyundai Capital Services, Inc., a subsidiary, has Revolving Credit Facility Agreement with the following financial institutions for credit line:

Financial institution	Credit line	
GE Capital Corporation	Euro worth of USD 1,000 million	
Mizuho Corporate Bank, Seoul Branch	KRW	65,000 million
JP Morgan Seoul Branch	KRW	34,000 million
Citibank, Seoul	KRW	50,000 million
Standard Chartered, Seoul Branch	KRW	50,000 million

- (8) Hyundai Card Co., Ltd, a subsidiary, has Revolving Credit Facility Agreement with the following financial institutions for credit line:

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

- (9) Hyundai Card Co., Ltd., a subsidiary, has an asset backed securitization agreement, under which exists early redemption clauses when certain triggering events occur. Such clauses has been put in place to limit the risk that investors may incur due to changes in asset quality of the subsidiary in the future. In the event the asset-backed securitization of the Hyundai Card Co., Ltd. triggers such clauses, Hyundai Card Co., Ltd. is obligated to make early redemption of its asset-backed securities.

35. SEGMENT INFORMATION:

- (1) The Group has a Vehicle segment, Finance segment and other. The Vehicle segment is engaged in the manufacturing and sales of motor vehicles. The Finance segment operates vehicle financing, credit card processing and other financing activities. Other includes the R&D, manufacturing the trains and other products..

- (2) Sales and income by operating segments for three months ended March 31, 2011 is as follows:

	Vehicle	Finance	Other	Consolidation adjustments(*)	Total
	(In millions of Korean Won)				
Total sales	₩ 20,850,212	₩ 1,904,558	₩ 934,764	₩ (5,456,173)	₩ 18,233,361
Inter-company sales	(5,308,859)	(31,269)	(116,045)	5,456,173	-
Net sales	<u>15,541,353</u>	<u>1,873,289</u>	<u>818,719</u>	<u>-</u>	<u>18,233,361</u>
Operating income	<u>1,506,388</u>	<u>325,449</u>	<u>27,053</u>	<u>(31,419)</u>	<u>1,827,471</u>
Profit for the period	<u>1,423,305</u>	<u>244,801</u>	<u>16,423</u>	<u>192,242</u>	<u>1,876,771</u>

- (*) Consolidation adjustments consist of elimination of inter-company transactions, unrealized profits and losses, and other adjustments.

Sales and income by operating segments for three months ended March 31, 2010 is as follows:

	Vehicle	Finance	Other	Consolidation adjustments(*)	Total
	(In millions of Korean Won)				
Total sales	₩ 16,850,186	₩ 1,704,581	₩ 928,666	₩ (4,462,004)	₩ 15,021,429
Inter-company sales	(4,339,640)	(39,223)	(83,141)	4,462,004	-
Net sales	<u>12,510,546</u>	<u>1,665,358</u>	<u>845,525</u>	<u>-</u>	<u>15,021,429</u>
Operating income	<u>898,874</u>	<u>309,134</u>	<u>43,530</u>	<u>3,965</u>	<u>1,255,503</u>
Profit for the period	<u>916,351</u>	<u>219,161</u>	<u>33,864</u>	<u>111,906</u>	<u>1,281,282</u>

- (*) Consolidation adjustments consist of elimination of inter-company transactions, unrealized profits and losses, and other adjustments.

(3) Assets and liabilities by operating segments as of March 31, 2011 is as follows:

<u>ASSETS</u>	<u>Vehicle</u>	<u>Finance</u>	<u>Other</u>	<u>Consolidation adjustments(*)</u>	<u>Total</u>
	(In millions of Korean Won)				
Current assets	₩ 27,944,728	₩ 23,483,857	₩ 2,204,539	₩ (6,118,908)	₩ 47,514,216
Non-current assets	<u>36,020,747</u>	<u>19,111,381</u>	<u>2,126,198</u>	<u>(6,964,490)</u>	<u>50,293,836</u>
Total assets	<u>₩ 63,965,475</u>	<u>₩ 42,595,238</u>	<u>₩ 4,330,737</u>	<u>₩ (13,083,398)</u>	<u>₩ 97,808,052</u>
 <u>LIABILITIES</u>					
Current liabilities	₩ 20,644,268	₩ 15,215,520	₩ 1,979,641	₩ (5,796,439)	₩ 32,042,990
Borrowings and debentures	3,325,417	12,092,602	903,590	(733,077)	15,588,532
Other	17,318,851	3,122,918	1,076,051	(5,063,362)	16,454,458
Non-current liabilities	7,702,690	22,093,114	1,021,785	441,353	31,258,942
Borrowings and debentures	2,481,386	20,421,993	739,602	-	23,642,981
Other	<u>5,221,304</u>	<u>1,671,121</u>	<u>282,183</u>	<u>441,353</u>	<u>7,615,961</u>
Total liabilities	<u>₩ 28,346,958</u>	<u>₩ 37,308,634</u>	<u>₩ 3,001,426</u>	<u>₩ (5,355,086)</u>	<u>₩ 63,301,932</u>

(*) Consolidation adjustments consist of elimination of inter-company transactions, unrealized profits and losses, and other adjustments.

Assets and liabilities by operating segments as of December 31, 2010 is as follows:

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

(*) Consolidation adjustments consist of elimination of inter-company transactions, unrealized profits and losses, and other adjustments.

- (4) Sales by region where by the Group's entities are located in for the three months ended March 31, 2011 are as follows:

	<u>Domestic</u>	<u>North America</u>	<u>Asia</u>	<u>Europe</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
	(In millions of Korean Won)					
Total sales	₩ 11,666,230	₩ 6,115,711	₩ 1,832,294	₩ 4,075,299	₩ (5,456,173)	₩ 18,233,361
Inter-company sales	<u>(2,368,420)</u>	<u>(1,519,301)</u>	<u>(137,415)</u>	<u>(1,431,037)</u>	<u>5,456,173</u>	<u>-</u>
Net sales	<u>9,297,810</u>	<u>4,596,410</u>	<u>1,694,879</u>	<u>2,644,262</u>	<u>-</u>	<u>18,233,361</u>

Sales by region where by the Group's entities are located in for the three months ended March 31, 2010 are as follows:

	<u>Domestic</u>	<u>North America</u>	<u>Asia</u>	<u>Europe</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
	(In millions of Korean Won)					
Total sales	₩ 10,755,210	₩ 4,633,677	₩ 1,781,915	₩ 2,312,631	₩ (4,462,004)	₩ 15,021,429
Inter-company sales	<u>(2,172,748)</u>	<u>(1,624,954)</u>	<u>(285,643)</u>	<u>(378,659)</u>	<u>4,462,004</u>	<u>-</u>
Net sales	<u>8,582,462</u>	<u>3,008,723</u>	<u>1,496,272</u>	<u>1,933,972</u>	<u>-</u>	<u>15,021,429</u>

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

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
	(In millions of Korean Won)	
Korea	₩ 16,455,133	₩ 16,535,745
North America	1,527,762	1,601,862
Asia	1,201,439	1,228,577
Europe	2,148,282	2,041,919
Other	<u>53,621</u>	<u>16,806</u>
	21,386,237	21,424,909
Consolidation adjustments	<u>6,854</u>	<u>7,984</u>
Total (*)	<u>₩ 21,393,091</u>	<u>₩ 21,432,893</u>

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

- (6) There is no single external customer who has 10% or more of the Group's revenues for the three months ended March 31, 2011.

36. TRANSITION TO K-IFRS:

- (1) Optional exemptions for K-IFRS 1101 *First-time adoption*

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

(2) Significant differences in accounting policies

1) Derecognition of financial assets

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

2) Employee benefits

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

3) Provision

Under previous GAAP, the discount rate at the initial recognition was applied to measure the present value of provisions in the subsequent periods. Under K-IFRS, the current market discount rate is applied to remeasure the present value of provisions.

Under K-IFRS, where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party and when it is virtually certain that reimbursement will be received if the Group settles the obligation, the Group recognizes the reimbursement by another party as a separate asset.

4) Financial guarantee contracts

Under K-IFRS, the Group has recognized the fair value of financial guarantee contracts which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument as a financial liability.

5) Customer loyalty programmes

Under previous GAAP, the Group recognized expenditure expected to be paid in the future as selling expenses and the provision that indicates the transaction granted the award credits under customer loyalty programmes. Under K-IFRS, since the Group is required to allocate the fair value of the consideration received or receivable between the award credits and the other components of the sale and defer the recognition of revenue, the Group has recognized the amount as deferred revenue.

6) Investment property

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

7) Borrowing cost

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

8) Deferred income tax

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

9) Category of operating income

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

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

(3) Changes in scope of consolidation

Changes	Description	Name of entity
Increase	Under Korean GAAP, these companies are excluded in the consolidation since individual beginning balance of total assets is less than 10,000 million won, but they are included in the scope of consolidation under K-IFRS.	Hyundai NGV Tech Co., Ltd., Jeonbuk Hyundai Motors FC Co., Ltd., Hyundai Carnes Co., Ltd., Rotem Equipments (Beijing) Co., Ltd., Maintrance Co., Ltd., Hyundai Motor Japan R&D Center Inc., Hyundai Capital Europe GmbH, Hyundai Motor Brasil Montadora de Automoveis, Beijing Jingxianronghua Motor sale Co., Ltd., Beijing xinhuaixiaqiyuetong Motor Chain Co., Ltd.
	Under Korean GAAP, the company is excluded in the consolidation due to the plan to go into liquidation, but it is included in the scope of consolidation under K-IFRS.	Hyundai Motor Hungary
	Under Korean GAAP, these companies are excluded in the consolidation since it is deemed not to have control over the company due to the passively designated scope of operation by the related law or the article of association. However, they are included in the scope of consolidation under K-IFRS.	Autopia Thirty-Third Asset Securitization Specialty Company, etc.
Decrease	These companies are excluded in the consolidation under K-IFRS since the voting power rights is less than 50% and as the Company does not have control of these companies.	Kia Motors Corporation and its subsidiaries, Hyundai HYSCO Co., Ltd. and its subsidiaries, Hyundai Dymos Inc. and its subsidiaries, Hyundai WIA Corporation and its subsidiaries, KEFICO Corporation and its subsidiaries, Hyundai Powertech Co., Ltd. and its subsidiaries, Hyundai Autoever Corp., Hyundai Commercial Inc., Hyundai M & Soft Co., Ltd., Haevichi Country Club Co., Ltd., HMC Win Win Fund, Innocean Worldwide Americas, LLC, Hyundai Information Service North America, LLC, Beijing Mobis Transmission Co., Ltd, Hyundai Motor Group China. Ltd, Hyundai-Wia Automotive Engine (Shandong) Company

(4) Adjustments in financial position and financial performance due to transition to K-IFRS

1) Adjustments in financial position as of January 1, 2010, transition date to K-IFRS

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

2) Adjustments in financial position and financial performance for the year ended December 31, 2010

Description	Assets	Liabilities	Equity	Net income	Comprehensive income
	(In millions of Korean Won)				
K-GAAP	₩ 118,077,818	₩ 81,342,217	₩ 36,735,601	₩ 7,982,924	₩ 8,482,806
Adjustments:					
Change in scope of consolidation	(27,185,274)	(20,680,341)	(6,504,933)	(2,221,013)	(2,221,013)
Deemed cost of land	2,456,535	-	2,456,535	-	-
Employee benefits	(14,371)	453,707	(468,078)	45,892	(118,812)
Provisions	809,831	818,263	(8,432)	(52,638)	(52,638)
Effect of the adoption of K-IFRS for joint ventures and associates	642,353	-	642,353	138,355	138,355
Allowance for bad debts	230,787	-	230,787	(25,500)	(25,500)
Deferred tax	(256,162)	(248,166)	(7,996)	157,292	157,292
Other	(47,386)	140,478	(187,864)	(24,130)	(42,449)
Total	(23,363,687)	(19,516,059)	(3,847,628)	(1,981,742)	(2,164,765)
K-IFRS	₩ 94,714,131	₩ 61,826,158	₩ 32,887,973	₩ 6,001,182	₩ 6,318,041

(5) Adjustments in statements of cash flows due to the transition to K-IFRS

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

(6) Adjustments to the comparative financial statements of the interim period of the previous fiscal year

As the Group did not prepare consolidated financial statements for the comparative interim periods of previous fiscal year under previous GAAP, reconciliations of equity as of March 31, 2010 and total comprehensive income for the three months ended March 31, 2010 are not represented in adjustments due to the transition to K-IFRS of interim consolidated financial statements.

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

On March 8, 2011, Hyundai Motor Company Group consortium including the Company signed a share purchase agreement with the creditors of Hyundai Engineering & Construction Co., Ltd. and acquired 20.95% of common share of Hyundai Engineering & Construction Co., Ltd. on April 1, 2011.