OPENING
A NEW CHAPTER

HYUNDAI HEAVY INDUSTRIES **ANNUAL REPORT 2011**

HYUNDAI
HEAVY INDUSTRIES CO.,LTD.

OPENING
A NEW CHAPTER

At Hyundai Heavy Industries, we have written a remarkable success story over the past four decades that has made us the world's top shipbuilder and a leader in heavy manufacturing. Today, we are expanding into oil refining and financial services as we open the next chapter in sustainable growth.

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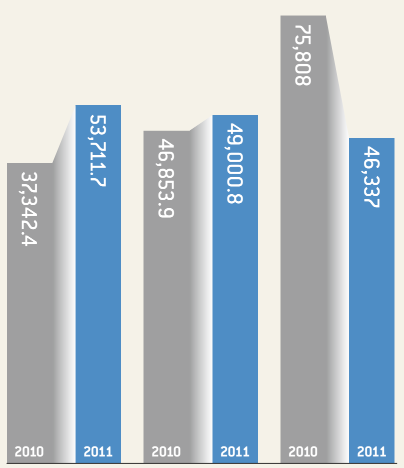
CONSOLIDATED FINANCIAL STATEMENTS

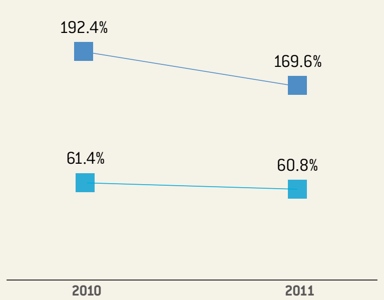
Financial Highlights
(Consolidated)

	in USD millions 2011	in KRW billions 2011	in KRW billions 2010
For the Year			
Sales	46,572.2	53,711.7	37,342.4
Gross Profit	6,006.4	6,927.2	7,493.0
Operating Income	3,932.8	4,535.7	5,531.8
Net Income	2,378.7	2,743.4	4,562.7
At Year-End			
Total Assets	42,487.5	49,000.8	46,853.9
Total Liabilities	26,727.0	30,824.3	30,831.0
Total Debt	9,587.3	11,057.0	9,844.4
Total Shareholders' Equity	15,760.4	18,176.5	16,022.9
Financial Indicators			
Liabilities-to-Equity	169.6%	169.6%	192.4%
Debt-to-Equity	60.8%	60.8%	61.4%
EPS in KRW	USD 40.18	46,337	75,808
EBITDA	4,745.9	5,473.4	6,325.5
ROA	5.6%	5.6%	9.7%
ROE	15.1%	15.1%	28.5%

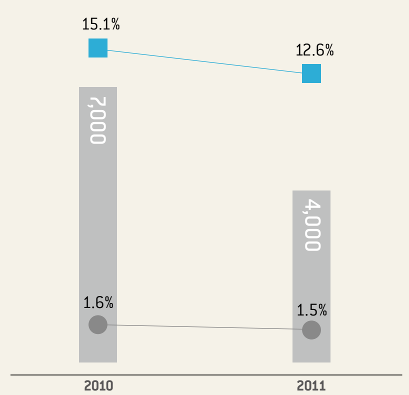
• Won amounts for FY2011 have been translated at KRW 1,153.30 per USD 1.00, the basic rate as of Dec. 31, 2011.
• EBITDA = Operating Income + Depreciation + Amortization



Sales in KRW billions | Total Assets in KRW billion | EPS in KRW



Financial Stability Ratios
Liabilities-to-Equity | Debt-to-Equity



Dividend
Dividend Per Share (in KRW) | Payout Ratio | Dividend Yield

Share Performance

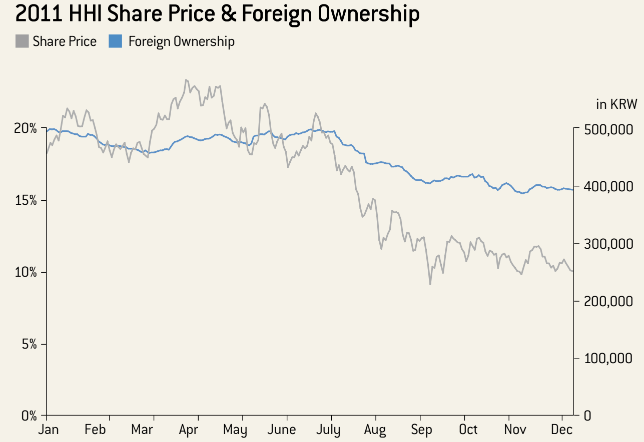
The first half of the year saw the Korean stock market make gains on the strength of abundant liquidity inflows. The KOSPI index set a new high of 2,228.96 points on May 2 despite ongoing political instability in the Middle East and the tsunami and ensuing nuclear crisis that hit Japan in March. The downgrade of Greece's sovereign credit rating in May and the Eurozone financial crisis put the market on a downward trajectory. As fears of economic recession due to instability in global financial markets spread in August in the wake of the US sovereign credit rating downgrade and spreading Eurozone financial crisis, the KOSPI hit its year-low of 1,652.71 points on September 26. Despite expectations and concerns in December regarding the outcome of the EU Summit and future direction of North Korea following the death of Kim Jong-il, the year-end effect and improving US economic indicators cushioned the decline. The KOSPI closed 2011 at 1,825.74 points, down 11% for the year.

On April 11, our share price hit a new high of KRW 554,000 driven by global economic recovery and rising demand for drillships. In the months after, market speculation of a possible acquisition of Hynix Semiconductor, slowing shipbuilding order momentum, and concerns about worsening financial results led to a significant decline of our share price. As the Eurozone financial crisis deepened in the second half of the year, concerns about the shipbuilding industry downturn and global economic stagnation intensified, leading to a sell-off of shipbuilding shares by foreign and institutional investors that continued the downward pressure. Our share price closed 2011 at KRW 257,000, down 40% for the year.

2011 HHI Share Performance vs. KOSPI

Stock Facts	2011	2010
Face Value (in KRW)	5,000	5,000
Number of Shares Issued	76,000,000	76,000,000
Total Market Capitalization (in KRW billions)	19,532	33,668
Share Price - High Close (in KRW)	547,000	456,500
- Low Close (in KRW)	237,000	171,000
- Year Close (in KRW)	257,000	443,000
Foreign Ownership	16.9%	20.2%
Dividend Per Share (in KRW)	4,000	7,000
Payout Ratio	12.6%	15.1%

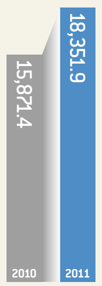
2011 HHI Share Price & Foreign Ownership



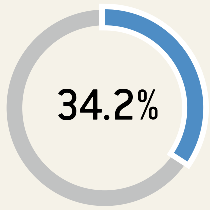
Shareholder Structure — As of Dec. 31, 2011

Shareholder	Ownership(%)
Chung Mong-joon	10.15
Hyundai Mipo Dockyard	7.98
KCC	6.39
National Pension Service	4.77
Hyundai Motor Company	2.88
Asan Foundation	2.53
Posco	1.94
Asan Nanum Foundation	0.65
Treasury Shares	19.36
Others	43.35

HHI at a Glance



Sales (Consolidated)
in KRW billions



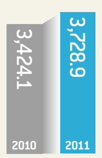
Portion of 2011 Sales

Shipbuilding

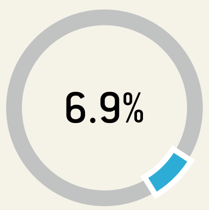
Since 1983, we have held the distinction of being the world's No. 1 shipbuilder. We have delivered approximately 1,720 vessels to 271 shipowners in 48 countries to date. Today, the ten dry docks at our Ulsan and Gunsan yards build around 90 vessels a year for the shipping, energy transport and exploration, and naval markets. Together with subsidiaries Hyundai Mipo Dockyard and Hyundai Samho Heavy Industries, we continue to chart the future of the global shipbuilding industry.

Major Products

- VLCCs, Tankers, Product Carriers
- Containerships, Bulk Carriers, OBO Carriers
- LNG Carriers, LPG Carriers, FSRUs
- Drillships
- Pure Car Carriers, Ro-Ro Ships, Ro-Pax Ships
- Submarines, Destroyers, Frigates



Sales (Consolidated)
in KRW billions



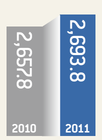
Portion of 2011 Sales

Offshore & Engineering

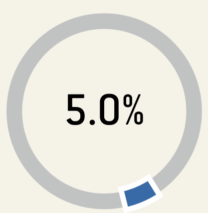
Since 1976, we have handled over 170 projects—including 103 turnkey EPIC/EPC contracts—in the fields of oil and gas field development and production facilities for more than 30 international clients. Boasting the 1-million-ton capacity H-Dock with two 1,600-ton gantry cranes, our Ulsan yard facilities greatly enhance our ability to win and build the world's largest floating offshore units.

Major Products

- Floating Units: FPSOs, FPUs, TLPs, Semi Submersible Units
- Fixed Platforms: Topsides, Jackets & Piles, Jack-ups, Modules & Quarters
- Pipelines & Subsea Facilities: Subsea Pipelines
- Offshore Installations: Platforms, Pipelines
- Onshore Installations: Oil & Gas Production and Processing Plants, Refineries, Tank Farms



Sales (Consolidated)
in KRW billions



Portion of 2011 Sales

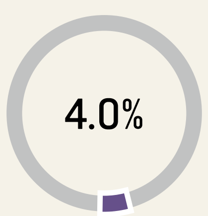
Industrial Plant & Engineering

Since 1975, we have delivered a wide range of power, desalination, and process plant facilities to customers around the globe. Today, we are a global EPC contractor executing some of the industry's largest power and oil and gas projects to date in the Middle East and Africa regions, including the Riyadh PP11 1,729 MW combined-cycle power plant in Riyadh, Saudi Arabia.

Major Products

- Power Plants: Combined-Cycle, Cogeneration, and Thermal Power Plants
- Process Plants: Oil & Gas, Refinery, Tank Farm, GTL, and LNG Facilities

Sales (Consolidated)
in KRW billions



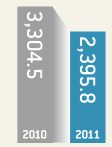
Portion of 2011 Sales

Engine & Machinery

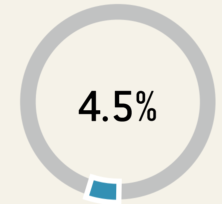
Since 1979, we have established ourselves as the world's No. 1 producer of two-stroke diesel engines with over 110 million bhp produced to date. Today, we produce state-of-the-art engines for the marine and power generation industries as well as a wide range of equipment for the shipbuilding, steelmaking, automobile, semiconductor, and other industries.

Major Products

- Two-Stroke Diesel Engines
- Four-Stroke HiMSEN Engines
- Marine Equipment
- Diesel Power Plants
- Industrial & Marine Pumps
- Ballast Water Treatment Systems
- Side Thrusters, Compressors
- Robots, Press, Conveyor Systems



Sales (Consolidated)
in KRW billions



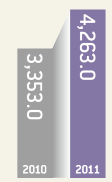
Portion of 2011 Sales

Electro Electric Systems

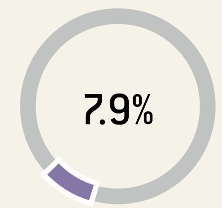
Since 1977, we have established ourselves as a world-class manufacturer of electrical solutions for power generation, transmission, and distribution that are second to none. Today, our global production network includes plants in China, Bulgaria, the United States, and Russia as we position ourselves to meet the growing needs of markets around the globe.

Major Products

- Transformers
- Gas Insulated Switchgear
- Switchgear
- Low- and Medium-Voltage Circuit Breakers
- Rotating Machinery
- Integrated Control & Monitoring Systems
- Power Electronics
- Marine Electrical Equipment



Sales (Consolidated)
in KRW billions



Portion of 2011 Sales

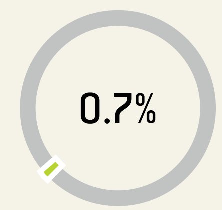
Construction Equipment

Since 1985, we have been delivering quality construction equipment and industrial vehicles to customers around the world. Today, our state-of-the-art automated manufacturing facilities in Korea, China, and India produce equipment that is sold and serviced through a global network of over 470 dealers in some 120 countries worldwide.

Major Products

- Excavators
- Wheel Loaders
- Forklifts
- Skid Loaders

Sales (Consolidated)
in KRW billions



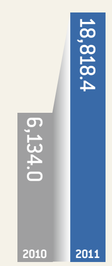
Portion of 2011 Sales

Green Energy

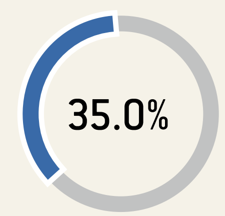
Since 2005, we have been developing renewable energy solutions that tap the power of the wind, sun, and ocean to make energy greener. Today, we are an emerging player in global solar and wind power markets with state-of-the-art manufacturing capabilities in Korea and China and projects installed or underway in Asia, Europe, and North America.

Major Products

- Wind Power Systems
- Solar Power Systems



Sales (Consolidated)
in KRW billions



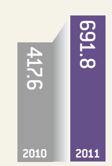
Portion of 2011 Sales

Refinery

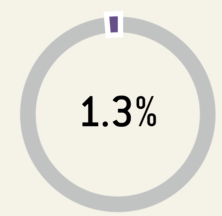
Since 1964, Hyundai Oilbank has helped meet Korea's petroleum and petrochemical needs. An affiliate since 2010, the company now has a daily refining capacity of 390,000 barrels and an industry-leading 30.8% upgrading ratio, providing quality products to consumers through over 2,400 gas stations nationwide as well as manufacturers at home and abroad.

Major Products

- Petroleum: LPG, Gasoline, Kerosene, Jet Fuel, Ultra-Low-Sulfur Diesel, Fuel Oil
- Petrochemicals: Propylene, Alkylate, BTX, Naphtha



Sales (Consolidated)
in KRW billions



Portion of 2011 Sales

Financial Services

Since 1989, HI Investment & Securities and HI Asset Management have delivered quality brokerage and asset management services to Korean investors. Affiliates since 2008, the firms continue to diversify their portfolios into growth areas such as the pension and over-the-counter derivatives markets, focusing on delivering quality products and services to help investors profit in uncertain times.

Major Products

- Securities Brokerage
- Asset Management
- Futures
- Corporate Finance
- Leasing

Message from the CEOs

Lee Jai-seong
President & CEO

Kim Oi-hyun
Vice President & CEO

Dear Valued Stakeholder,

The year 2011 was a tumultuous year for the global economy. The political unrest in the Middle East that started at the end of 2010 gained momentum as the year got underway, followed in March by the huge earthquake and tsunami in Japan. The second half of the year brought the first-ever downgrade of the US sovereign credit rating and a spreading financial crisis in the Eurozone. Despite this uncertain global environment, we had a successful year, recording orders of USD 25.3 billion on a parent basis, consolidated sales of KRW 53.7 trillion, and profit for the year of KRW 2.7 trillion.

Our Green Energy, Construction Equipment, and Electro Electric Systems segments led the way in opening new global markets for us, completing or launching plant projects to build wind turbines and wheel loaders in China, transformers in the United States, excavators in Brazil, and gas-insulated switchgear in Russia. We established Hyundai Energy & Resources to manage our investments in energy, agriculture, and mining development. We continued to invest in the development of the technical and human resources that will keep us at the global forefront in each of our businesses, establishing a global R&D center in Shanghai and opening a new integrated R&D center in Ulsan.

With Europe and the global economy facing a recession and high volatility in foreign exchange and raw materials markets, 2012 is shaping up to be an extremely challenging year. We have established the following four strategic directions to achieve our objectives and grow our corporate value in the coming year.

Our first focus will be on bringing together the full resources of our company to maintain and secure the growth engines that will ensure continued sound and solid growth. We will sharpen the competitiveness of our core businesses as we preserve and expand our market leadership to drive new growth. We will also precisely determine our target markets and customer needs to firmly establish ourselves in new markets.

Our second focus will be on strengthening our unique core capabilities to secure a competitive advantage. As the business environment becomes increasingly uncertain and the pace of change accelerates, core capabilities that can lead markets are becoming even more crucial. By effectively integrating our own technologies and knowledge and developing them into core capabilities, we will maximize their contribution to our competitiveness.

Our third focus will be on steadily building up our global management system. Being a global business has been a part of our corporate vision from the very beginning. Guided by a global strategy, we will concentrate on our target markets as we work hard to deliver the products and services that markets and customers want. We will also improve our global business management capabilities as we aggressively execute our market opening and localization strategies.

Last, but not least, we will continue to create an even safer and more rewarding workplace. We will make every effort to foster a safe and pleasant work environment and accident-free workplace as well as enhance the health and well-being of each member of our family. In this way, we will nurture the ultimate source of greater corporate value—a mature labor culture of co-existence and co-prosperity based on trust and cooperation.

Thank you once again for your support and interest in Hyundai Heavy Industries. The year 2012 will be a special year for us as we celebrate our 40th anniversary. While what we have achieved during the past four decades is nothing short of amazing, what we will accomplish in the next four will be even more so. We hope you will join us as we chart a course for greater, more profitable growth in the coming year.

Lee Jai-seong President & CEO

Kim Oi-hyun Vice President & CEO

Corporate Governance & Organization

About the Board of Directors

The Hyundai Heavy Industries board is composed of seven directors, four of which are outside directors. Collectively, the directors assume ultimate responsibility for decisions regarding corporate affairs and the financial well-being of shareholders. All board appointments are made pursuant to the Articles of Incorporation, including due consideration of each individual's professional experience and expertise in fields such as law, economics, finance, and accounting.

The board meets to discuss and resolve corporate matters. Its responsibilities include deciding on material matters as stipulated in relevant by-laws and the Articles of Incorporation, dealing with issues delegated to it at the annual general shareholders' meeting, and addressing issues related to the basic direction and execution of company operations. The board also has the authority to appoint the CEO and board chair as well as conduct oversight of its members and company management. The board held a total of 11 meetings in 2011.

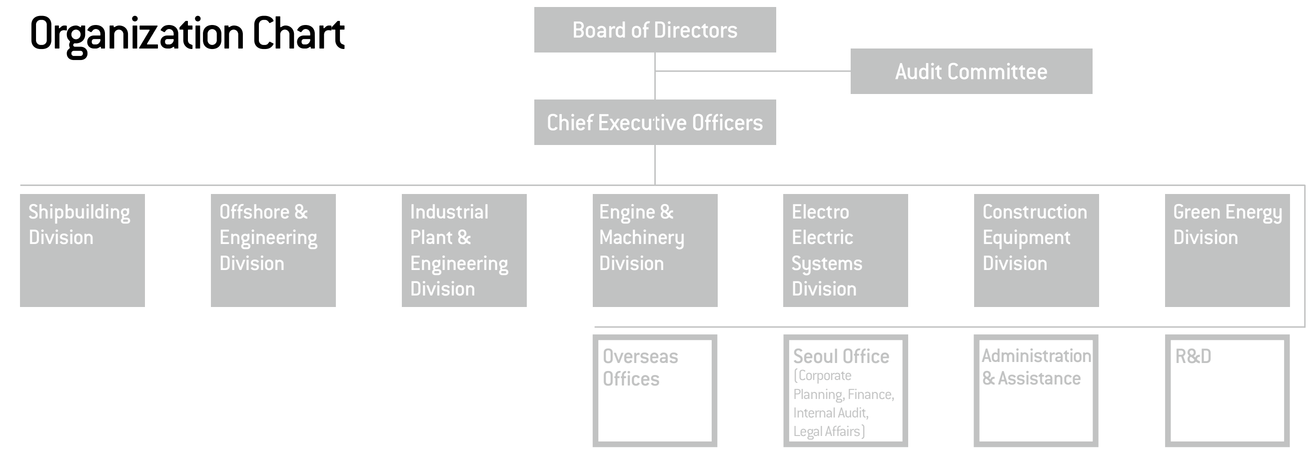
Audit Committee

The Audit Committee is a standing committee composed of three outside directors. Its responsibilities include (1) deciding on matters related to shareholders' meetings such as the calling of interim shareholders' meetings and setting forth its views on the agenda and the documents to be presented; (2) conducting oversight of the board and its members, producing independent annual audits, and supervising the financial reporting process; and (3) addressing matters relating to audits, including contracts with independent auditors and the evaluation of their qualifications, eligibility, and performance. The committee held a total of three meetings in 2011.

Outside Director Nominating Committee

The Outside Director Nominating Committee is a standing committee responsible for nominating qualified individuals to serve as outside directors on the board. The committee consists of one inside and two outside directors.

Organization Chart



Board of Directors

Standing Directors	**Lee Jai-seong** President & CEO	**Kim Oi-hyun** Senior Executive Vice President & CEO		
Other Non-Standing Director	**Choe Weon-gil** President of Hyundai Mipo Dockyard			
Non-Standing Directors	**Song Jung-hoon** • Lawyer, Hwang Mok Park • LLM, Harvard University Law School	**Pyun Ho-bum** • Vice-President, Deloitte Anjin LLC • PhD, Business Admin., Sungkyunkwan University	**Lee Chol** • Professor, Business Admin., Sogang University • PhD, Business Admin., University of Texas at Austin	**Ju Soon-sik** • Juridical counselor of Yulchon LLC • PhD, Economics., University of Hawaii
Audit Committee	Song Jung-hoon	Pyun Ho-bum	Ju Soon-sik	
Outside Director Nominating Committee	Lee Jai-seong	Song Jung-hoon	Lee Chol	

Executive Directors

Lee Jai-seong
President & CEO

Kim Oi-hyun
Senior Executive Vice President, CEO, and COO of Shipbuilding Division

Choe Byeong-ku
President and COO of Construction Equipment Division

Kang Chang-june
Senior Executive Vice President and COO of Offshore & Engineering Division

Chun In-soo
Senior Executive Vice President and COO of Industrial Plant & Engineering Division

Kim Jeong-hwan
Senior Executive Vice President and COO of Engine & Machinery Division

Kwon Oh-shin
Senior Executive Vice President and COO of Electro Electric Systems Division

Lee Choong-dong
Senior Executive Vice President and COO of Green Energy Division

Lee Kun-jong
Senior Executive Vice President and Group Chief Legal & Audit Officer

Hwang See-young
Senior Executive Vice President and Group Chief Information Officer

THE NEXT CHAPTER

The pursuit of growth is a never-ending challenge. At Hyundai Heavy Industries, we are now looking ahead over the horizon at new opportunities in our traditional heavy manufacturing businesses as well as investing in new industries that will keep us sustainably growing into the future.

CHARTING A SUSTAINABLE NEW COURSE FOR SHIPBUILDING

"At Hyundai Heavy Industries, we believe that simply being the world's largest shipbuilder isn't enough. That's why we are focusing on bringing to market a new generation of technologies that will make tomorrow's ships greener, smarter, and safer."

STANDING TALL ON THE FRONTIERS OF ENERGY

"At Hyundai Heavy Industries, we believe that the oceans hold resources that we have only begun to tap. That's why we are developing and delivering offshore facilities that will help unlock the vast reserves of energy they hold more productively and profitably."

TRANSFORMING NATURE INTO A PARTNER FOR PROGRESS

"At Hyundai Heavy Industries, we believe that renewables have a powerful role to play in the future of energy. That's why we are developing the advanced solar and wind technologies that will harness the power of nature more efficiently, reliably, and profitably."

REFINING GROWTH WITH VALUE-ADDED PRODUCTS

"At Hyundai Heavy Industries, we believe that quality growth depends on making the most of your resources. That's why we are continually expanding and upgrading our refinery facilities to make greener value-added petroleum and petrochemicals for Korea and the world."

INVESTING IN A PORTFOLIO THAT PAYS DIVIDENDS

"At Hyundai Heavy Industries, we believe that managing money well is just as important as earning it. That's why we are delivering innovative financial products, services, and expertise to help individuals and businesses invest in a more secure and prosperous future."

We are committed to equipping the world for growth and prosperity.

BUSINESS OVERVIEW

12 km deep

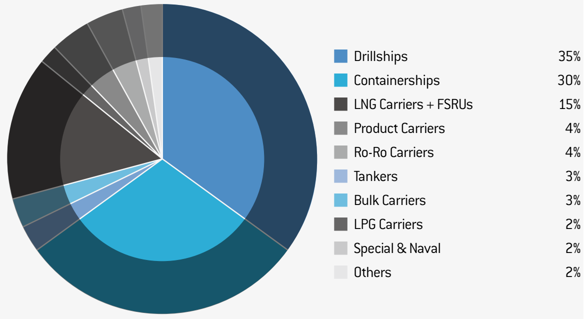
Deepsea Metro II drillship

Delivered to Deepsea Metro Ltd. in November 2011, the Deepsea Metro II is a state-of-the-art deepwater drillship with a drilling depth of 12 kilometers. Equipped with the industry's most advanced dynamic positioning and automated control systems, it is capable of keeping drilling operations running smoothly in even rough seas.

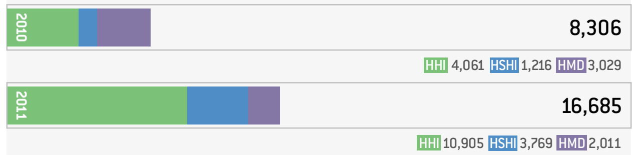
SHIPBUILDING

At Hyundai Heavy Industries, we're known for being the world's No. 1 shipbuilder. It's an accomplishment we're extremely proud of. And one that drives us to create the industry's largest, safest, and greenest ships as we help deliver a better life.

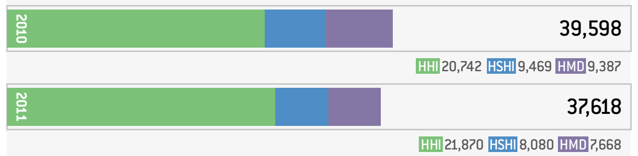
2011 Order Breakdown (by Value)



Orders (in USD millions)



Backlog (in USD millions)



* Delivery Basis

2011 Overview

The global shipbuilding industry faced extremely tough challenges in 2011. The Eurozone financial crisis, a ship financing credit crunch, fears of a double-dip recession in the United States, and budget-tightening in China fueled a downturn in the shipping industry. At the same time, an oversupply of vessels and falling shipping rates hit shipowner profitability, leading to sharply lower demand for newbuild vessels. According to Lloyd's Register, the industry booked orders of approximately 50 million gross tons (mgt) in 2011, about 40% less than the 2010 total. While orders for tankers, bulk carriers, and other conventional vessels dropped sharply, orders for drillships, LNG carriers, and other specialized vessels rose significantly over previous years.

China's shipbuilding industry has grown dramatically in recent years, benefitting from strong local demand, low prices, and financial support from state-run banks. The year 2011 brought a steep drop in newbuild demand for tankers, bulk carriers, and small containerships, all competitive ship types for China. In contrast, a focus by Korean shipbuilders on high-value-added vessels such as ultra-large containerships and special ships enabled Korea to reclaim its position as the global newbuild order leader.

2011 Review

Despite the downturn of the global shipping and shipbuilding industries in 2011, we and our shipbuilding subsidiaries booked orders for 138 vessels totaling USD 16.7 billion, delivered 218 vessels worth USD 22.5 billion, and achieved consolidated sales of KRW 18.4 trillion. Our 2011 orders centered around high-value-added vessels such as ultra-large containerships, drillships,

MV Tugela LCTC
In July 2011, we delivered this 7,900 car capacity large car and truck carrier to Wilhelmsen Lines of Norway. Tugela was chosen as one of the best ships of 2011 by *Marine Log* and other major industry journals.

Sifa VLCC
In January 2011, we delivered this 317,000 dwt very-large crude oil carrier to Oman Shipping Company. Sifa is the industry's first VLCC equipped with a ballast water treatment system. The system is capable of handling approximately 100,000 metric tons of ballast water in 20 hours, the equivalent of 50 Olympic-sized swimming pools.

LNG carriers, and shuttle tankers. Our industry-leading design and technical capabilities enabled us to win 11 drillship orders during the year, leading the ship type. We also won the industry's first LNG floating storage and regasification unit (FSRU) order. At year-end, we and our shipbuilding subsidiaries had a total order backlog of 430 ships valued at USD 37.7 billion on a delivery basis.

2012 Outlook

The current vessel oversupply situation, tight financing market, and shipping industry downturn are expected to continue for the time being, limiting the shipbuilding industry's growth potential. That said, demand for high-efficiency, eco-friendly vessels is poised to steadily grow due to rising fuel costs and increasingly strict environmental regulations.

Demand for tankers, bulk carriers, containerships, and other conventional vessels is expected to continue to be stagnant in 2012 due to overcapacity and weakness in the shipping market. LNG carrier demand is projected to steadily rise due to increased demand for LNG in the wake of earthquake and tsunami that hit Japan in 2011 as well as rising exports from the United States. While a large order backlog and challenges in securing charters are expected to cause drillship demand to soften, the certainty of rising demand for offshore oil and gas field development means that oil price trends and the availability of ship financing will be the main factors driving demand in this vessel category.

Given that demand for conventional vessels is projected to be limited, we will be focusing on special vessels such as drillships, LNG carriers, LNG FSRUs, FLNGs, and LPG carriers. We will also be leveraging our technical leadership to better satisfy customer needs across a broad range of areas such as energy efficiency, eco-friendliness, performance enhancements, and quality assurance to qualitatively differentiate ourselves from industry newcomers from China and elsewhere. We believe that our ongoing initiatives to improve productivity and reduce costs will enable us to maintain a significant competitive edge over our competitors going forward.

2 mmbbl of storage

Usan FPSO delivered

In April 2011, we delivered this floating production, storage, and offloading vessel ordered by Total E&P Nigeria in 2008. We handled all aspects of this massive EPC project that features a hull weight of 83,500 tons and topsides weighing over 30,500 tons. The 320 meter long, 61 meter wide, and 32 meter high vessel can store up to 2 million barrels of crude oil, while its topsides have respective crude oil and gas processing capacities of 160,000 barrels and 5 million standard cubic meters per day.

OFFSHORE & ENGINEERING

At Hyundai Heavy Industries, we're known for building some of the world's largest and most advanced offshore facilities. In markets from Africa to Oceania, we're leveraging our EPCI capabilities to deliver the next-generation floating units, platforms, and pipelines that will help bring more resources to life.

Bongkot South platform installation
In August 2011, we installed this 30,000-ton processing platform for PTT Exploration and Production of Thailand. Designed to process 385 million square cubic feet of natural gas and 15,000 barrels of condensate per day, the platform is now operating in the Great Bongkot South field, 600 km southeast of Bangkok.

2011 Overview

The economic attractiveness of deepwater energy development improved in 2011 as oil prices topped USD 100 per barrel, attracting growing investment from oil majors and state-owned oil companies alike. According to Douglas-Westwood, total global exploration and production investment in 2011 was approximately USD 490 billion, roughly USD 300 billion of which was for offshore projects.

While investment returned to normal levels in 2010 on the strength of rising oil prices and global economic recovery, the global financial crisis, economic downturn, and political instability in the Middle East emerged as the main market variables in 2011.

North Rankin 2 topsides delivered
The North Rankin 2 topsides were ordered by Woodside Energy of Australia for the North Rankin 2 (NR2) project, a project designed to recover the remaining low-pressure gas from the North Rankin and Pegasus gas fields off the northwest coast of Western Australia. Following load out in December 2011, the 29,000-ton topsides sailed for Australia in January 2012.

Major EPCI—engineering, procurement, construction, installation—tenders during the year included gas field development and facility expansion projects in the Middle East, oil field development projects in the North Sea, FLNG projects in Brazil and Indonesia, and gas field development projects in Australia.

2011 Review

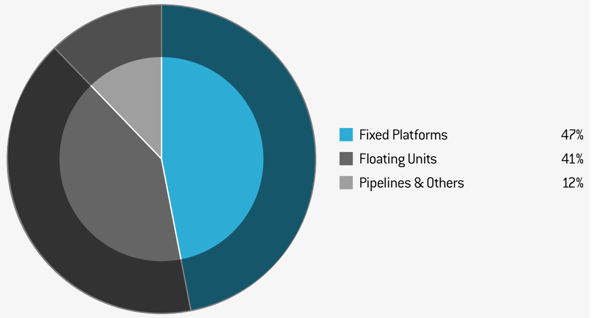
In 2011, we booked orders of USD 4.48 billion and consolidated sales of KRW 3.7 trillion on the strength of a solid order performance in all of our major businesses. We booked a USD 860 million EPC order for three wellhead platforms and subsea pipelines for the Barzan gas project in Qatar in January and a USD 240 million order for a 110,000-dwt capacity semi-submersible heavy-lift vessel for Dockwise in February. We booked two orders from BP for North Sea projects, including a USD 1.2 billion FPSO for the Quad 204 project in February followed by a USD 620 million drilling and production platform for the Clair Ridge Project in March. We finished the year by booking a USD 900 million EPC order for two Nigerian offshore gas production and compression platforms in November.

Major sail-outs during the year included the Usan FPSO to Nigeria, the North Rankin B platform topsides to Australia, and the Bongkot platform to Thailand. We also delivered 13 ships and opened the new 201,750 square meter Onsan yard to meet current and future production requirements.

2012 Outlook

Industry capex investment is expected to steadily expand with global energy demand growing at roughly 2% annually. According to Douglas-Westwood, offshore field investment is forecast to grow over 8% annually, increasing roughly 35% to reach USD 370 billion by 2013. At the same time, competition for offshore projects is expected to intensify as the downturn in the global economy and the shipping industry leads shipbuilders to increasingly focus on offshore projects.

2011 Order Breakdown (by Value)



Orders (in USD millions)

2010	3,069
2011	4,480

* Parent basis

Demand for floating units for deepwater energy production is projected to steadily rise. Rising demand for LNG is expected to drive brisk growth in offshore gas field development and onshore plants. Demand for new deepwater exploration rigs is expected to grow as global rig fleet utilization tightens. Pipeline projects are expected to expand along with demand for gas field development. Major deepwater infield pipeline projects are also expected to grow as deepwater development picks up.

In 2012, we will focus on winning major floating production unit and fixed platform projects as well as making inroads in new markets such as onshore LNG modules as we pursue a profitable, balanced order portfolio. We will step up collaboration with overseas production yards to meet local content requirements and strengthen our competitiveness. We will tailor our marketing strategy by region, product, and customer as we actively work to diversify our order base. We will leverage our installation and production capabilities to win EPIC projects as well as sharpening our competitiveness in the subsea pipeline and production platform installation fields. We will also continue to develop our technical and construction capabilities in the FLNG FPSO, subsea pipeline, and offshore wind turbine installation fields.

140,000 bbl/day

Pearl GTL project completion

In November 2011, we completed EPC work on the Pearl GTL plant located in Ras Laffan, Qatar. As the largest GTL plant in the world, the Pearl GTL plant produces 140,000 bbl/d of virtually sulfur-free diesel, naphtha, LPG, and condensate, using natural gas from undersea wells as the feed. It is capable of separating, desulfurizing, and purifying 1.6 billion cbf of natural gas daily to produce GTL plant feedstock methane as well as byproducts ethane, propane, and butane.

INDUSTRIAL PLANT & ENGINEERING

At Hyundai Heavy Industries, we're known for engineering and constructing some of the world's most advanced industrial plant facilities. Our world-class EPC capabilities have made us a key player in the Middle East and Africa over the years. Today, we're helping bring more power, water, and energy to more parts of the world.

2011 Overview

While power plant tenders in Saudi Arabia and Kuwait proceeded as scheduled in 2011, the so-called "Arab Spring" led to delays on numerous projects across the Middle East. Fierce competition among Korean engineering and construction companies for overseas EPC projects caused tender prices to plummet. In the nuclear sector where some 490 units are scheduled to be built through 2030, a number of projects were delayed due to mandatory safety reviews in the wake of Japan's nuclear crisis.

In the oil and gas plant sector, large-scale petrochemical project tenders in Saudi Arabia's Jubail and Rabigh regions went forward as scheduled despite concerns about oil producing nations and oil majors delaying or scaling back their investment plans due to the unfolding Eurozone financial crisis.

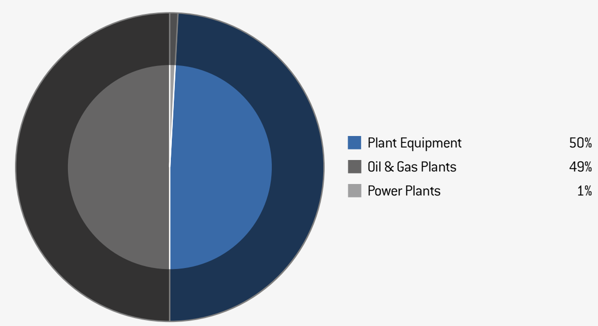
2011 Review

Although tough competition and project tender delays prevented us from achieving our order target, we booked orders of USD 1 billion for the year. Key project wins included a USD 400 million order for Hyundai Oilbank's #2 BTX plant in Korea, a USD 220 million order for three 150 MW circulating fluidized-bed boilers for the Tufanbeyli thermal power plant in Turkey, and a USD 120 million order for condensers and containment liner plates for all four units of the Braka nuclear power plant in the United Arab Emirates.

In March, we marked the overall completion of the Marafiq IWPP project, featuring a 2,750 MW combined-cycle power plant and an adjacent 176 MIGD desalination plant. Then in November, we completed the Pearl GTL project—the world's largest gas-to-liquids plant—marking our successful entrance into this value-added plant field.

We opened a new engineering center in Seoul in 2011 by reorganizing and expanding our process plant engineering section to strengthen competitiveness and enhance our engineering capabilities to a global level. We also completed a 100 t/d reverse osmosis seawater desalination pilot plant as we moved forward with plans to enter the global desalination market.

2011 Order Breakdown (by Value)



Orders (in USD millions)

* Parent basis

Al Dur IWPP completion
Ordered in 2008 by the Al Dur Power and Water Company, this USD 1.7 billion EPC build-own-operate project began commercial operations in early 2012. The 1,245 MW combined-cycle power plant produces the equivalent of almost one-third of Bahrain's total existing generation capacity, while the adjacent reverse osmosis desalination plant delivers 48 MIGD of water to meet the kingdom's growing needs.

RFCC reactor shipment
In August, we shipped a residue fluidized catalytic cracking (RFCC) reactor ordered by GS Engineering & Construction for the Ruwais Refinery expansion project in the United Arab Emirates. The reactor is the largest unit of its kind in the industry at 46 meters in height, 14 meters in circumference, and 1,150 tons in weight. RFCC reactors play a key role in the refining process, converting low-quality crude oil into value-added fuel products.

The market for both expansion and greenfield power plant projects is expected to steadily grow across the Middle East, Southeast Asia, and Latin America in 2012 due to economic growth, industrialization, and growing populations. The GCC nations are expected to expand their investment in power, desalination, and other essential infrastructure if oil prices hold steady above USD 100 per barrel. In the nuclear power sector, newly developing countries and energy-poor nations are forecast to move ahead with policies that expand the use of nuclear generation.

In the oil and gas plant sector, high oil prices are expected to drive project order growth in the Middle East and Africa. In the refining sector, rising demand for refined crude oil products is projected to drive plant expansion projects in the Middle East and Asia regions. In the petrochemical sector, demand in China, India, and Brazil is forecasted to gradually rise.

We are now in the process of setting up a construction subsidiary in Saudi Arabia and building a fabrication yard in Nigeria to strengthen our competitiveness and win more orders in the Middle East and Africa. We are actively targeting new markets in Southeast Asia, Central Asia, Latin America, and Africa with a focus on power generation and process plant projects. We are also in the process of diversifying into the oil- and coal-fired thermal power plant and petrochemical plant sectors.

In the nuclear plant sector, we are now laying the groundwork for our entrance into the major equipment and equipment replacement businesses with overseas partners. We have acquired KEPIC nuclear plant construction certification in our home market, qualifying us to participate in main facility construction tenders. We plan to bid on the main facility construction for Shin-Kori Units 5 and 6 as well as balance-of-plant (BOP) business such as fuel transport containers for Yonggwang Units 3 and 4 and Ulchin Units 3 and 4.

13.4 million bhp

HiMSEN engine production milestone

Since their development back in 2000, HiMSEN four-stroke engines have earned a reputation as one of the top brands in the market. It took just under a decade from the time our first HiMSEN rolled off the assembly line in September 2001 to the 5,000th unit on February 10, 2011. We finished the year with a cumulative total of 6,043 units representing approximately 13.4 million bhp.

ENGINE & MACHINERY

At Hyundai Heavy Industries, we're known for building some of the world's most powerful engines and advanced machinery. From ships to power plants, we deliver the equipment that empowers industries and economies to grow as we help build a more productive future.

2011 Overview

Demand in the two-stroke marine engine market rose in 2011 due to stronger than expected demand for ultra-large containerships and rising short-lead-time orders from Chinese shipbuilders. The closure or bankruptcy of a number of financially-strapped small and medium-size Korean shipyards led to a decrease in engine orders. Overall, tough competition across the industry continued to push engine prices downward.

Demand for power plant engines in the Middle East suffered a setback as unrest connected to democracy movements led to project delays. While the ongoing nuclear crisis in Japan led to a delay in orders for auxiliary nuclear plant equipment such as industrial pumps, rising investment in manufacturing by automakers and steelmakers boosted industrial robot sales.

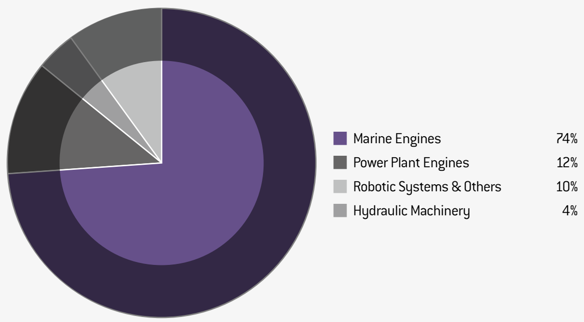
2011 Review

Despite challenging circumstances in key markets, we booked orders totaling nearly USD 3.2 billion in 2011. Our marine engine business produced 459 two-stroke engines totaling nearly 12 million bhp, setting a new record as the industry's first to surpass the 110 million bhp milestone. We also produced 1,125 four-stroke engines totaling 2.5 million bhp and 4,200 robots.

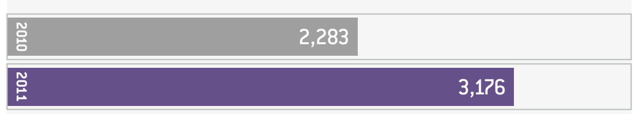
Although project financing issues in the Middle East resulted in project delays that hindered us from achieving our power plant engine and hydraulic machinery order targets, strong performances by our other businesses helped us meet our overall order target for the year. Key highlights included a surge of short-lead-time marine engine orders from China and ultra-large containership engine orders from Korean and Taiwanese shipyards, growing orders of our H32/40V four-stroke engine for drillships and other special vessels, new overseas orders for nuclear power plant emergency backup generators, and robust industrial robot orders from automakers.

One of our LCD-handling robots was recognized as a "World Class Product of Korea" in 2011 by Korea's Ministry of Knowledge Economy. We have now won this recognition of top-5 global market share for a total of 15 products in the engine and machinery fields, including 9 marine engines, 2 power plant engines, 2 industrial robots, and 2 industrial pumps.

2011 Order Breakdown (by Value)



Orders (in USD millions)



* Parent basis

New Ulsan industrial robot plant completion
In June 2011, we completed a new industrial robot plant in Ulsan that is roughly triple the size of the previous plant at 8,264 square meters. Designed to build over 4,500 auto assembly and LCD glass handling robots annually, the plant will play a key role in achieving our goal of becoming a global top-3 player in the field by 2014.

2012 Outlook

We expect marine engine order volumes to decline in 2012 as growth remains sluggish for both the global economy and shipbuilding industry. Combined with rising global production capacity, this trend is expected to further intensify competition, creating downward price pressure that will negatively impact profit margins. In addition, rising production capacity and stricter import regulations in China, our main export market, combined with shrinking orders from small and medium-size shipyards in Korea will make securing new orders in these markets even more challenging after 2013.

The power plant engine and industrial pump fields will face a tougher order environment if financing challenges in certain Middle East markets lead to extended project tender delays. On a more positive note, oil prices and electricity demand are expected to drive demand for gas and other high-efficiency, eco-friendly engines. Ongoing investment in manufacturing by automakers is also expected to boost demand for industrial robots.

Our order target for 2012 is USD 3.6 billion as we aim to secure a solid two-year order backlog. We plan to maintain a global two-stroke marine engine market share of over 30%. As we focus on our most-competitive fields—two-stroke marine engines and packaged power stations—we will also be aiming to make automobile and LCD industrial robots a larger part of our order mix. Going forward, we will be focusing on the development of HiMSEN engines customized for special vessels such as drillships and LNG carriers. We will also be focusing on eco-friendly gas engines, quality assurance, continuous productivity improvement, and cost reduction to maintain our unique competitive edge in these businesses.

Packaged power station support for Japan
In the wake of the 2011 Tohoko earthquake, we donated and installed four of these 1.4 MW diesel generator units to provide power to approximately 8,000 homes in the Chiba region. Tested and prepared for shipment in just one week, these PPS units are the first of their kind to enter service in Japan.

14,000 MVA

US Transformer Plant Completion

In November 2011, we marked the completion of Hyundai Power Transformers USA, Inc., our first US transformer plant. The facility located near Montgomery, Alabama will produce up to two hundred 500 kV transformers annually. The plant is part of our strategy to build a global production network that will build trust with our customers and strengthen our ability to repair and service what we sell in local and regional markets.

ELECTRO ELECTRIC SYSTEMS

At Hyundai Heavy Industries, we're known for building some of the world's most advanced power transmission and distribution equipment. Our gas-insulated switchgear technology is delivering solutions tailored to meet the needs to today's ultra-high-voltage substations that will help bring more power to life.

2011 Overview

Slowing economic recovery in the United States and the Eurozone financial crisis led to shrinking demand for power equipment in those markets in 2011. In the Middle East, growing economies, quality-of-life expectations, and infrastructure investment led to higher demand. In developing markets, government-led investment in long-term power generation projects was the primary driver of demand.

From a competitive standpoint, capacity expansion by major manufacturers as well as new ones entering the market resulted in oversupply and price cuts. Emerging players from China and India leveraged their price competitiveness to steadily gain market share in North America, the Middle East, and other major markets. Combined with lower investment in large-scale power plants and substation facilities, these factors continued to create a challenging business environment throughout the year.

2011 Review

In 2011, we booked orders of USD 2.6 billion and consolidated sales of KRW 2.4 trillion. With the exception of rotating machinery, all our businesses saw order declines, led by transformers, gas-insulated switchgear, and switchgear. Major orders included transformers for the Braka nuclear plant project in the United Arab Emirates, while major deliveries included transformers for San Diego Gas & Electric's Suncrest substation project in the US state of California. We also continued to expand our local production network in key markets, breaking ground for a gas-insulated switchgear plant in Vladivostok, Russia and completing a transformer plant in Montgomery, Alabama in the United States.

2012 Outlook

Tightening finances due to the global economic downturn are projected to reduce electric equipment demand for the foreseeable future. The arrival of new manufacturers and growing competition between major players is expected to put steady downward pressure on prices. The price competitiveness and growing success of Chinese and Indian manufacturers in particular will further intensify competition. While demand in emerging markets is projected to steadily grow due to government-led infrastructure projects and general economic expansion, increasing government intervention to protect local industries is expected to limit access to market opportunities.

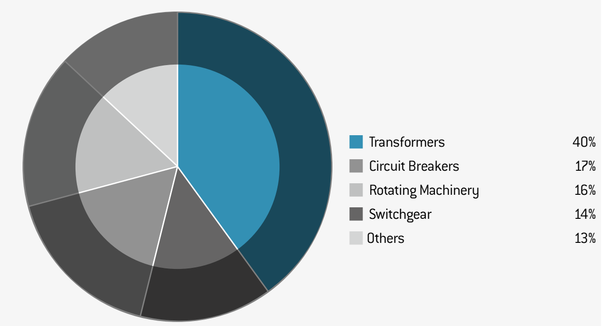
In 2012, we will be continuing the process of restructuring our product portfolio and market focus to improve operating flexibility and lay the foundation for stable growth in an increasingly challenging business environment. From a product standpoint, we will be diversifying our portfolio into businesses that offer opportunities for fast turnover such as low-voltage transformers. We will also be expanding our model lineup in businesses where we have technical and quality superiority such as explosion-proof motors.

From a market standpoint, we will shift the focus of our sales organization from the Americas and Middle East to developing markets where government-led infrastructure investment is growing and economic vitality is driving prospects for steady growth. We are also in the process of expanding our global production network with a gas-insulated switchgear plant in Russia.

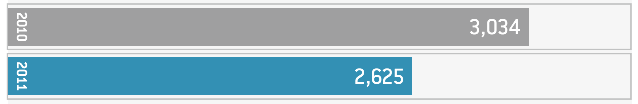
Explosion-proof motors
Certified by CSA, UL, PTB, Baseefa, PCT, and LCIE, our explosion-proof induction motors are specifically designed to withstand the pressure of an internal explosion and prevent flame leakage. We held a 14% market share in this category in 2011, making us the world's No. 3 player.

Russia GIS plant groundbreaking
In September 2011, we broke ground for Hyundai Electrosystems, a plant dedicated to making gas-insulated switchgear in Vladivostok, Russia. The plant will produce over 250 GIS units annually ranging from 110 kV to 500 kV when completed in September 2012.

2011 Order Breakdown (by Value)



Orders (in USD millions)



* Parent basis

120 tons

World-Class Excavator Lineup

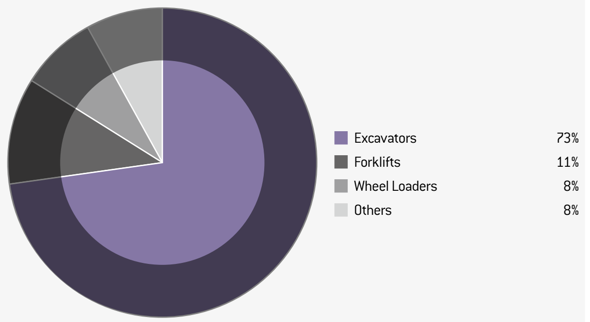
We manufacture a full lineup of excavators from 1.5-ton mini excavators up to 120-ton mining giants. Outstanding performance, design, and ergonomic engineering make our machines some of the most competitive in the industry as they lead their category in over 10 major national markets around the globe.

CONSTRUCTION EQUIPMENT

At Hyundai Heavy Industries, we're known for building some of the world's most reliable and advanced construction equipment. From our cutting-edge technology to our commitment to superior post-sale service, we're helping build a better world.

HL780-9 wheel loader
Launched in 2010, this 9-series wheel loader is designed to deliver superior engine output and performance with reduced emissions.

2011 Order Breakdown (by Value)



Orders (in USD millions)

* Parent basis

2011 Overview

The global construction equipment market continued to grow in 2011 thanks to robust growth in emerging markets as well as ongoing investment in infrastructure around the world. Emerging markets such as Asia, the Middle East, Russia, and Brazil steadily grew in importance during the year. While demand in developed markets in North America and Europe continued to show signs of recovery, the ongoing financial crisis in Europe means that it will likely be a while before demand in that region recovers to pre-2008 levels. Demand in China, a country whose rapid growth rate in recent years has made it by far the world's largest construction equipment market, saw growth slow substantially in the first half of the year due to tighter credit. Competition in that market also heated up due to growing local investment by major global players as well as strong growth by local makers.

2011 Review

Our consolidated sales rose approximately 30% in 2011 to a record KRW 4.3 trillion. The combination of successful product launches, an upgraded sales network, and expanded product support enabled us to generate solid gains across all geographic markets, from emerging markets in India, Southeast Asia, Russia, and the Middle East to North America, Europe, and our home market of Korea. We continued to expand our global market share in our core excavator business with exceptional quality and service during the year, leading the segment in 13 countries worldwide, including Russia, Brazil, and New Zealand. Our forklift business also had a banner year, growing roughly 55% thanks to an expanded sales force and product lineup.

2012 Outlook

We believe that the global construction equipment market has limited prospects for growth in 2012 due to slowing economic growth worldwide and significant uncertainty regarding the ongoing Eurozone financial crisis. While China's recent slow in growth makes it unlikely that market will generate the rapid growth it has in the past, the loosening of economic policies in the second half of the year is projected to boost growth. In other emerging markets in India, the Middle East, and Southeast Asia, large-scale investment in infrastructure and resource development is expected to continue to drive growth.

In 2012, we will continue to pursue greater market share by upgrading our sales network as well as service and support operations. With the completion of a new wheel loader manufacturing facility in Tai'an, China in November 2011, we have now successfully entered the world's largest wheel loader market. We also expect to complete our first manufacturing facility in Brazil—Latin America's largest market with strong long-term growth prospects—by the end of the year as we push forward with the evaluation of potential investments in Indonesia and Russia.

Looking ahead, we will continue to focus on expanding our competitiveness through ongoing investment and the delivery of localized products and services. We also plan to enhance customer satisfaction by expanding availability of our Hi-mate remote management system to help equipment owners effectively monitor and maintain their investments.

25-ton diesel forklift launched
In 2011, we expanded our forklift lineup with a new diesel-powered forklift with a lifting capacity of 25 metric tons. Our lineup now includes a full range of diesel, LPG, and electric forklifts and material handlers.

80 MW

Ukraine solar market entrance

Beginning in March 2011, we supplied a total of 51 MW of solar modules to Activ Solar of the Ukraine during the year, establishing a foothold in the Eastern European market. The modules delivering represent approximately 64% of the total installed at the 80 MW Ohotnikovo Solar Power Station, the fourth-largest facility of its kind in the world.

GREEN ENERGY

At Hyundai Heavy Industries, we're an emerging player in global solar and wind markets. By forging strategic alliances with world-class partners around the globe, we aim to deliver high-performance renewable energy solutions that will power a more sustainable future.

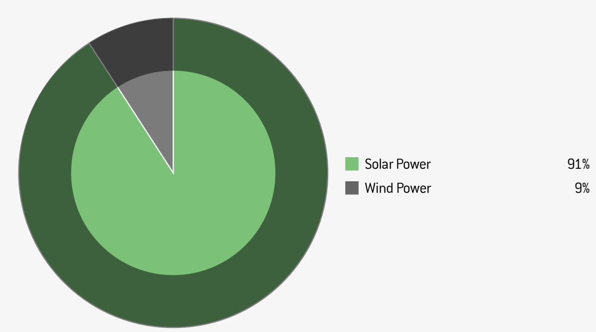
2011 Overview

Ongoing financial instability in global markets in 2011 prompted governments worldwide to revise their support programs for renewable energy industries and reduce subsidies. The movement by major carbon-emitting nations to reject agreements to second and subsequent commitment periods of the Kyoto Protocol at the Durban climate conference added to market uncertainty. On the manufacturing side, industry players worldwide focused on technical development, strategic alliances, and cost reduction.

In the global solar industry, governments in Europe and Japan announced higher feed-in tariffs in support of residential and commercial solar systems. In the United States, where Chinese-produced solar modules are currently the target of anti-dumping lawsuits, sales of modules from other countries enjoyed higher sales, a trend that is expected to continue.

The global wind industry saw continued growth in China and India and a slowdown in Europe and the United States brought on by financial instability and concerns about possible policy changes. From a capacity standpoint, the industry-wide oversupply situation—aggravated by overinvestment by Chinese makers—accelerated consolidation.

2011 Order Breakdown (by Value)



Orders (in USD millions)

* Parent basis

2011 Review

The challenging market environment we faced in 2011 led to disappointing consolidated sales of just KRW 380 billion for the year. Our solar business booked over USD 200 million in orders across Europe. Highlights included a USD 60 million contract with Active Solar of the Ukraine and 23 MW of orders in the United Kingdom that enabled us to win an 8% market share as we made inroads into new markets. We also worked to expand our target markets through technical differentiation, launching a new frame design appropriate for installations in areas subject to frequent severe weather and heavy snow as well as high-performance modules.

Our wind business continued to win overseas customers, securing orders for 2.0 MW and 1.65 MW wind turbines from Finnish Power of Finland and Zotos of the United States. In Korea, we became the first domestic turbine maker to supply turbines to the Taebaek Maebong Wind Farm project, delivering four 2 MW units to that 18 MW facility. We also continued to pursue development of offshore turbines as we worked to diversify our model lineup to pave the way for future growth.

UK solar market entrance

In 2011, we entered the British solar market with a focus on the residential and small-scale commercial markets. Our efforts enabled us to win orders valued at around GBP 21 million for 23 MW, representing approximately 8% of the 300 MW ordered nationwide during the year.

Finland wind market entrance

In April 2011, we won an order from Finnish Power for eight 2 MW wind turbines to be installed in Hamina, Finland. This order was particularly meaningful because it was the first by a Korean firm in Europe, home to some of the world's top turbine makers, as well as recognition of our technical competitiveness in the global market.

2012 Outlook

Although the global renewable energy market faces challenges on many fronts with shrinking government support, falling prices due to the excess capacity and large inventories of Chinese makers, and an uncertain global economy, we believe that concerns over energy security and independence, rising oil prices, and environmental issues will help the solar and wind industries grow in 2012.

While installation caps in the European solar power market will slow sales, anti-dumping lawsuits against Chinese module makers in the United States and Europe are expected to provide an opening for manufacturers from other countries. The re-introduction of feed-in tariffs in Japan will give a boost to that market.

The Korean wind market is expected to see new wind farm projects get underway with the launch of a renewable portfolio standard program. The Korea-US free trade agreement is also expected to increase pressure for market opening. Overseas, onshore turbine markets will likely see flat demand despite falling prices due to oversupply. The offshore wind turbine market is poised for continued growth, with Europe taking the lead.

Our target in 2012 is to win major orders early on to secure a solid order pipeline. We plan to set up sales offices in the United States and Germany to bolster our local marketing capabilities in those key markets. We will also set up a new technical development team to work together with our R&D organization to develop the new technologies and products that will sharpen our cost competitiveness.

In the solar business, we will be focusing on meeting market demand by ramping up production of high-efficiency modules as we develop solutions for the growing small and medium-size rooftop installation market. We also aim to expand our order opportunities by providing technical support for large-scale projects to major installers.

In the wind business, we will be expanding our 2 MW onshore lineup with new models to meet a broader range of customer needs. We will also be accelerating development of a 5.5 MW offshore turbine to get an early foothold in that market, leveraging our extensive experience in offshore installation to enhance profitability.

30.8%
Upgrading Ratio

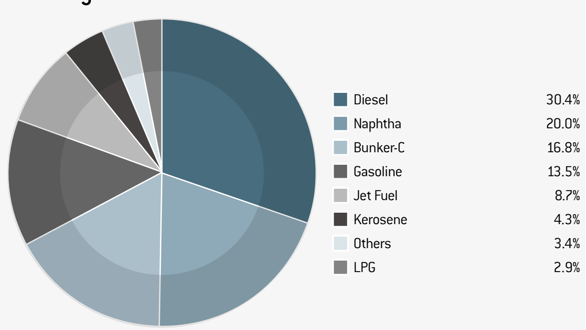
#2 HOU plant completed

In June 2011, Hyundai Oilbank successfully began commercial operations at its #2 HOU plant, raising its daily heavy oil upgrading capacity by 66,000 barrels and upgrading ratio to an industry-leading 30.8%. With this increased production capacity of high-value-added light oil products, the company expects to significantly increase its refining margins and profitability going forward.

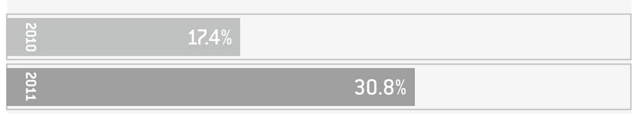
REFINERY

At Hyundai Oilbank, we're known for our cutting-edge refinery facilities and high-quality petroleum products. Today, we're investing in diversification to expand our revenue base and deliver the energy that will keep both us and our customers growing.

2011 Sales by Product



Upgrading Ratio



2011 Overview

The average international crude oil price in 2011 rose to USD 106 per barrel as Middle East oil-producing nations experienced political instability during the year. Global oil consumption rose as China and other emerging markets maintained brisk economic growth and demand recovered in the United States.

Demand also continued to rise across Asia. The regional refining industry saw supply tighten and cracking margins rise due to refinery shutdowns in Japan following the March earthquake as well as refinery accidents in Taiwan and Singapore. In Korea, where refining capacity already exceeds domestic demand and refineries normally export their excess capacity, demand and cracking margins rose, enabling local refiners to boost their capacity ratios and increase the export portion of their sales.

2011 Review

Hyundai Oilbank took full advantage of the market opportunities mentioned above, generating solid consolidated sales of KRW 18.8 trillion and an operating profit of KRW 595 billion. The company maintained its cracking margins as oil and petrochemical prices rose. The combination of rising exports due to refinery shutdowns in Japan, Taiwan, and Singapore and an expanded and upgraded domestic sales network enabled the company to expand its share of the domestic light oil market by roughly 2 percentage points to 20.3%. The startup of commercial operation at the highly profitable 66,000-barrel-per-day #2 HOU (heavy oil upgrading) plant in June also bolstered profitability.

Hyundai Oilbank R&D Institute opened
In November 2011, Hyundai Oilbank opened a new integrated R&D facility to take the lead in developing the "software" that will drive its future growth. Focusing on new technologies spanning a broad range of fields from crude oil refining to lubricant base oil, propylene, and next-generation fuels, the institute will also serve as an incubator for tomorrow's technical innovators as it actively pursues opportunities for technical collaboration in the petroleum and petrochemical fields with Korean universities and overseas partners.

2012 Outlook

Global oil prices and industry margins are expected to decline slightly in 2012 as the Eurozone financial crisis continues to unfold, oil demand falls in developed markets, non-OPEC oil producers ramp up production, oil production in countries where political stability interrupted it in 2011 ramps back up, and emerging markets add refining capacity. The possibility of further contagion from the Eurozone financial crisis means that the global market will continue to face a high degree of uncertainty.

In Asia, developing markets are expected to continue to see solid growth. This in turn will drive demand for petroleum products as car ownership and infrastructure projects grow, creating a favorable environment for oil exporters. In Korea, stagnant economic growth and the continued weakening of heavy oil prices in the face of high crude oil prices is expected to dampen demand.

With the completion of the #2 HOU plant in 2011, Hyundai Oilbank now has an upgrading ratio of 30.8%, the highest in Korea. With these highly-profitable HOU plants operating smoothly and strategic ongoing expansion of its domestic sales network underway, the company believes that it can continue to gain market share and generate solid profitability in the coming year.

Hyundai Oilbank expects to use the proceeds of its upcoming initial public offering to improve its financial structure. Through ongoing investments in the #2 BTX plant expansion project with Cosmo Oil and a joint-venture lubricant base oil project with Shell, the company will continue to diversify its business portfolio as it lays a solid foundation for continued growth.

#2 BTX plant groundbreaking
In July 2011, Hyundai Oilbank broke ground for the #2 BTX plant. When this joint venture with Cosmo Oil of Japan begins commercial operations by the first quarter of 2013, it will produce 920,000 tons of benzene and paraxylene annually, nearly tripling output to 1.42 million tons.

#2 HOU plant completion
Launched in July 2009, the #2 HOU plant project achieved mechanical completion in January 2011, followed by pilot testing and commercial operations in June 2011. Together with existing upgrading facilities, this 66,000-barrel-per-day facility brings the company's upgrading ratio to 30.8%, the highest in the Korean industry.

KRW 240 billion

Ship investment funds launched

In 2011, HI Investment & Securities launched its second public offering ship fund—HI Gold Ocean No. 2—in as many years, attracting KRW 99.6 billion in subscriptions. The company also floated a separate private ship fund, attracting KRW 140 billion from institutional investors, including a number of major pension funds.

FINANCIAL SERVICES

We're known for delivering quality brokerage, asset management, futures trading, corporate finance, and loan services to our customers. Today, we're working hard to provide the products and services they need to profit in uncertain economic times.

2011 Overview

After setting a new high of 2,228.96 points on May 2, 2011, the KOSPI suffered a sharp loss in August as sovereign credit downgrades in the United States and elsewhere and the unfolding Eurozone crisis roiled global financial markets. The KOSPI finished the year at 1,825.74 points, 225.26 points and 10.98% below where it started the year.

In the fund market, domestic bond funds were the best performers, delivering an average return of 4.3%. Overseas equity funds were the worst with an average return of -21.2%. This relatively good performance of fixed income funds coincides with the rising popularity of safe assets in today's uncertain global economic climate.

2011 Review

In 2011, our financial services segment recorded consolidated operating profit of KRW 692 billion. Although it faced a difficult operating environment in 2011 defined by a shrinking domestic capital market due to ongoing global financial instability as well as falling commission fees and increasing regulation at home, HI Investment & Securities generated a net operating profit of KRW 183.7 billion backed by a solid performance in the derivatives, brokerage, and retirement pension fields. The company also strengthened its sales force in the asset-backed commercial paper and bond fields. Its public offering and private ship funds gave investors another new investment vehicle, attracting KRW 99.6 billion and KRW 140 billion, respectively. The company has also established Korea's first private equity fund that will deliver true mutual growth by investing over 70% of its equity in partner companies of the Hyundai Heavy Industries Group.

Smartphone app ranked No. 2 in industry
In September 2011, the HI Investment & Securities "Smart HI" stock trading app earned the No. 2 overall rating among offerings from Korea's 22 securities firms on the Korea Smart App Assessment Index. Smart HI scored high in each of the five areas of assessment, including customer stickiness, content, design, technical, and business features, winning the top rating of 94.3 points in the latter area.

Excellent Rating in Fund Sales Company Evaluations
Excellent rating in fund sales company evaluations by Korea's Financial Supervisory Service and highest grade in evaluation of financial institutions selling investment funds conducted by the Korea Investors education Foundation in 2011, respectively.

Small and Mid-Cap Fund named best in industry
In November 2011, HI Asset Management's Small and Mid-Cap Fund was named the best fund of 2011 at the Korea Herald Business Fund Awards. The fund saw assets under management dramatically increase during the year as it generated outstanding returns.

Business strategy workshop held
In July 2011, HI Asset Management held a workshop focused on implementing its business strategy and strengthening organizational capabilities. The company announced and prioritized its action plans in five major areas, including risk management, product strategy, and management margin improvement.

HI Investment & Securities Assets Under Management (in KRW billions)

HI Asset Management Assets Under Management (in KRW billions)

HI Asset Management's small- and mid-cap funds continued to be among the industry's best performers and a popular choice with investors. Despite a decline in short-term MMF assets under management, the company maintained the status quo and saw MMF deposits begin to pick up in December. On the other hand, discretionary assets under management enjoyed striking growth. Even with difficult economic conditions on all fronts, the company continued to deliver solid results backed by ongoing new product development and sound operating principles.

2012 Outlook

While the Eurozone financial crisis is expected to continue to be a source of drag on developed economies in 2012, global policy coordination and an easing of monetary policy are projected to help emerging markets rebound, led by China. In Korea, the direction of the domestic stock market will be determined by events in Europe and China. The maturing of government bonds issued by southern European nations around April will once again put the spotlight on Europe's troubles. The possibility of an improving housing market in the United States after a six-year decline and projected growth in corporate margins are expected to give stock markets upward momentum.

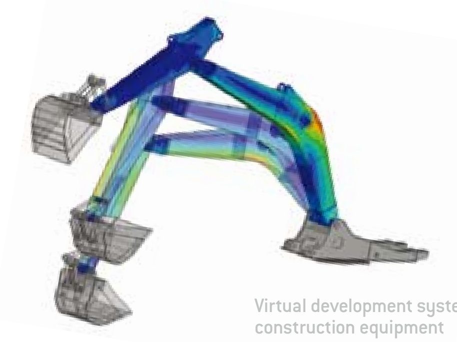
Korean consumer prices are expected rise 3.4% in 2012, significantly less than the previous year. A downward trend for raw materials prices and slow economic growth will ease inflationary pressure from a supply and demand perspective. Abroad, continued quantitative easing in the United States and the appreciation of the Chinese yuan will lower the value of the dollar. In Korea, the current account surplus and foreign equity inflows are expected to continue.

As brokerage commissions approach their marginal cost in 2012, a professional sales force rather than fee-based competition is expected to be the key to success. HI Investment & Securities will be focusing on strengthening areas through research where it enjoys a competitive advantage such as ship finance, online and mobile services, and the wholesale business to achieve its 2012 business targets. With the revision of the Employee Retirement Benefit Security Act, the market for individual retirement plans is expected to grow significantly. The company will continue to strengthen its pension business and expand into the over-the-counter derivatives market as it continues to diversify its portfolio and secure its position as a full-service securities firm.

HI Asset Management will be aiming to maximize profitability in 2012 with a linked management strategy based on market conditions with the strategic objective of launching a variety of focused funds. Emphasizing sound management and leveraging business partnerships with its Shanghai office and global fund management firms to get investment information a little faster, the company will focus on attracting pension funds and other institutional investors as it continues to grow assets under management.

RESEARCH & DEVELOPMENT

At Hyundai Heavy Industries, we build tomorrow by innovating today. Our unique research organization gives us a powerful competitive advantage that ensures our long-term growth and profitability in the increasingly competitive global marketplace.



Virtual development system for construction equipment

EcoBallast™ system

9-series forklift integrated design

Hyundai X-twisted rudder

Propeller model testing

Solar cells and modules

R&D Overview

Innovation is an integral part of our corporate DNA. On average, our research organization has well over 1,000 projects underway at any given time. In 2011, we invested KRW 247 billion in R&D. We plan to invest KRW 309 billion in 2012 as we continue to innovate to enhance our global competitiveness.

Augmented by institutes in Hungary and China as well as a growing number of international partnerships, our six Korea-based research institutes are the creative dynamos that have helped us achieve a top-five global market share in 34 product categories to date, including 3 in 2011 alone. Our goal is to expand this number to 36 categories in 2012.

R&D Priorities

We believe that technical innovation is the surest path to sustained growth and profitability in today's challenging global marketplace. In 2012, our focus will be squarely on bolstering the competitiveness of our existing products, developing new ones, and laying the groundwork for entirely new businesses. The following five priorities will guide us in the coming year.

- We will strengthen the competitiveness of our major products and create new businesses.
- We will strengthen inter-division cooperation.
- We will hire and foster top talent.
- We will build our global R&D network and strengthen open innovation.
- We will adopt and implement a performance-based evaluation system.

Hyundai Maritime Research Institute (HMRI)

Founded in 1984, HMRI ensures the quality of our world-class marine products with first-class core technologies. HMRI has capital facilities such as a large towing tank and cavitation tunnel for hydrodynamic research on ships and offshore structures. In addition to conducting practical R&D activities for the Shipbuilding Division, HMRI is actively developing new technologies and businesses to ensure our long-term growth.

In 2011, HMRI partnered with the Shipbuilding Division to develop a patented "X-twisted" full spade rudder design. Engineered to provide superior maneuverability over conventional spade rudders as well enhanced cavitation performance and propulsion efficiency, the X-twisted rudder will be installed on all future newbuild containerships.

Hyundai Product Development Research Institute (HPDRI)

Founded in January 2011, HPDRI has the special mission of improving product development technologies. Focusing primarily on engines, construction equipment, and fluid machinery, HPDRI takes the lead in developing performance and reliability enhancements for existing products as well as next-generation models and new products.

In 2011, HPDRI developed a virtual design system for excavator attachments that enables designers to perform 3D simulations of durability and work performance to streamline and accelerate the design process. We expect the new system to improve the competitiveness of our excavators by enabling us to design stronger, lighter, and more durable attachments in less time.

Hyundai Industrial Research Institute (HIRI)

Founded in 1983, HIRI has played a vital role in the development of production technologies such as welding, casting, forging, protective coatings, and automated manufacturing facilities. HIRI has also developed engineering technologies for energy and environmental control systems such as oil and gas processing plants, power generation plants, IGCC plants, desalination plants, engine emissions control systems, and ballast water treatment systems. Equipped with advanced analysis equipment and powerful simulation facilities, HIRI also operates an internationally accredited material testing laboratory to ensure high product quality.

In 2011, HIRI collaborated with the Engine & Machinery Division to develop two ballast water treatment systems. EcoBallast™ uses UV light to sterilize ballast water, while HiBallast™ uses electrolysis. Both systems have received approval from the International Maritime Organization (IMO) and the Korean government and are currently in commercial use.

Hyundai Electro-Mechanical Research Institute (HEMRI)

Founded in 1991, HEMRI helps create new opportunities through the development of cutting-edge technologies, constantly seeking new technological insights to transform into high-quality products and businesses. With a strong emphasis on mechanical and electrical engineering, HEMRI R&D activities span the range from the fundamental to the applied.

In 2011, HEMRI collaborated with the Electro Electric Systems Division to develop 100 kW and 125 kW transformerless photovoltaic power conditioning systems that offer 2% greater efficiency than conventional transformer-based inverters. Certified by TÜV of Germany and ENEL of Italy, these new systems are expected to help us win new business in Italy and other European markets.

Techno Design Institute (TDI)

Founded in 2000, TDI helps differentiate our products and services through creative industrial design. TDI pursues new approaches to industrial design to enhance product sophistication, promote sales, and create greater value for our customers. Through involvement in product design, spatial and environmental design, brand design, and design communications, TDI is visibly strengthening our position as a global leader in each of our businesses.

In 2011, TDI completed a new unified design identity for our entire forklift lineup. Taking design cues from our first 9-series models, TDI updated the exterior to project a powerful, dynamic image that will help our lineup stand out from the competition.

Technology Management Institute (TMI)

Founded in 2011, TMI is tasked with helping us proactively respond to today's constant-changing business environment to achieve sustainable growth. Its primary responsibilities include mid- to long-term R&D strategy development, new business development, intellectual property management, global R&D network management, R&D project management, and knowledge management.

R&D Expenditures (in KRW billions)

* Parent basis

We are committed to making our world a better place.

CORPORATE RESPONSIBILITY

COMMUNITY COMMITMENT

At Hyundai Heavy Industries, we build a brighter future by building win-win relationships with all our stakeholders. We work hard to forge mutually beneficial relationships with our employees, partners, and community to create greater growth and prosperity for all.

Charity donation ceremony

Annual collective bargaining agreement

Employee Welfare

The secret of our success is the 25,000-strong workforce that builds the ships, plants, facilities, and equipment we sell to customers worldwide. Together, we have built an enduring win-win relationship that has created an environment of trust and respect that has helped us weather good times and bad. In 2011, we concluded our 17th straight annual collective bargaining agreement without dispute as we came together to strengthen our fundamentals during a year of particularly challenging conditions. We provide a comprehensive package of benefits to our employees and their families that covers housing support, healthcare coverage, tuition support for dependents from middle school to university graduation, and discounted use of resort facilities at major leisure destinations across Korea.

Partner Development

The Hyundai Technical Education Institute (HTEI) has trained skilled professionals in a number of areas since 1972. In 2003, we were selected by Korea's Ministry of Employment and Labor to be a part of consortium to train small and medium business employees. HTEI runs a total of 13 courses covering shipbuilding, machinery, electrical systems, CAD, painting, and other fields. The courses run between three and five months with around 30 total sessions annually. Over 32,000 people have completed training to date, with more than 90% securing employment.

Community Service

As a major employer in the Ulsan region, we take social responsibility very seriously. We actively support local agricultural and fisheries industries through foodstuff purchases by our foodservice and food donation programs. We raise funds to aid parentless families and shut-in seniors, orphanages, and nursing homes. Our employees also generously volunteer their time and resources to benefit worthy causes. In 2011, over 23,000 of them donated the change from their paychecks to a special charity fund, raising nearly KRW 240 million for three worthy charities. More than 15,312 employees of the Hyundai Heavy Industries Group have also signed organ donation cards to give the gift of life.

Ulsan String Players chamber orchestra

Our social commitment extends far beyond Korea. In recent years, we have dispatched equipment and support teams to aid in disaster relief in Haiti, China, Brazil, Japan, and Turkey as well as donated funds to rebuild schools and hope. In January 2011, we sent excavators and engineers to help relief efforts in the flood-hit Brazilian cities of Teresopolis and Nova Friburgo. In March 2011, we donated JPY 50 million to the Japanese Red Cross for earthquake relief and sent four packaged power stations to help alleviate power shortages for some 8,000 households in the Chiba area. We also sent excavators and a support team to Turkey in October 2011 to aid earthquake relief operations.

Education

We are firm believers in the value of a quality education. We operate a number of primary and secondary educational institutions, including the University of Ulsan and Ulsan College. The former has the highest graduate employment rate of any Korean 4-year college and has been ranked one of Korea's top universities for the past five years. We also operate a "Housewives College" program each spring that provides employee spouses with a wide variety of opportunities for learning and self-development. Over 10,000 spouses have graduated from the program to date, going on to enrich the community through active volunteer service.

Culture & Arts

We have helped turn one of Korea's top manufacturing cities into one of its most cultured. Over the years, we have helped expand Ulsan's cultural infrastructure by building a total of seven cultural and arts centers. The largest of these is the Hyundai Arts Center. This multi-purpose facility features a 1,000-seat main hall that hosts world-class concerts, opera, and musicals, an art gallery, a movie theater, and a variety of leisure and sports facilities.

Organ donor campaign

ENVIRONMENTAL COMMITMENT

At Hyundai Heavy Industries, we build a better future by building a greener, safer, and healthier present. Our commitment to being a leader in low-carbon green growth as well as workplace safety and health is ensuring a sustainable future for both us and our community.

Environmental Management strategy

Strengthen Environmental Systems
- Adopt systematic worksite monitoring systems
- Bolster workforce environmental training
- Implement environmental information system

Comply with Environmental Regulations
- Comply actively with international conventions on climate change
- Establish proactive response mechanism for international regulations
- Respect domestic environmental regulations

Build Clean Manufacturing Systems
- Minimize resource and energy usage
- Minimize waste generation and maximize recycling
- Optimize operation of pollution prevention facilities

Enhance Environmental Initiatives
- Participate actively in community environmental activities
- Participate actively in voluntary agreements
- Produce and publish environmental reports

Emphasize Eco-Friendly Businesses
- Develop eco-friendly products and technologies
- Expand renewable energy businesses

Climate Change Response

Since acquiring ISO 14001 certification in 1997, we have made environmental management a core part of our operations. We are systematically working to reduce the carbon footprint of all aspects of our operations and products. In 2010, we became the world's first shipbuilder to complete a greenhouse gas inventory. Verified by the Korean Standards Association, the inventory covers the 2007 to 2010 period and gives us a comprehensive understanding of emissions sources and amounts from our operations, providing a framework to systematically manage and reduce our GHG emissions as well as a more accurate, credible, and transparent accounting of our environmental responsibility. We are actively participating in the Korean government's greenhouse gas and energy target setting program launched in 2011, setting an emissions reduction target of 1.26% of the 2012 business-as-usual level.

CO_2 Mitigation

In 2010, we entered the CO_2 mitigation business by installing a 1.65 MW wind turbine at our Ulsan yard as part of our response to climate change and to secure carbon credits. The turbine has reduced carbon emissions by 5,238 metric tons to date, making us Korea's first shipbuilder to earn carbon credits through the Korea Certified Emission Reduction (KCER) program operated by the Korea Energy Management Corporation. We are now participating in a pilot emissions trading program to bolster our risk management capabilities in this field and more effectively prepare for the expected launch of Korea's cap-and-trade program in 2015.

Clean Production

We operate and maintain clean production systems as part of our commitment to minimizing pollution at the source. Our more than 250 pollution prevention and control facilities—including regenerative thermal oxidizers, bag filters, and a wastewater treatment plant—are continuously monitored and maintained to ensure optimal performance. We also continue to improve our

Environmental Management Strategy

Strengthen Environmental Systems
- Adopt systematic worksite monitoring systems
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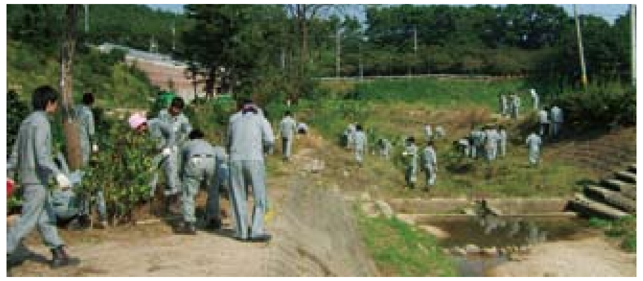


production processes to steadily reduce the environmental load of our operations.

Our internal pollution emissions standards are extremely strict, allowing only half of the legally permissible levels. In addition to preventing and reducing waste generation, we also systemically sort and recycle waste to use our resources more effectively and efficiently. We follow strict handling procedures for all types of waste generated during production as well as hazardous materials to ensure they are legally disposed of.

Green purchasing is another important facet in our quest for sustainable growth. We have established green purchasing guidelines to promote the use of eco-friendly components and products when possible. We plan to steadily increase the portion of eco-friendly products we purchase in the years ahead.

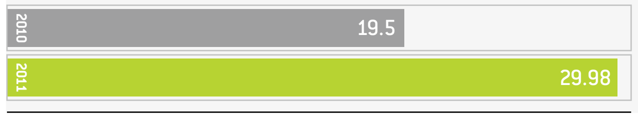
Workplace Safety

The safety of our people is our number-one priority. Our annual safety video competition attracted a total of 91 entries in 2011 as teams of employees worked together to create and share their safety knowledge. We have also enhanced worksite traffic safety by requiring all bicycles to have headlights and turn signals. These and a wide range of other programs such as safety motto and poster competitions and recognition of collective and individual safety excellence are helping make our yards and worksites among the safest in the industry.

Workplace Health

Caring for the health and well-being of our people is another one of our top priorities. We operate a wide range of health programs that focus on preventing musculoskeletal and cerebrovascular disorders as well as other occupational diseases. We also continue to partner with the local community health center to expand our smoking cessations programs, incentives, and counseling services to help our people fundamentally improve their long-term health. We are currently in the process of adopting a globally harmonized system for chemical classification and labeling for all our operations to ensure the safe use of chemicals.

Hazardous Material Usage (in metric tons per year / Ulsan yard)



Wastewater Discharges (in cubic meters per year / Ulsan yard)

* Parent basis

We are committed to growth that is both sound and profitable.

CONSOLIDATED FINANCIAL STATEMENTS

Management's Discussion & Analysis

The following discussion contains forward-looking statements. These statements are related to future events, rather than historical facts, and include statements about the Company's beliefs and expectations regarding its future business situation and financial results.

By their nature, forward-looking statements imply uncertainty and are indicated by phrases that include words such as "expects", "forecasts", "projects", and "plans". Examples of uncertainties that may favorably or unfavorably impact the Company's business situation and financial results include orders, exchange rates, and steel plate prices.

Please be aware that these uncertainties may result in the Company's actual performance being materially different from these forward-looking statements, whether explicitly expressed or implied. The Company expressly disclaims any obligation to publicly update or revise any of these statements in light of new information that may arise after the date they are made.

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in Korea as Korean IFRS (K-IFRS). Both 2011 and 2010 results are presented in accordance with K-IFRS standards.

Business Overview

The year 2011 was year of upheaval for the global economy. The year started with political unrest in the Middle East and a major earthquake and tsunami in Japan, followed in the second half by the unprecedented downgrade of the sovereign credit rating of the United States and a spreading financial crisis in the Eurozone. In the face of these challenging circumstances, the Company and its consolidated subsidiaries recorded sales of KRW 53,711.7 billion and a net income of KRW 2,743.4 billion.

The Company continued to break new ground in global markets in 2011. The Construction Equipment segment opened a wheel loader manufacturing facility in China and an excavator manufacturing facility in Brazil. The Electro-Electric Systems segment opened a transformer manufacturing facility in the United States and broke ground for a switchgear manufacturing facility in Russia. The Green Energy segment opened a wind turbine manufacturing facility in China. The Company established Hyundai Energy & Resources to manage investments in energy, agriculture, and mining development. The Company also set up a global R&D center in Shanghai and opened an integrated R&D center in Ulsan as it continued to invest in the development of the technology and human resources that will keep its heavy manufacturing businesses at the global forefront.

The business environment outlook for 2012 is expected to be extremely challenging due to an economic recession in Europe and around the world as well as exchange rate instability and increasing volatility in raw materials prices. That said, the Company and its consolidated subsidiaries intend to strengthen their core capabilities in major profit-generating businesses as well as get the new businesses that will drive future development up and running as quickly as possible to lay a solid foundation for sustainable business growth.

Financial Structure Analysis

Condensed Consolidated Statements of Financial Position

In KRW millions

	December 31, 2011	December 31, 2010 (Unaudited)	Change
Current Assets	23,076,370	22,929,059	+0.6%
Cash and cash equivalents	1,609,979	1,878,801	-14.3%
Short-term financial instruments	5,748,433	5,912,102	-2.8%
Due from customers for contract work	4,181,091	4,666,234	-10.4%
Inventories	6,478,093	5,039,417	+28.5%
Other current assets	5,058,774	5,432,505	-6.9%
Non-Current Assets	25,924,446	23,924,842	+8.4%
Long-term investment securities	972,857	1,125,213	-13.5%
Long-term financial instruments	3,697,005	3,722,187	-0.7%
Property, plant and equipment	15,564,732	14,779,132	+5.3%
Intangible assets	2,323,669	2,411,099	-3.6%
Other non-current assets	3,366,183	1,887,211	+78.4%
Total Assets	49,000,816	46,853,901	+4.6%
Current Liabilities	25,490,751	26,011,720	-2.0%
Non-Current Liabilities	5,333,546	4,819,258	+10.7%
Total Liabilities	30,824,297	30,830,978	0%
Common stock	380,000	380,000	0%
Capital surplus	1,099,793	1,099,793	0%
Capital adjustments	(1,797,036)	(1,796,194)	0%
Accumulated other comprehensive income	1,296,944	1,260,906	+2.9%
Retained earnings	15,399,437	13,347,529	+15.4%
Non-controlling interests	1,797,381	1,730,889	+3.8%
Total Stockholders' Equity	18,176,519	16,022,923	+13.4%
Liabilities-to-Equity Ratio	169.6%	192.4%	-22.8%p

Assets

Assets of the Company and its consolidated subsidiaries increased 4.6% to KRW 49,000.8 billion in 2011. While cash and cash equivalents and trade accounts and notes receivable decreased, inventories and property, plant and equipment increased.

Liabilities

Liabilities decreased slightly to KRW 30,824.3 billion in 2011. While non-current liabilities increased, advances from customers and derivative liabilities decreased.

Stockholders' Equity

Stockholders' equity increased 13.4% to KRW 18,176.5 billion in 2011, benefitting from increased retained earnings.

At 2011 year-end, the liabilities-to-equity ratio of the Company and its consolidated subsidiaries stood at 169.6%, a 22.8 percentage-point decline for the year.

Condensed Consolidated Statements of Income

In KRW millions

	2011	2010	Change
Sales	53,711,666	37,342,404	+43.8%
Cost of sales	46,784,445	29,849,449	+56.7%
Gross profit	6,927,221	7,492,955	-7.6%
Selling, general and administrative expenses	2,391,482	1,961,169	+21.9%
Operating income	4,535,739	5,531,786	-18.0%
Net finance income	(265,898)	405,907	Loss
Net other non-operating income	(245,247)	70,407	Loss
Share of profit of equity accounted investees	(148,296)	120,118	Loss
Profit before income taxes	3,876,298	6,128,218	-36.7%
Income tax expense	1,132,862	1,565,536	-27.6%
Profit for the year	2,743,436	4,562,682	-39.9%

Sales

Sales of the Company and its consolidated subsidiaries rose 43.8% to KRW 53,711.7 billion in 2011 with the inclusion of Hyundai Oilbank as a consolidated subsidiary.

Operating Income

Operating income declined 18% to KRW 4,535.7 billion in 2011 due to worsening profitability as lower average selling prices were reflected in sales and a global economic downturn brought on by the Eurozone financial crisis.

Profit for the Year

Profit for the year declined 39.9% to KRW 2,743.4 billion in 2011.

Operating Performance by Segment

The Shipbuilding segment increased sales 15.6% to KRW 18,351.9 billion in 2011. Operating income decreased 7.5% to KRW 2,484.8 billion due to the reflection of lower vessel prices in sales and rising steel plate prices.

The Offshore & Engineering and Industrial Plant & Engineering segments increased sales 5.6% to KRW 6,422.7 billion in 2011. Operating income decreased 42.4% to KRW 638.0 billion due to a decline in sales from high-profit projects.

The Engine & Machinery segment increased sales 10.5% to KRW 2,155.0 billion in 2011. Operating income decreased 21.3% to KRW 594.4 billion due to lower shipments of power plant engines and falling average selling prices for two-stroke marine engines.

The Electro Electric Systems segment recorded lower sales of KRW 2,395.8 billion in 2011. Operating income also decreased to KRW 153.2 billion due to lower transformer shipments and falling unit prices as the global electric equipment market contracted.

The Construction Equipment segment increased sales 27.1% to KRW 4,263.0 billion in 2011. Operating income increased 18.3% to KRW 460.0 billion due to strong exports to major markets worldwide.

The Refinery segment increased sales to KRW 18,818.4 billion in 2011. Operating income increased to KRW 595.0 billion due to a boost in refining margins as exports picked up following plant shutdowns in Japan, accidents in Taiwan and Singapore, and a new heavy oil upgrading plant launched commercial production.

The Financial Services segment increased sales 65.6% to KRW 691.8 billion in 2011. Operating income increased 11.9% to KRW 89.7 billion due to solid performances in the derivatives, securities agreements, and retirement pension fields that helped offset lower commissions, increased regulations, and a shrinking market.

Primary Factors in Profitability

Exchange Rate Exposure

Exports account for approximately 91% of the Company's total sales. Contract amounts excluding foreign denominated costs are subject to currency fluctuation risk. The Company signs currency forward contracts for a portion of its net exposure to hedge currency movements.

Steel Plate Prices

In general, steel plate prices are determined by supply and demand as well as raw material prices. As the global real economy recovers, rising demand for raw materials will push prices of iron ore, coking coal, and related materials upward, leading to higher steel plate prices. If, however, the real economy stagnates, leading to a downturn in the shipping industry, limited new shipbuilding orders will result in less demand for steel plate. This, combined with steadily rising industry capacity, will lead to lower steel plate prices.

In 2012, steel plate prices are forecast to remain stable or trend downward as raw materials prices fall and steelmakers aggressively compete to secure orders.

In 2011, Hyundai Mipo Dockyard recognized an impairment loss of KRW 87.3 billion due to a loss of goodwill on shares of HI Investment & Securities.

On January 1, 2011, the Company established the Green Energy segment to manage its wind and solar power businesses. These businesses were formerly managed by the Electro Electric Systems segment.

Liquidity, Borrowings & Cash Flows

Liquidity

Cash and cash equivalents of the Company and its consolidated subsidiaries decreased 14.3% to KRW 1,610.0 billion and short-term financial instruments decreased 11.8% to KRW 2,188.3 billion in 2011.

In KRW millions

	December 31, 2011	December 31, 2010 (Unaudited)	Change
Cash and cash equivalents	1,609,979	1,878,801	-268,822
Short-term financial assets	2,188,261	2,479,840	-291,579

Borrowings

The Company's borrowing strategy is designed to ensure an appropriate level of liquidity is maintained, taking into account the operating environment and increasing volatility in financial markets.

Short-term borrowings of the Company and its subsidiaries as of December 31, 2011 and 2010 are summarized as follows.

In KRW millions

Lender	Type of Borrowing	Interest Rate	December 31, 2011	December 31, 2010 (Unaudited)
Including domestic subsidiaries				
Korea Foreign Exchange Bank (KEB)	Mutual guarantee loan	-	-	-
Export-Import Bank of Korea and others	Network loan	4.65%	96,338	184,792
Export-Import Bank of Korea and others	Pre-shipment credit	4.50%	410,000	60,000
Shinhan Capital and others	General loan	0%~ CD+2.4%	-	1,528,000
Shinhan Bank and others	Accommodation bill	3.85% ~4.09%	2,500,000	1,000,000
Shinhan Bank and others	Usance L/C	0.67% ~3.5%	1,030,602	1,408,898
Deutsche Bank and others	Invoice loan	1.34% ~2.75%	114,242	-
Woori Investment & Securities and others	Commercial paper	3.65% ~6.34%	906,000	527,500
KB Bank and others	Call money	3.35% ~3.55%	171,800	308,200
Korea Securities Finance Corp.	Other borrowings from KSFC	4.66%	40,000	-
Korea Securities Finance Corp.	Borrowings from margin loans	4.66%	11,644	62,652
Korea Securities Finance Corp. and others	Repurchase agreement sales	3.25% ~3.30%	1,313,619	1,045,591
Subtotal			**6,594,245**	**6,125,633**
Including overseas subsidiaries				
HSBC Bank PLC and others	General loan in foreign currency	3.49% ~7.02%	618,038	420,591
Total			**7,212,283**	**6,546,224**

Continued

Long-term borrowings of the Company and its subsidiaries as of December 31, 2011 and 2010 are summarized as follows.

In KRW millions

Lender	Type of Borrowing	Interest Rate	December 31, 2011	December 31, 2010 (Unaudited)
Including domestic subsidiaries				
Export-Import Bank of Korea	General loan in foreign currency	2.12%	49,592	26,505
Korea National Oil Corp.	Business loan	1.25%	12,174	6,336
Korea Development Bank (KDB) and others	General fund for equipment	CD+2% ~5.51%	1,203,000	862,574
Korea Development Bank (KDB)	Energy rationalization fund	2.25%	6,266	4,235
Korea Development Bank (KDB)	Environment improvement fund	3.80%	2,686	2,686
KB Bank	National housing fund	3.00%	43,513	46,416
Samsung Securities and others	Commercial paper	3.92%	240,000	265,300
Subtotal			1,557,231	1,214,052
Overseas subsidiaries				
Standard Chartered Bank and others	Long-term borrowings in foreign currency	4.44% ~5.29%	889,306	550,279
Current portion of long-term borrowings			**(156,651)**	**(321,548)**
Total			**2,289,886**	**1,442,783**

Debentures of the Company and its subsidiaries as of December 31, 2011 and 2010 are summarized as follows.

In KRW millions

Debenture	Issue	Maturity	Interest Rate	December 31, 2011	December 31, 2010 (Unaudited)	Payment guarantee
Parent						
112th	2009.04.13	2012.04.13	5.43%	300,000	300,000	Unsecured
Subsidiaries						
95th	2006.04.14	2011.04.14	5.54%	-	100,000	Unsecured
97th	2006.10.25	2011.10.25	4.98%	-	100,000	Unsecured
98th	2007.02.02	2014.02.02	5.44%	100,000	100,000	Unsecured
99th	2007.03.27	2012.03.27	5.23%	100,000	100,000	Unsecured
100th	2008.02.20	2011.02.20	5.43%	-	136,668	Unsecured
101st	2008-03-20	2013-03-20	6.05%	150,000	150,000	Unsecured
102nd	2009.01.22	2012.01.22	7.65%	150,000	150,000	Unsecured
103rd	2009.07.03	2014.07.03	6.80%	100,000	100,000	Unsecured
104th	2009.09.30	2012.09.30	5.79%	100,000	100,000	Unsecured
105th	2010.06.28	2015.06.28	5.75%	200,000	200,000	Unsecured
106th	2011.04.14	2014.04.14	4.36%	100,000	-	Unsecured
107th	2011.10.25	2012.10.25	3.92%	100,000	-	Unsecured
Current portion of debentures				**(750,000)**	**(336,668)**	
Total				**650,000**	**1,200,000**	

Cash Flows

Cash flows provided by operating and financing activities of the Company and its consolidated subsidiaries were KRW 1,102.3 billion in 2011. Cash flows used in investing activities such as the acquisition of property, plant and equipment and long- and short-term financial assets were KRW 1,366.8 billion for the year.

In KRW millions

	December 31, 2011	December 31, 2010 (Unaudited)
Cash and cash equivalents at January 1	1,878,801	1,937,411
Cash flows from operating activities	503,543	251,030
Cash flows from investing activities	(1,366,795)	(3,414,630)
Cash flows from financing activities	598,784	3,103,178
Effect of exchange rate fluctuations on cash held	(4,354)	1,812
Cash and cash equivalents at December 31	1,609,979	1,878,801

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders Hyundai Heavy Industries Co., Ltd.:

We have audited the accompanying consolidated statement of financial position of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2011 and the related consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of 16 consolidated subsidiaries, including Hyundai Mipo Dockyard Co., Ltd, whose financial statements reflect total combined assets of ₩24,848,609 million as of December 31, 2011, and total combined revenues of ₩29,560,402 million for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it is related to the amounts included for these subsidiaries, is based solely on the audit reports of the other auditors. We have audited the consolidated financial statements of the Group for the year ended December 31, 2010 that are prepared in accordance with the previous generally accepted accounting principles in the Republic of Korea, which are not accompanying this report. Our audit report dated March 30, 2011 expressed an unqualified opinion on those statements. The accompanying consolidated financial statements as of December 31, 2010 and January 1, 2010, and for the year ended December 31, 2010 which are presented for comparative purposes are not within our scope of audit.

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

In our opinion, based on our audits and the audit reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean auditing standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 8, 2012

Notice to Readers
This report is effective as of March 8, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

(In thousands of won)

	Note	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Assets				
Cash and cash equivalents	40,41	₩ 1,609,979,453	1,878,801,076	1,937,411,574
Short-term financial assets	5,6,13,17,25,40,41	2,188,261,278	2,479,840,233	1,478,755,245
Trade and other receivables	6,7,8,17,31,40,41,44	5,748,433,314	5,912,101,674	3,399,925,066
Due from customers for contract work	7,31,40,41	4,181,091,074	4,666,233,665	4,360,570,648
Inventories	9,17	6,478,092,980	5,039,417,149	2,963,449,338
Derivative assets	25,40,41	146,052,887	245,892,231	224,586,944
Firm commitment assets	25	496,421,602	1,011,292,510	1,807,192,331
Prepaid income taxes	38	14,083,278	59,965,722	113,861
Other current assets	10	2,213,954,234	1,635,514,427	1,796,877,125
Total current a ssets		**23,076,370,100**	**22,929,058,687**	**17,968,882,132**
Investments in associates	11	972,857,274	1,125,212,642	1,332,096,938
Long-term financial assets	6,12,13,17,25,40,41	3,697,005,167	3,722,186,931	3,377,039,476
Long-term trade and other receivables	7,8,17,31,40,41,44	2,385,789,828	1,118,376,757	389,385,453
Long-term due from customers for contract work	7,31,40,41	50,649,454	-	-
Investment property	14	327,272,561	310,030,963	367,588,437
Property, plant and equipment	15,17	15,564,732,167	14,779,131,903	10,941,083,006
Intangible assets	16,30	2,323,669,491	2,411,099,119	815,984,898
Derivative assets	25,40,41	53,844,171	168,883,507	79,146,822
Firm commitment assets	25	231,983,141	59,271,754	1,049,471,490
Deferred tax assets	38	79,161,115	102,536,001	70,237,507
Other non-current assets	10	237,481,629	128,112,591	88,898,322
Total non-current assets		**25,924,445,998**	**23,924,842,168**	**18,510,932,349**
Total assets		**₩ 49,000,816,098**	**46,853,900,855**	**36,479,814,481**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2011, 2010 and January 1, 2010

(In thousands of won)

	Note		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Liabilities					
Short-term financial liabilities	17,18,22,25,40,41,42	₩	8,478,567,847	7,765,088,121	2,729,499,284
Trade and other payables	19,40,41,44		6,330,231,675	5,803,791,871	3,323,783,201
Advances from customers			939,659,423	1,035,637,563	845,534,289
Due to customers for contract work	31		8,686,004,506	9,320,941,543	12,377,775,938
Derivative liabilities	25,40,41		285,899,035	700,374,426	1,975,934,103
Firm commitment liabilities	25		138,316,003	193,682,835	149,878,484
Income tax payable	38		599,307,248	1,064,625,147	340,961,756
Other current liabilities	21		32,765,218	127,578,230	10,803,576
Total current liabilities			**25,490,750,955**	**26,011,719,736**	**21,754,170,631**
Long-term financial liabilities	17,20,22,25,40,41,42		2,943,925,653	2,665,295,279	1,052,634,111
Long-term trade and other payables	19,40,41,44,45		246,929,901	242,343,131	132,381,278
Liabilities for defined benefit plans	23		155,392,494	131,320,517	174,190,183
Long-term provisions	24		309,939,020	203,329,518	166,916,220
Derivative liabilities	25,40,41		250,397,356	62,407,040	1,069,994,802
Firm commitment liabilities	25		29,697,197	165,151,781	74,934,463
Deferred tax liabilities	38		1,340,445,233	1,286,382,097	945,797,602
Other non-current liabilities	21		56,819,222	63,028,732	36,938,334
Total non-current liabilities			**5,333,546,076**	**4,819,258,095**	**3,653,786,993**
Total liabilities			**30,824,297,031**	**30,830,977,831**	**25,407,957,624**
Equity					
Common stock	26		380,000,000	380,000,000	380,000,000
Capital surplus	26		1,099,792,874	1,099,792,874	1,011,707,868
Capital adjustments	27		(1,797,036,283)	(1,796,194,398)	(1,811,125,229)
Accumulated other comprehensive income	25,28		1,296,943,571	1,260,906,459	853,236,833
Retained earnings	29		15,399,437,474	13,347,529,398	9,493,446,013
Equity attributable to owners of the Company			**16,379,137,636**	**14,292,034,333**	**9,927,265,485**
Non-controlling interests			**1,797,381,431**	**1,730,888,691**	**1,144,591,372**
Total equity			**18,176,519,067**	**16,022,923,024**	**11,071,856,857**
Total liabilities and equity		₩	**49,000,816,098**	**46,853,900,855**	**36,479,814,481**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2011 and 2010

(In thousands of won, except earnings per share)

	Note		2011	2010 (Unaudited)
Sales	25,31,32,40,44	₩	53,711,665,784	37,342,403,730
Cost of sales	25,31,34,40,44		46,784,445,382	29,849,448,902
Gross profit			6,927,220,402	7,492,954,828
Selling, general and administrative expenses	33,34,40		2,391,481,670	1,961,168,469
Operating income	32,35		4,535,738,732	5,531,786,359
Finance income	25,36,40		1,875,996,522	1,916,336,655
Finance costs	25,36,40		2,141,894,383	1,510,429,480
Other non-operating income	25,37,40		841,589,440	1,109,605,753
Other non-operating expenses	25,37,40		1,086,836,594	1,039,199,242
Share of profit (loss) of equity method accounted investees	11		(148,295,552)	120,118,229
Profit before income taxes Income taxes	38		3,876,298,165 1,132,861,777	6,128,218,274 1,565,536,433
Profit for the year	32	₩	**2,743,436,388**	**4,562,681,841**
Other comprehensive income (loss)	28,40		**(126,593,113)**	**235,558,857**
Total comprehensive income		₩	**2,616,843,275**	**4,798,240,698**
Profit attributable to: Owners of the Company Non-controlling interests			 2,559,005,824 184,430,564	 4,153,535,326 409,146,515
		₩	**2,743,436,388**	**4,562,681,841**
Total comprehensive income attributable to: Owners of the Company Non-controlling interests			 2,498,433,861 118,409,414	 4,464,653,137 333,587,561
		₩	**2,616,843,275**	**4,798,240,698**
Earnings per share Basic and diluted earnings per share (won)	39	₩	46,337	75,808

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2011 and 2010

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2010 (Unaudited)	₩ 380,000,000	1,011,707,868	(1,811,125,229)	853,236,833	9,493,446,013	1,144,591,372	11,071,856,857
Total comprehensive income for the year							
Profit for the year	-	-	-	-	4,153,535,326	409,146,515	4,562,681,841
Change in fair value of available-for-sale financial assets	-	-	-	441,318,294	-	(68,461,603)	372,856,691
Effective portion of changes in fair value of cash flow hedges	-	-	-	(40,913,353)	-	(1,383,144)	(42,296,497)
Exchange differences on translating foreign operations	-	-	-	1,454,500	-	1,070,250	2,524,750
Change in equity of equity method investments	-	-	-	5,810,185	-	(430,228)	5,379,957
Defined benefit plan actuarial losses	-	-	-	-	(96,551,815)	(6,354,229)	(102,906,044)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(202,900,126)	(45,335,935)	(248,236,061)
Disposal of treasury stock	-	84,870,637	63,517,054	-	-	-	148,387,691
Others	-	3,214,369	(48,586,223)	-	-	298,045,693	252,673,839
Balance at December 31, 2010 (Unaudited)	**₩ 380,000,000**	**1,099,792,874**	**(1,796,194,398)**	**1,260,906,459**	**13,347,529,398**	**1,730,888,691**	**16,022,923,024**
Balance at January 1, 2011 (Unaudited)	**₩ 380,000,000**	**1,099,792,874**	**(1,796,1998)**	**1,260,906,459**	**13,347,529,398**	**1,730,888,691**	**16,022,923,024**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	2,559,005,824	184,430,564	2,743,436,388
Change in fair value of available-for-sale financial assets	-	-	-	55,305,327	-	(68,265,138)	(12,959,811)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(34,193,457)	-	(1,089,227)	(35,282,684)
Exchange differences on translating foreign operations	-	-	-	29,364,992	-	11,665,985	41,030,977
Change in equity of equity method investments	-	-	-	(14,439,750)	-	(321,450)	(14,761,200)
Defined benefit plan actuarial losses	-	-	-	-	(96,609,075)	(8,011,320)	(104,620,395)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(410,488,673)	(97,698,571)	(508,187,244)
Others	-	-	(841,885)	-	-	45,781,897	44,940,012
Balance at December 31, 2011	**₩ 380,000,000**	**1,099,792,874**	**(1,797,036,283)**	**1,296,943,571**	**15,399,437,474**	**1,797,381,431**	**18,176,519,067**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010

(In thousands of won)

	2011	2010 (Unaudited)
Cash flows from operating activities		
Profit for the year Adjustments for:	₩ 2,743,436,388	4,562,681,841
Post-employment benefit costs	214,240,910	262,511,866
Depreciation	852,496,054	721,356,778
Amortization	85,160,558	72,398,564
Bad debt expenses	206,629,325	221,320,937
Compensation expenses associated with stock option	1,404,050	18,663,280
Finance income	(406,376,778)	(806,963,668)
Finance costs	830,828,209	381,210,205
Other non-operating income	(528,808,254)	(627,420,302)
Other non-operating expenses	662,272,343	912,996,825
Share of profit of equity accounted investees	148,295,552	(120,118,229)
Income tax expense	1,132,861,777	1,565,536,433
Finance income (sales)	(240,516,700)	(159,412,124)
Finance costs (cost of sales)	119,799,774	104,190,285
	5,821,723,208	**7,108,952,691**
Changes in assets and liabilities: Short-term financial assets	(54,198,758)	(714,658,173)
Trade receivables	(210,419,330)	(722,828,065)
Other receivables	(800,671,743)	150,028,895
Due from customers for contract work	480,590,272	(305,663,017)
Inventories	(1,442,432,014)	(673,156,306)
Derivatives	(691,574,674)	(1,511,993,056)
Firm commitments	163,090,572	1,254,867,060
Other current assets	(1,206,425,683)	631,228,317
Long-term trade receivables	(397,789,442)	(1,248,640,876)
Long-term other receivables	(2,816,058)	9,053,856
Long-term due from customers for contract work	(50,649,454)	-
Long-term financial assets	(3,019,519)	89,814,167
Other non-current assets	(51,251,192)	6,585,426
Short-term financial liabilities	147,127,471	65,843,896
Trade payables	448,689,143	490,385,172
Other payables	176,981,032	(225,090,659)
Advances from customers	441,714,309	(248,759,786)
Due to customers for contract work	(812,285,263)	(3,056,834,395)
Other current liabilities	35,890,192	116,404,717
Long-term other payables	92,934,768	97,702,218
Benefits paid	(239,246,689)	(882,418,613)
Succession of benefits	1,299,837	1,108,142
Plan assets	(103,476,117)	423,110,468
Long-term provisions	106,609,501	36,413,280
Other non-current liabilities	(10,431,646)	(11,815,637)
Cash generated from operations	1,839,962,723	879,639,722
Interest received	468,988,719	326,579,353
Interest paid	(398,764,791)	(161,918,385)
Dividends received	67,147,385	84,808,581
Income taxes paid	(1,473,790,613)	(878,079,330)
Net cash provided by operating activities	**503,543,423**	**251,029,941**

See accompanying notes to the consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2011 and 2010

(In thousands of won)

		2011	2010 (Unaudited)
Cash flows from investing activities			
Proceeds from sale of short-term financial assets	₩	1,242,958,916	2,004,389,070
Proceeds from collection of other receivables		60,652,540	84,568,263
Proceeds from sale of long-term financial assets		80,702,648	74,764,313
Proceeds from sale of investments in associates		39,869,909	-
Proceeds from sale of investmen ts in subsidiaries		161,442,459	-
Proceeds from collection of long-term other receivables		90,862,139	87,171,031
Proceeds from sale of property, plant and equipment		43,596,212	1,112,373,474
Proceeds from sale of intangible assets		3,494,680	7,601,771
Proceeds from government grants		6,960,397	1,198,649
Acquisition of short-term financial assets		(788,161,613)	(2,459,234,563)
Acquisition of other receivables		-	(6,256,092)
Acquisition of long-term financial assets		(512,101,811)	(129,215,773)
Acquisition of investments in associates		(69,924,255)	(185,497,808)
Acquisition of business, less cash acquired		(2)	(2,059,849,928)
Acquisition of long-term other receivables		-	(4,043,387)
Acquisition of investment property		(481,937)	-
Acquisition of property, plant and equipment		(1,626,702,018)	(1,781,271,667)
Acquisition of intangible assets		(70,527,207)	(109,162,190)
Acquisition of other non-current assets		(29,436,442)	(52,165,173)
Net cash used in investing activities		(1,366,795,385)	(3,414,630,010)
Cash flows from financing activities			
Proceeds from short-term financial liabilities		13,098,949,870	8,885,408,499
Proceeds from long-term financial liabilities		1,484,775,397	803,769,826
Capital contribution from non-controlling interests		20,958,284	236,461,681
Repayment of short-term financial liabilities		(13,231,735,845)	(6,480,894,585)
Repayment of long-term financial liabilities		(293,176,438)	(93,331,320)
Dividends paid		(410,488,673)	(202,900,126)
Dividend and distribution to non-controlling interests		(70,497,979)	(45,335,934)
Net cash provided by financing activities		598,784,616	3,103,178,041
Effects of exchange rate changes on cash and cash equivalents		(4,354,277)	1,811,530
Net decrease in cash and cash equivalents		(268,821,623)	(58,610,498)
Cash and cash equivalents at 1 January		1,878,801,076	1,937,411,574
Cash and cash equivalents at 31 December	₩	**1,609,979,453**	**1,878,801,076**

See accompanying notes to the consolidated financial statements.

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1. Reporting Entity

(1) Description of the controlling company

Hyundai Heavy Industries Co., Ltd. (the "Company") was incorporated in 1973, under the Commercial Code of the Republic of Korea, and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other products. The consolidated financial statements of the Company as of and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

On August 1999, the Company was listed on the Korea Exchange. As of December 31, 2011, the Company's major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

(2) Consolidated subsidiaries

Subsidiaries as of December 31, 2011 are summarized as follows:

Company	Business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	94.92	Korea	December
Hyundai Mipo Dockyard Co., Ltd. (*1,2)	Shipbuilding	46.00	Korea	December
Hyundai Oilbank Co., Ltd.	Manufacture of petroleum products	91.13	Korea	December
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding	100.00	Korea	December
KOMAS Corporation	Shipping	100.00	Korea	December
Hyundai Energy & Resources Co., Ltd. (*1)	Services for crude oil and natural gas mining	90.00	Korea	December
Mipo Engineering Co., Ltd. (*1)	Other engineering services	100.00	Korea	December
Ulsan Hyundai Football Club Co., Ltd.	Football club	100.00	Korea	December
Hotel Hyundai Co., Ltd.	Hotel operation	100.00	Korea	December
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers	100.00	Russia	December
HI Investment & Securities Co., Ltd. (*1)	Securities brokerage	83.24	Korea	March
HI Asset Management Co., Ltd. (*1)	Asset management	99.99	Korea	March
Hyundai Finance Corporation	Granting of credit	67.49	Korea	December
Hyundai Venture Investment Corporation (*1)	Granting of credit	68.38	Korea	December
Hyundai Futures Corporation (*1)	Entrust and brokerage of futures transactions	65.22	Korea	March
Hyundai Investment Fund 1 on Patent Technology (*1)	Other financial business	50.00	Korea	December
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business	100.00	Korea	December
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business	100.00	Korea	December
PCA BGF World Gold Fund A Class	Other financial business	100.00	Korea	December
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right) (*1)	Other financial business	100.00	Korea	December

Company	Business	Percentage of ownership (%)	Location	Fiscal year end
HI Dynamic Asia Private Securities Investment Trust 1 (Stock) (*1)	Other financial business	100.00	Korea	December
HI K2-100 Private Securities Investment Trust 24 (ELS-Derivative) (*1)	Other financial business	100.00	Korea	December
Hyundai Ship Private Fund 1 (*1)	Other financial business	100.00	Korea	December
Hyundai Jiangsu Construction Machinery Co., Ltd. (*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. (*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
HHI China Investment Co., Ltd.	Holding company	100.00	China	December
Hyundai Financial Leasing Co., Ltd. (*1)	Financial and operating lease	88.02	China	December
Hyundai Heavy Industries (China) Electric Co., Ltd. (*1)	Sale and manufacture of switchboards for electric distribution	100.00	China	December
Yantai Hyundai Moon Heavy Industries Co., Ltd. (*1)	Sale and manufacture of industrial boilers	54.99	China	December
Changzhou Hyundai Hydraulic Machinery Co., Ltd. (*1)	Sale and manufacture of hydraulic cylinders for construction equipment	100.00	China	December
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Sale and manufacture of wheel loaders	100.00	China	December
Weihai Hyundai Wind Power Technology Co., Ltd. (*1)	Sale and manufacture of facilities for wind power generation	80.00	China	December
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd. (*1)	Research and development of technology for construction machinery, engine and electric equipment	100.00	China	December
HDO Singapore Pte. Ltd. (*1)	Trade crude oil and petrochemical products, chartering	100.00	Singapore	December
Hyundai Vinashin Shipyard (*1)	Ship repair	65.00	Vietnam	December
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction	100.00	India	March
Hyundai Transformers And Engineering India PVT, Ltd.	Sale and manufacture of transformers	100.00	India	March
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction	100.00	America	December
Hyundai Power Transformers USA, Inc.	Sale and manufacture of industrial electric equipment	100.00	America	December
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment	100.00	America	December
PHECO Inc.	Design services for offshore facilities	100.00	America	December
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development	100.00	Brazil	December
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment	100.00	Brazil	December
Vladivostok Business Center	Hotel operation	100.00	Russia	December

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Company	Business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Khorol Agro Ltd.	Agriculture	80.79	Russia	December
Hyundai Mikhailovka Agro	Agriculture	100.00	Russia	December
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction	100.00	Belgium	December
Hyundai Heavy Industries Co. BULGARIA	Sale and manufacture of transformers	99.09	Bulgaria	December
Hyundai Technologies Center Hungary Kft	Research and development of technology	100.00	Hungary	December
Hyundai Heavy Industries France SAS	Manufacturing	100.00	France	December
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes	100.00	Germany	December
JaKe Service GmbH	Gearbox repair	100.00	Germany	December
Tribridge Asian Special Situation Fund (*1)	Other financial business	78.86	Cayman	December
Tribridge Great China IPO Fund (*1)	Other financial business	100.00	Cayman	December
HHI MAURITIUS LIMITED	Manufacturing	100.00	Mauritius	December
MS DANDY Ltd. (*1)	Ship rental service	100.00	Marshall Islands	December

(*1) The number of shares and percentage of ownership include indirect ownership.

(*2) Even though the Group has less than a majority ownership of Hyundai Mipo Dockyard Co., Ltd., the Group is considered to have a control of Hyundai Mipo Dockyard Co., Ltd., considering that the rest of shareholders are minority shareholders and widely dispersed, and the Group exerted majority voting rights in the past stockholders' meetings.

(3) Changes in scope of consolidation

(i) Subsidiaries newly subject to consolidation are as follows:

Company	Reason
Hyundai Energy & Resources Co., Ltd.	Commencing control resulting from the newly acquired shares
Hyundai Electrosystems Co., Ltd.	
HI Gold Ocean Ship Private Special Assets Investment Trust No. 2 (Beneficiary Right)	
HI K2-100 Private Securities Investment Trust 24 (ELS-Derivative)	
Hyundai Ship Private Fund 1	
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.	
Hyundai Transformers And Engineering India PVT, Ltd.	
Hyundai Heavy Industries Brasil - Real Estate Developments	
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	
Hyundai Mikhailovka Agro	
Jahnel-Kestermann Getriebewerke GmbH	
JaKe Service GmbH	
Tribridge Great China IPO Fund	
MS DANDY Ltd.	

(ii) Subsidiaries no longer subjected to consolidation are as follows:

Company	Reason
KB-Hanaro Private Securities Investment Trust 31 (Bond)	Ceasing control upon liquidation
Hi-Smart Private Securities Investment Trust 2 (Hybrid bond)	
HVIC IT Fund 3rd	
Hyundai (Malaysia) SDN BHD	

(4) Condensed financial information of consolidated subsidiaries

(i) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2011 is summarized as follows:

(In millions of won)

Company		Assets	Liabilities	Equity	Sales	Profit (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩	6,954,715	3,741,672	3,213,043	4,828,651	550,958
Hyundai Mipo Dockyard Co., Ltd.		5,520,989	2,309,118	3,211,871	4,173,777	227,864
Hyundai Oilbank Co., Ltd.		8,642,625	5,899,464	2,743,161	18,958,623	360,737
Hyundai Heavy Material Service		303,190	109,801	193,389	795,244	32,960
KOMAS Corporation		187,522	1,974	185,548	249	7,353
HI Investment & Securities Co., Ltd.		2,664,577	2,102,849	561,728	514,327	8,641
HI Asset Management Co., Ltd.		51,087	2,405	48,682	19,646	5,071
Hyundai Finance Corporation		176,735	29,729	147,006	12,442	2,941
Hyundai Venture Investment Corporation		71,929	668	71,261	10,989	8,676
Hyundai Futures Corporation		106,251	59,293	46,958	22,807	1,090
LS Leading Solution Private Security Investment Trust 22 (Equity)		141,688	24	141,664	2,830	2,726
HI Gold Ocean Ship Private Special Assets Investment Trust No. 2 (Beneficiary Right)		52,705	43	52,662	1,545	1,390
Hyundai Jiangsu Construction Machinery Co., Ltd.		794,618	515,793	278,825	1,084,356	51,530
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		293,710	175,325	118,385	394,534	15,413
HHI China Investment Co., Ltd.		410,930	55,416	355,514	21,580	61,491
Hyundai Financial Leasing Co., Ltd.		1,287,543	1,066,858	220,685	124,366	33,878
Hyundai Heavy Industries (China) Electric Co., Ltd.		171,178	121,602	49,576	120,617	(2,031)
Yantai Hyundai Moon Heavy Industries Co., Ltd.		68,872	22,322	46,550	89,826	7,100
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.		80,426	56,839	23,587	6,587	(1,242)
Weihai Hyundai Wind Power Technology Co., Ltd.		59,501	37,782	21,719	-	(2,362)
HDO Singapore Pte. Ltd.		143,753	142,350	1,403	2,548,976	(234)
Hyundai Vinashin Shipyard		431,962	219,100	212,862	534,255	4,320
Hyundai Construction Equipment India Private Ltd.		159,125	140,505	18,620	178,883	(16,375)
Hyundai Construction Equipment Americas, Inc.		184,537	158,452	26,085	542,179	10,834
Hyundai Power Transformers USA, Inc.		141,962	86,870	55,092	674	(7,600)
Hyundai Ideal Electric Co.		59,254	31,048	28,206	72,331	2,063
Hyundai Heavy Industries Europe N.V.		117,089	71,249	45,840	268,344	18,524
Hyundai Heavy Industries Co. BULGARIA		65,291	19,264	46,027	81,095	(490)
Jahnel-Kestermann Getriebewerke GmbH		79,733	76,844	2,889	48,714	(41,080)

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(ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2010 is summarized as follows:

(In millions of won) (Unaudited)

Company		Assets	Liabilities	Equity	Sales	Profit (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩	7,262,824	4,325,794	2,937,030	4,316,560	631,625
Hyundai Mipo Dockyard Co., Ltd.		7,391,385	3,317,061	4,074,324	3,739,174	442,555
Hyundai Oilbank Co., Ltd.		7,323,162	4,887,317	2,435,845	6,033,514	170,837
Hyundai Heavy Material Service		323,813	163,271	160,542	583,160	3,827
HI Investment & Securities Co., Ltd.		2,464,931	1,906,483	558,448	380,607	27,725
HI Asset Management Co., Ltd.		55,378	4,760	50,618	23,348	8,283
Hyundai Finance Corporation		180,369	33,696	146,673	14,324	6,288
Hyundai Venture Investment Corporation		64,459	656	63,803	10,127	3,579
Hyundai Futures Corporation		93,223	48,094	45,129	27,812	2,544
LS Leading Solution Private Security Investment Trust 22 (Equity)		135,770	31	135,739	1,627	1,351
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		257,510	161,120	96,390	372,357	21,688
Hyundai Jiangsu Construction Machinery Co., Ltd.		684,296	420,845	263,451	1,104,115	105,040
HHI China Investment Co., Ltd.		308,017	33,851	274,166	10,452	22,552
Hyundai Financial Leasing Co., Ltd.		953,693	835,718	117,975	64,508	15,053
Hyundai Heavy Industries (China) Electric Co., Ltd.		175,245	119,735	55,510	122,629	5,553
Yantai Hyundai Moon Heavy Industries Co., Ltd.		63,512	15,517	47,995	95,924	12,623
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.		54,670	31,128	23,542	4,121	(2,638)
HDO Singapore Pte. Ltd.		231,464	229,774	1,690	1,295,219	(219)
Hyundai Vinashin Shipyard		358,514	97,938	260,576	345,296	76,608
Hyundai Construction Equipment India Private Ltd.		142,939	112,798	30,141	120,367	1,215
Hyundai Construction Equipment Americas, Inc.		97,672	83,047	14,625	305,239	3,464
Hyundai Heavy Industries Europe N.V.		80,593	52,344	28,249	185,426	1,769
Hyundai Heavy Industries Co. BULGARIA		62,090	13,166	48,924	75,255	487

2. Basis of Preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

These are the Group's first consolidated financial statements prepared in accordance with K-IFRS and K-IFRS No.1101 First-time Adoption of Korean International Financial Reporting Standards ("K-IFRS No.1101") has been applied. The Group's date of transition to K-IFRS is January 1, 2010, and the effect of the transition from Korean Generally Accepted Accounting Principles ("K-GAAP") to K-IFRS on the Group's reported financial position and financial performance is explained in note 46.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

- available-for-sale financial assets are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 8 – classification of leases
- Note 14 – classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 23 – measurement of defined benefit obligations
- Notes 24, 42 and 43 – provisions and contingencies
- Note 31 – revenue recognition in proportion to the stage of completion
- Note 38 – measurement of deferred tax

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening K-IFRS statement of financial position at January 1, 2010 for the purpose of the transition to K-IFRS, unless otherwise indicated.

(1) Operation segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief executive officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As discussed in note 32, the Group has ten and nine reportable segments as of December 31, 2011 and 2010 respectively, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

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Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(2) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(ii) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

(iii) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

(3) Business combination

(i) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:
- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012 Income Taxes
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 Employee Benefits
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured in accordance with special provisions
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102 Share-based Payment
- Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No.1105 Non-current Assets Held for Sale

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that is included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032 *Financial Instruments: Presentation* and K-IFRS No.1039 *Financial Instruments: Recognition and Measurement*.

(ii) Goodwill
The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

As part of its transition to K-IFRS, the Group elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with K-IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, K-GAAP.

(4) Associates and jointly controlled entities
An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

(5) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Group in the management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents.

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(6) Inventories
The cost of inventories is based on the moving-average method with the exception of cost of materials-in-transit, which is determined on the specific identification method. Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(7) Non-derivative financial assets
The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss
Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iii) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale 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 financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

(v) De-recognition of financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously

(8) Derivative financial instruments, including hedge accounting
Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognized in profit or loss or, when the derivatives are designated in a hedging relationship and the hedge is determined to be an effective hedge, other comprehensive income.

(i) Hedge accounting
The Group holds forward exchange contracts, interest rate swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designates derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Fair value hedge
Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

Cash flow hedge
When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Separable embedded derivatives
Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria has been met: (a) the economic characteristics and risks of the host contract and the embedded derivatives are not clearly and closely related to a separate instrument with the same terms as the embedded derivative that would meet the definition of a derivative, and (b) the hybrid (combined) instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments
Changes in the fair value of other derivative financial instruments not designated as a hedging instrument are recognized immediately in profit or loss.

(9) Impairment of financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. 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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost
If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss 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.

(iii) Available-for-sale financial assets
When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(10) Property, plant and equipment

Property, plant and equipment are initially measured at cost, and the cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs 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.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over an estimated useful life that appropriately reflects the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

The estimated useful lives of the Group's property, plant and equipment are as follows:

	Useful lives (years)
Buildings	15~50
Structures	15~50
Machinery	2~40
Heavy machinery	12~15
Ships	15, 25
Vehicles	4~10
Tools, furniture and fixtures	3~20
Other property, plant and equipment ("Others")	3~5

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(11) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which memberships are expected to be available for use, these intangible assets are determined as having indefinite useful lives and not amortized.

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	Useful lives (years)
Capitalized development costs	5
Networks	20
Customer relationships	9
Brands	indefinite
Industrial property right	4~10
Know-how	16
Other intangible assets	3~50
Membership	indefinite

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at each financial year-end. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(12) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are presented deducting the carrying amount of the asset and recognized in profit or loss on a systematic and rational basis over the life of a depreciable asset. Government grants which are intended to compensate the Group for expenses incurred shall be are recognized as a deduction to related expenses in profit or loss over the periods in which the Group recognizes the related costs as expenses. Government grants that become receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss of the period in which it becomes receivable.

(13) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Investment property is depreciated using the straight-line method over the following estimated useful lives:

	Useful lives (years)
Buildings	25~50
Structures	20~40

(14) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of individual assets, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of the cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(15) Leases
The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases
The Group recognizes assets held under a finance lease and presents them as a receivable at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(ii) Operating leases
Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. The depreciation policy for depreciable leased assets is consistent with the Group's normal depreciation policy for similar assets.

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(16) Borrowing costs
The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(17) Due from customers for contract work and due to customers for contract work
Due from customers for contract work represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

The gross amount due from customers for contract work is presented as an asset in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the gross amount due to customers for contract work is presented as a liability in the statement of financial position.

(18) Non-derivative financial liabilities
The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(19) Employee benefits

(i) Short-term employee benefits
Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined contribution plans
When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iii) Retirement benefits: defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognizes the past service cost immediately.

(20) Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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(i) Provision for construction warranty
The Group generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

(ii) Provision for product warranty
The Group generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

(iii) Other provision
In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

A provision shall be used only for expenditures for which the provision was originally recognized.

(21) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. 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.

Foreign currency differences arising on the settlement of monetary items and on retranslation are recognized in profit or loss. When gains and losses on non-monetary items are recognized in other comprehensive income, the Group recognizes any exchange component of that gain or loss in other comprehensive income. Conversely, when gains and losses on non-monetary items are recognized in profit or loss, the Group recognizes any exchange component of that gain or loss in profit or loss.

(ii) Foreign operations
If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

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. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(22) Equity capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(23) Share-based payment transactions
The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(24) Revenue
Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, which are recognized as a reduction of revenue.

(i) Goods sold
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Customer loyalty programmes
For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("P-points") and the other components of the sale. The amount allocated to the P-points is estimated by reference to the fair value of the products for which they could be redeemed, since the fair value of the P-points themselves is not directly observable. The fair value of the products is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the P-points are redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognized in those circumstances is based on the number of P-points that have been redeemed in exchange for products, relative to the total number of P-points that are expected to be redeemed.

(iii) Services
Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

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The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(v) Commissions
In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the net amount of commission made by the Group.

(vi) Rental income
Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

(25) Incidental loan income and expenses
The Group recognizes loan commission as deferred incidental loan income, and the incremental cost arising from acquisitions or disposals of loans is treated as deferred incidental loan expenses, which is adjusted in interest revenues on loans after being amortized using effective interest rate method.

(26) Accounting for disposal of loans
The Group determines the selling price as reasonably derived and measured by independent trusted third party and recognizes the difference between carrying value and selling price as profit or loss.

(27) Finance income and finance costs
Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(28) Income taxes
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax
Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax
Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable

that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, 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 liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and intend to settle current tax liabilities and assets on a net basis.

(29) Earnings per share
The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(30) New standards and interpretations not yet adopted
The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2011, and the Group has not early adopted them. Management believes the impacts of the amendments on the Group's consolidated financial statements are not significant.

(i) Amendments to K-IFRS No.1107 *Financial Instruments: Disclosures*
The amendments require disclosing the nature of the transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of risks. The amendments will be applied prospectively for the Group's annual periods beginning on or after July 1, 2011.

(ii) K-IFRS No.1113 *Fair Value Measurement*
The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Group's annual periods beginning on or after January 1, 2013.

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4. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Risk management framework
The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(2) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.
The Group establishes credit limits for each customer and each new customer is analysed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Group does not establish allowances for receivables under insurance and receivables from customers with a high credit rating. For the rest of the receivables, the Group establishes an allowance for impairment of trade and other receivables that have been individually or collectively evaluated for impairment and estimated on the basis of historical loss experience for assets.

(ii) Investments
The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect a significant risk that any counterparty fails to meet its obligations.

(iii) Guarantees
The Group provides financial guarantees to subsidiaries, associates and third parties if necessary. The guarantees provided by the Group as of December 31, 2011 are discussed in notes 42 and 44.

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Group does not generate sufficient cash flow from operations to meet its capital requirements, the Group may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities.

(4) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, the Korean won (KRW). The currencies in which these transactions primarily are denominated are USD, EUR and JPY.

The Group hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than two year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Trade receivables denominated in a foreign currency have been hedged using forward contracts that mature on the same dates that the receivables are due for collection. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

The Group hedges the interest rate risk arising from loans and bonds with floating interest rates through interest rate swaps.

(iii) Other market price risk

The Group is exposed to the price risk arising from available-for-sale equity securities.

(5) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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The Group's debt to capital ratio at the end of the reporting period is as follows:

(In millions of won, except equity ratio)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Total liabilities	₩	30,824,297	30,830,978	25,407,958
Total equity		18,176,519	16,022,923	11,071,857
Cash and deposits (*)		1,822,285	2,644,117	2,441,258
Borrowings (**)		11,057,001	9,844,364	3,312,625
Liability to equity ratio		169.58%	192.42%	229.48%
Net borrowing to equity ratio (***)		50.81%	44.94%	7.87%

(*) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.
(**) Discount on debentures is deducted from the face value of debentures.
(***) Net borrowing represents borrowings net of cash and deposits

5. Short-term Financial Assets

Short-term financial assets as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Short-term financial instruments	₩	210,177	761,970	500,549
Held for trading investments		1,538,120	1,486,029	735,412
Financial assets at fair value through profit or loss		167,571	171,038	142,481
Available-for-sale financial assets		262,882	60,803	97,478
Others		9,511	-	2,835
	₩	**2,188,261**	**2,479,840**	**1,478,755**

6. Restricted Financial Instruments

Financial instruments, which are restricted in use subject to withdrawal restrictions in relation to construction contracts as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Short-term financial instruments	₩	188,894	208,868	187,292
Long-term financial instruments		129	1,549	3,297
Other receivables		45,287	123,010	34,505
	₩	**234,310**	**333,427**	**225,094**

7. Trade and Other Receivables and Due from Customers for Contract Work

(1) Trade and other receivables as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Current	Non-current	Current	Non-current	Current	Non-current
Trade receivables:						
Trade receivables	₩ 4,927,704	-	4,507,101	-	2,572,725	-
Allowance for doubtful accounts	(229,013)	-	(50,425)	-	(119,073)	-
Long-term trade receivables	-	1,086,059	-	661,820	-	78,382
Allowance for doubtful accounts	-	(180,210)	-	(211,979)	-	(35,451)
	4,698,691	905,849	4,456,676	449,841	2,453,652	42,931
Other receivables:						
Loan receivables	151,393	-	160,435	-	108,305	-
Allowance for doubtful accounts	-	-	(3,788)	-	(2,958)	-
Long-term loan receivables	-	71,028	-	46,818	-	28,613
Allowance for doubtful accounts	-	(1,000)	-	(927)	-	(1,147)
	151,393	70,028	156,647	45,891	105,347	27,466
Other receivables:						
Other accounts receivable	565,986	-	583,834	-	341,415	-
Allowance for doubtful accounts	(54,477)	-	(132,841)	-	(138,814)	-
Accrued income	68,765	-	87,488	-	63,238	-
Allowance for doubtful accounts	(102)	-	(370)	-	(116)	-
Short-term loans	488	-	65,728	-	150,292	-
Allowance for doubtful accounts	-	-	(3)	-	-	-
Guarantee deposits	23,465	-	4,020	-	31,249	-
VAT advance payments	62,346	-	46,791	-	44,851	-
Deposits	110,558	-	182,255	-	122,751	-
Long-term other accounts receivable	-	261	-	-	-	-
Allowance for doubtful accounts	-	(261)	-	-	-	-
Long-term loans	-	232,800	-	119,768	-	20,164
Allowance for doubtful accounts	-	-	-	(86)	-	(2)
Long-term deposits provided	-	109,334	-	123,109	-	100,549
Allowance for doubtful accounts	-	(70)	-	-	-	(87)
Asset under a finance lease	121,320	1,118,958	461,877	406,486	226,060	207,193
Allowance for doubtful accounts	-	(51,109)	-	(26,632)	-	(8,829)
	898,349	1,409,913	1,298,779	622,645	840,926	318,988
	₩ 5,748,433	**2,385,790**	**5,912,102**	**1,118,377**	**3,399,925**	**389,385**

(2) Due from customers for contract work as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Current	Non-current	Current	Non-current	Current	Non-current
Due from customers for contract work	₩ 4,181,091	-	4,693,746	-	4,360,571	-
Allowance for doubtful accounts	-	-	(27,512)	-	-	-
Long-term due from customers for contract work	-	51,957	-	-	-	-
Allowance for doubtful accounts	-	(1,308)	-	-	-	-
	₩ 4,181,091	**50,649**	**4,666,234**	**-**	**4,360,571**	**-**

8. Finance Leases

(1) Gross investment in leases and the present value of minimum lease payments receivable as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Minimum lease payments	Unguaranteed residual value	Minimum lease payments	Unguaranteed residual value	Minimum lease payments	Unguaranteed residual value
Not later than one year	₩ 121,320	-	461,877	-	226,060	-
Later than one year and not later than five years	1,118,958	-	406,486	-	207,193	-
Later than five years	-	-	-	-	-	-
Total	1,240,278	-	868,363	-	433,253	-
Unearned finance income	-	-	-	-	-	-
Net investment in the lease	**₩ 1,240,278**	-	**868,363**	**-**	**433,253**	**-**

(2) The accumulated allowance for uncollectible minimum lease payments receivable as of December 31, 2011, 2010 and January 1, 2010 is summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Allowance for doubtful accounts	51,109	26,632	8,829

(3) There are no contingent rents incurred for the years ended December 31, 2011 and 2010.

9. Inventories

Inventories as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011			December 31, 2010 (Unaudited)			January 1, 2010 (Unaudited)		
	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩ 153,202	(15,265)	137,937	115,957	(12,581)	103,376	142,206	(12,140)	130,066
Finished goods	1,254,122	(55,715)	1,198,407	1,006,823	(5,323)	1,001,500	269,588	(5,173)	264,415
Work-in-progress	1,825,825	(70,040)	1,755,785	1,144,625	(1,392)	1,143,233	1,132,598	(17,102)	1,115,496
Raw materials	1,808,868	(20,937)	1,787,931	1,294,212	-	1,294,212	853,192	-	853,192
Supplies	38,937	(2,156)	36,781	28,300	-	28,300	17,051	-	17,051
Materials-in-transit	1,561,252	-	1,561,252	1,468,796	-	1,468,796	583,229	-	583,229
	₩ 6,642,206	(164,113)	6,478,093	5,058,713	(19,296)	5,039,417	2,997,864	(34,415)	2,963,449

The write-down of inventories to net realizable value amounting to ₩144,817 million and nil, and the reversal of write-down amounting to nil and ₩15,119 million are included in cost of sales for the years ended December 31, 2011 and 2010, respectively.

10. Other Assets

Other assets as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Current	Non-current	Current	Non-current	Current	Non-current
Advance payments	₩ 1,802,652	-	1,215,836	-	1,358,314	-
Allowance for doubtful accounts	(312)	-	(60)	-	(833)	-
Prepaid expenses	408,014	-	352,021	-	435,034	-
Long-term prepaid expenses	-	46,844	-	14,213	-	20,798
Others	3,600	190,638	67,717	113,900	4,362	68,100
	₩ 2,213,954	237,482	1,635,514	128,113	1,796,877	88,898

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11. Investments in Associates and Jointly Controlled Entities

(1) Investments in associates and jointly controlled entities as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won, except percentage of ownership)

				December 31, 2011		December 31, 2010(Unaudited)		January 1, 2010(Unaudited)	
Company	Location	Fiscal year end	Business	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	20.00	₩ 4,968	20.00	₩ 4,492	20.00	₩ 4,045
Hyundai Merchant Marine Co., Ltd.	Korea	December	Shipping	23.66	407,320	23.66	619,699	25.47	418,468
Wärtsilä-Hyundai Engine Company Ltd.	Korea	December	Manufacture, assemble and test of marine engines and parts	50.00	45,046	50.00	44,126	50.00	40,496
KAM Corporation	Korea	December	Sale and manufacture of polysilicon	49.00	112,105	49.00	112,987	49.00	117,668
Taebaek Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	5,153	35.00	3,446	35.00	3,483
Muju Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	45.00	4,922	45.00	5,045	-	-
Pyeongchang Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	877	35.00	15	-	-
Jinan Jangsu Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	32.00	100	32.00	101	-	-
Changjuk Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	43.00	5,373	43.00	171	-	-
Hyundai Corporation	Korea	December	Exporting	22.36	158,190	22.36	116,029	22.36	105,134
Hyundai-Avancis Co., Ltd.	Korea	December	Sale and manufacture of solar module	50.00	67,799	50.00	39,830	-	-
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	December	Thick plate-oriented comprehensive iron manufacturing	20.00	98,412	20.00	109,887	20.00	128,358
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	December	Acquiring, renting, leasing and chartering of bulk carrier	50.00	886	50.00	876	50.00	1,045

Continued

(In thousands of won)

Company	Location	Fiscal year end	Business	December 31, 2011 Percentage of ownership (%)	December 31, 2011 Carrying amount	December 31, 2010(Unaudited) Percentage of ownership (%)	December 31, 2010(Unaudited) Carrying amount	January 1, 2010(Unaudited) Percentage of ownership (%)	January 1, 2010(Unaudited) Carrying amount
PT. Hyundai Machinery Indonesia	Indonesia	December	Import and wholesale of machinery equipment for construction	20.83	516	20.83	239	20.83	224
Hyundai Primorye Ltd.	Russia	December	Farmland leasing service	49.99	5,235	49.99	3,357	49.99	2,196
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	December	Manufacturing of petrochemicals	50.00	24,544	50.00	21,197	-	-
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	Korea	December	Venture capital	40.00	5,056	40.00	3,143	-	-
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	Korea	December	Venture capital	37.50	2,399	-	-	-	-
KP Fund of Hedge Fund	Korea	December	Collective investment	-	-	40.00	20,538	40.00	19,752
The Second Partners Win-Win Investment Fund	Korea	December	Collective investment	23.33	5,885	-	-	-	-
Truston Dynamic Korea Fund	Singapore	December	Collective investment	-	-	30.40	20,035	-	-
Tribridge Capital Management	Cayman	December	Asset management	23.93	6,682	-	-	-	-
Tribridge Asian Special Situation Fund	Cayman	December	Other financial business	-	-	-	-	43.92	9,865
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	Korea	December	Collective investment	21.21	1,385	-	-	-	-
TV Chosun-Daesung Win-Win Fund	Korea	December	Investment service in culture contents field	23.81	10,004	-	-	-	-
Hyundai Oilbank Co., Ltd.	Korea	December	Manufacturing of petroleum products	-	-	-	-	21.13	481,363
					₩ 972,857		₩ 1,125,213		₩ 1,332,097

Conclude

(2) The fair value of marketable securities of associates and jointly controlled entities as of December 31, 2011, 2010 and January 1, 2010 is summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Hyundai Merchant Marine Co., Ltd.	₩ 850,971	1,306,969	905,216
Hyundai Corporation	115,084	128,065	105,348

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(3) Condensed financial information of associates and jointly controlled entities as of and for the years ended December 31, 2011 and 2010 is summarized as follows:

(In millions of won)

	2011 Assets	2011 Liabilities	2011 Sales	2011 Profit	2010(Unaudited) Assets	2010(Unaudited) Liabilities	2010(Unaudited) Sales	2010(Unaudited) Profit
New Korea Country Club	₩ 30,110	5,268	12,432	2,880	26,919	4,457	12,067	2,499
Hyundai Merchant Marine Co., Ltd.	8,799,440	7,052,977	7,420,767	(534,314)	8,872,377	6,284,518	8,124,208	576,395
Wärtsilä-Hyundai Engine Company Ltd.	321,600	231,220	91,077	1,802	229,504	140,926	130,990	7,585
KAM Corporation	406,396	177,429	121,990	749	450,763	220,178	68,447	(9,529)
Taebaek Wind Power Co., Ltd.	38,452	23,732	-	(315)	9,858	13	-	(111)
Muju Wind Power Co., Ltd.	10,970	32	-	(274)	11,250	38	-	(188)
Pyeongchang Wind Power Co., Ltd.	2,922	415	-	(36)	43	-	-	(7)
Jinan Jangsu Wind Power Co., Ltd.	313	-	-	(2)	319	4	-	(83)
Changjuk Wind Power Co., Ltd.	23,521	11,026	-	(172)	399	1	-	(2)
Hyundai Corporation	2,079,044	1,692,870	5,448,882	43,879	1,611,472	1,414,919	3,735,035	48,661
Hyundai-Avancis Co., Ltd.	142,704	5,119	-	(1,787)	80,796	1,137	-	44
Qinhuangdao Shouqin Metal Materials Co., Ltd.	2,289,624	1,825,971	1,730,528	(82,318)	2,166,581	1,645,559	1,538,418	(97,876)
Grand China Hyundai Shipping Co., Ltd.	1,888	116	-	(2)	1,872	119	6	(232)
PT. Hyundai Machinery Indonesia	43,605	41,129	78,204	1,315	11,787	10,637	10,528	49
Hyundai Primorye Ltd.	9,042	15	718	186	5,293	22	173	30
Hyundai Cosmo Petrochemical Co., Ltd.	923,791	634,808	1,948,878	11,296	892,966	612,665	1,145,084	(71,362)
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	12,735	95	145	(3,216)	7,857	1	25	(145)
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	6,405	7	5	(2)	-	-	-	-
KP Fund of Hedge Fund	-	-	-	-	86,755	34,793	-	-
The Second Partners Win-Win Investment Fund	36,270	157	1,568	951	-	-	-	-
Truston Dynamic Korea Fund	-	-	763	(5,835)	71,193	5,287	496	3,018
Tribridge Capital Management	3,957	2,115	2,401	(2,722)	-	-	-	-
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	6,608	80	8	(72)	-	-	-	-
TV Chosun-Daesung Win-Win Fund	42,059	43	61	17	-	-	-	-
	₩ 15,231,456	11,704,624	16,858,427	(567,992)	14,538,004	10,375,274	14,765,477	458,746

(4) Changes in equity-method accounted investees for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

Associates		2011			
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Others (*)	Ending balance
New Korea Country Club	₩ 4,492	-	576	(100)	4,968
Hyundai Merchant Marine Co., Ltd.	619,699	-	(141,920)	(70,459)	407,320
Wärtsilä-Hyundai Engine Company Ltd.	44,126	-	920	-	45,046
KAM Corporation	112,987	-	277	(1,159)	112,105
Taebaek Wind Power Co., Ltd.	3,446	1,817	(110)	-	5,153
Muju Wind Power Co., Ltd.	5,045	-	(123)	-	4,922
Pyeongchang Wind Power Co., Ltd.	15	875	(13)	-	877
Jinan Jangsu Wind Power Co., Ltd.	101	-	(1)	-	100
Changjuk Wind Power Co., Ltd.	171	5,276	(74)	-	5,373
Hyundai Corporation	116,029	-	8,397	33,764	158,190
Hyundai-Avancis Co., Ltd.	39,830	30,000	(1,887)	(144)	67,799
Qinhuangdao Shouqin Metal Materials Co., Ltd.	109,887	-	(16,464)	4,989	98,412
Grand China Hyundai Shipping Co., Ltd.	876	-	(1)	11	886
PT. Hyundai Machinery Indonesia	239	-	274	3	516
Hyundai Primorye Ltd.	3,357	2,140	93	(355)	5,235
Hyundai Cosmo Petrochemical Co., Ltd.	21,197	-	4,654	(1,307)	24,544
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	3,143	3,200	(1,287)	-	5,056
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	-	2,400	(1)	-	2,399
KP Fund of Hedge Fund	20,538	(20,538)	-	-	-
The Second Partners Win-Win Investment Fund	-	5,887	222	(224)	5,885
Truston Dynamic Korea Fund	20,035	(19,459)	(1,513)	937	-
Tribridge Capital Management	-	6,930	(304)	56	6,682
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	-	1,400	(15)	-	1,385
TV Chosun-Daesung Win-Win Fund	-	10,000	4	-	10,004
	₩ 1,125,213	**29,928**	**(148,296)**	**(33,988)**	**972,857**

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For the years ended December 31, 2011 and 2010

(In millions of won)

Associates		2010(Unaudited)			
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Others (*)	Ending balance
New Korea Country Club	₩ 4,045	-	497	(50)	4,492
Hyundai Merchant Marine Co., Ltd.	418,468	35,558	147,639	18,034	619,699
Wärtsilä-Hyundai Engine Company Ltd.	40,496	-	3,630	-	44,126
KAM Corporation	117,668	-	(4,681)	-	112,987
Taebaek Wind Power Co., Ltd.	3,483	-	(37)	-	3,446
Muju Wind Power Co., Ltd.	-	5,130	(85)	-	5,045
Pyeongchang Wind Power Co., Ltd.	-	17	(2)	-	15
Jinan Jangsu Wind Power Co., Ltd.	-	128	(27)	-	101
Changjuk Wind Power Co., Ltd.	-	172	(1)	-	171
Hyundai Corporation	105,134	-	10,827	68	116,029
Hyundai-Avancis Co., Ltd.	-	40,000	22	(192)	39,830
Qinhuangdao Shouqin Metal Materials Co., Ltd.	128,358	-	(19,291)	820	109,887
Grand China Hyundai Shipping Co., Ltd.	1,045	-	(146)	(23)	876
PT. Hyundai Machinery Indonesia	224	-	10	5	239
Hyundai Primorye Ltd.	2,196	1,238	15	(92)	3,357
Hyundai Cosmo Petrochemical Co., Ltd.	-	80,000	(58,459)	(344)	21,197
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	-	3,200	(57)	-	3,143
KP Fund of Hedge Fund	19,752	-	786	-	20,538
Truston Dynamic Korea Fund	-	20,055	917	(937)	20,035
Tribridge Asian Special Situation Fund	9,865	-	1,290	(11,155)	-
Hyundai Oilbank Co., Ltd.	481,363	-	37,271	(518,634)	-
	₩ 1,332,097	**185,498**	**120,118**	**(512,500)**	**1,125,213**

(*) Others consist of changes in equity of equity method investments, dividends, and changes in scope of consolidation (i.e. reclassification from investment in associates to subsidiaries under consolidation).

12. Long-term Financial Assets

Long-term financial assets as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Long-term financial instruments	₩ 2,129	3,346	3,297
Held for trading investments	10,184	6,462	333
Available-for-sale financial assets	3,684,692	3,712,379	3,373,409
	₩ 3,697,005	**3,722,187**	**3,377,039**

13. Available-for-sale Financial Assets

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

(In millions of won)

		December 31, 2011		December 31, 2010(Unaudited)		January 1, 2010(Unaudited)	
		Current	Non-current	Current	Non-current	Current	Non-current
Listed equity securities	₩	-	3,499,862	-	3,466,008	-	3,272,956
Unlisted equitysecurities		-	158,602	-	133,352	-	87,280
Beneficiary certificates		52,035	3,977	60,490	40,965	79,177	3,497
Debt securities		210,847	5,911	313	59,135	18,301	2,232
Investments in capital		-	16,340	-	12,919	-	7,444
	₩	**262,882**	**3,684,692**	**60,803**	**3,712,379**	**97,478**	**3,373,409**

14. Investment Property

(1) Changes in investment property for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

				2011
		Land	Buildings	Total
Beginning of period	₩	228,638	111,444	340,082
Acquisition and other		12,802	7,149	19,951
Disposals		-	-	-
End of period		241,440	118,593	360,033
Depreciation		-	(4,030)	(4,030)
Accumulated depreciation		-	(27,589)	(27,589)
Accumulated impairment loss		-	(5,171)	(5,171)
	₩	**241,440**	**85,833**	**327,273**

(In millions of won)

				2010 (Unaudited)
		Land	Buildings	Total
Beginning of period	₩	238,996	171,633	410,629
Acquisition and other		(36,992)	(60,189)	(97,181)
Disposals		-	-	-
Changes in scope of consolidation		26,634	-	26,634
End of period		228,638	111,444	340,082
Depreciation		-	(5,981)	(5,981)
Accumulated depreciation		-	(24,880)	(24,880)
Accumulated impairment loss		-	(5,171)	(5,171)
	₩	**228,638**	**81,393**	**310,031**

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(2) Revenue (expense) of investment property for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

	2011	2010 (Unaudited)
Rental income	7,914	10,362
Operating / maintenance expense (arising from investment property that generated rental income)	3,422	4,175
Operating / maintenance expense (arising from investment property that did not generate rental income)	42	41

15. Property, Plant and Equipment

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

(In millions of won)

							2011
		Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩	4,227,861	3,583,531	2,996,188	4,894,961	4,515,679	20,218,220
Acquisition and other		238,458	367,277	331,313	2,352,285	(1,611,647)	1,677,686
Disposals		(31,878)	(15,785)	(9,551)	(35,735)	(75,562)	(168,511)
Effect of movements in exchange rates		(1,267)	5,647	3,276	2,491	3,066	13,213
Changes in scope of consolidation		4,123	6,508	-	15,834	7,568	34,033
End of period		4,437,297	3,947,178	3,321,226	7,229,836	2,839,104	21,774,641
Depreciation		-	(94,353)	(84,970)	(452,712)	(216,431)	(848,466)
Government grants		(1,614)	(9,603)	(2,253)	(551)	(783)	(14,804)
Accumulated depreciation		-	(810,313)	(773,732)	(2,844,815)	(1,766,245)	(6,195,105)
	₩	**4,435,683**	**3,127,262**	**2,545,241**	**4,384,470**	**1,072,076**	**15,564,732**

(In millions of won)

							2010 (Unaudited)
		Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩	3,206,590	3,501,841	2,074,530	3,981,764	2,485,987	15,250,712
Acquisition and other		171,174	162,668	302,217	704,744	450,870	1,791,673
Disposals		(61,117)	(228,928)	(62,501)	(216,346)	(73,324)	(642,216)
Effect of movements in exchange rates		(307)	(8,536)	(2,069)	2,730	(11,510)	(19,692)
Changes in scope of consolidation		911,521	156,486	684,011	422,069	1,663,656	3,837,743
End of period		4,227,861	3,583,531	2,996,188	4,894,961	4,515,679	20,218,220
Depreciation		-	(88,336)	(74,500)	(341,304)	(211,236)	(715,376)
Government grants		-	(5,498)	-	(387)	(468)	(6,353)
Accumulated depreciation		-	(744,666)	(665,729)	(2,411,371)	(1,610,969)	(5,432,735)
	₩	**4,227,861**	**2,833,367**	**2,330,459**	**2,483,203**	**2,904,242**	**14,779,132**

(2) There is no impairment recorded for CGUs (production facilities) as of December 31, 2011 and 2010.

(3) Construction-in-progresses is related to development of construction of Onsan landfill site, construction of Ihwa industrial park, construction of Daebul factory site and construction of new buildings as of December 31, 2011.

16. Intangible Assets

(1) Changes in goodwill for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010(Unaudited)
Cost			
Beginning balance	₩	1,498,453	402,846
Acquisition through business combinations		17,455	1,095,607
Ending balance	₩	**1,515,908**	**1,498,453**
Impairment			
Beginning balance	₩	-	-
Ending balance	₩	**(87,342)**	-
Carrying amounts			
Beginning balance	₩	1,498,453	402,846
Ending balance	₩	**1,428,566**	**1,498,453**

Goodwill has been recognized from the following transactions: 1) the acquisition of securities of Hyundai Oilbank Co., Ltd. by the Company, 2) the acquisition of all the assets and liabilities of Halla Heavy Industry Co., Ltd. by a subsidiary of the Company, Hyundai Samho Heavy Industry Co., Ltd., and 3) the acquisition of securities of HI Investment & Securities Co., Ltd. by a subsidiary of the Company, Hyundai Mipo Dockyard Co., Ltd.

The Group recognized impairment loss amounting to ₩87,342 million during 2011 which was recognized from the acquisition of securities of HI Investment & Securities Co., Ltd. by a subsidiary of the Company, Hyundai Mipo Dockyard Co., Ltd.

(2) Changes in development costs, networks and other intangible assets for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

									2011
		Development costs	Networks	Customer relationships	Brands	Order backlogs	Know-how	Other intangible assets	Total
Beginning balance	₩	297,590	100,383	105,907	192,220	2,562	46,946	167,038	912,646
Acquisition and other		80,106	-	-	-	-	-	(9,579)	70,527
Amortization		(56,545)	(5,126)	(12,339)	-	(2,562)	(3,013)	(5,576)	(85,161)
Disposals		-	-	-	-	-	-	(4,280)	(4,280)
Effect of movements in exchange rates		128	-	-	-	-	-	578	706
Changes in scope of consolidation		-	-	-	-	-	-	665	665
Ending balance	₩	**321,279**	**95,257**	**93,568**	**192,220**	**-**	**43,933**	**148,846**	**895,103**

(In millions of won)

									2010(Unaudited)
		Development costs	Networks	Customer relationships	Brands	Order backlogs	Know-how	Other intangible assets	Total
Beginning balance	₩	275,544	-	-	-	-	-	137,595	413,139
Acquisition and other		74,222	-	-	-	-	-	34,940	109,162
Amortization		(54,447)	(2,136)	(5,141)	-	(1,830)	(1,255)	(7,590)	(72,399)
Disposals		(738)	-	-	-	-	-	(6,106)	(6,844)
Effect of movements in exchange rates		31	-	-	-	-	-	(3,057)	(3,026)
Changes in scope of consolidation		2,978	102,519	111,048	192,220	4,392	48,201	11,256	472,614
Ending balance	₩	**297,590**	**100,383**	**105,907**	**192,220**	**2,562**	**46,946**	**167,038**	**912,646**

The carrying amount of intangible assets with indefinite useful lives is ₩281,840 million and ₩282,217 million as of December 31, 2011 and 2010, respectively.

(3) Research costs amounting to ₩10,989 million and ₩31,907 million, and ordinary development costs amounting to ₩132,903 million and ₩88,974 million are included in selling, general and administrative expenses for the years ended December 31, 2011 and 2010, respectively. Amortized development costs of ₩56,545 million and ₩54,447 million are included in the cost of sales and selling, general and administrative expenses for the years ended December 31, 2011 and 2010, respectively.

17. Pledged Assets

(1) Assets pledged as collateral for the Group's borrowings as of December 31, 2011 are summarized as follows:

(In millions of won and in thousands of foreign currency)

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Land	31,404	31,404	Long-term borrowings	43,513	KB Kookmin Bank
Buildings	59,710	45,515			
Land	266,998	USD 150,000	-	-	The Korea Development Bank and others
Machinery and structures	194,778	JPY 34,000,000 197,000			
Buildings	70,471				
Land	115,773	1,440,000	Long-term borrowings	1,200,000	The Korea Development Bank and others
Machinery and structures	2,274,188				
Buildings	103,588				
Inventories and trade receivables	EUR 75,859	EUR 5,500	General purpose loans	EUR 3,000	BNP Paribas Fortis Bank, Belgium
Buildings	USD 750	USD 750	Secured loans	USD 311	Center Bank
	KRW 3,116,910 EUR 75,859 USD 750	KRW 1,713,919 EUR 5,500 USD 150,750 JPY 34,000,000		KRW 1,243,513 EUR 3,000 USD 311	

(2) The Group receives guarantees on payment of foreign currency from nine financial institutions covering advanced payments on ships amounting to USD 2,592 million as of December 31, 2011. Regarding this, the Group collateralizes its ships under construction and construction materials (see note 42).

(3) The Group collateralized ₩142,300 million of financial assets at fair value through profit or loss for loan transactions and warranty for derivative instruments and margin loans to Korea Securities Depository and others.

(4) Guarantees provided and assets pledged as collateral as of December 31, 2011 are summarized as follows:

(In millions of won)

Guarantee recipient	Asset	Carrying amount	Collateralized amount	Borrowings amount	Lender
Hyundai Cosmo Petrochemical Co., Ltd.	Land, buildings	₩ 140,915	444,000	370,000	The Korea Development Bank

18. Short-term Financial Liabilities

Short-term financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Short-term borrowings	₩ 7,212,283	6,546,224	2,277,839
Held for trading liabilities	120,790	321,979	83,739
Current portion of debentures	750,000	336,668	-
Discount on debentures	(343)	(108)	-
Current portion of long-term borrowings	156,651	321,548	103,494
Deposit liabilities	224,591	227,629	256,898
Others	14,596	11,148	7,529
	₩ 8,478,568	7,765,088	2,729,499

19. Trade and Other Payables

Trade and other payables as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010(Unaudited)		January 1, 2010(Unaudited)	
	Current	Non-current	Current	Non-current	Current	Non-current
Trade payables	₩ 4,402,579	-	3,814,331	-	2,021,061	-
Other accounts payable	1,250,846	-	1,064,550	-	332,985	-
Withholdings	79,966	-	328,780	-	261,719	-
Dividends payable	16	-	14	-	43,025	-
Accrued expense	596,825	-	596,117	-	664,993	-
Long-term other accounts payables	-	5,857	-	-	-	14,198
Long-term accrued expense	-	45,945	-	44,352	-	-
Long-term leasehold deposits	-	18,268	-	6,759	-	6,272
Long-term deposits received	-	176,860	-	191,232	-	111,911
	₩ 6,330,232	246,930	5,803,792	242,343	3,323,783	132,381

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20. Long-term Financial Liabilities

Long-term financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Held for trading liabilities	₩ 5,516	25,263	121,342
Long-term borrowings	2,289,886	1,442,783	632,223
Debentures	650,000	1,200,000	300,000
Discount on debentures	(1,476)	(2,751)	(931)
	₩ 2,943,926	2,665,295	1,052,634

21. Other Liabilities

Other liabilities as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010(Unaudited)		January 1, 2010(Unaudited)	
	Current	Non-current	Current	Non-current	Current	Non-current
Unearned revenues	₩ 22,307	-	7,392	-	6,677	-
Deferred revenues	2	56,610	-	54,881	-	-
Others	10,456	209	120,186	8,148	4,127	36,938
	₩ 32,765	56,819	127,578	63,029	10,804	36,938

22. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate(%)	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Mutual guarantee loan	Korea Exchange Bank	-	₩ -	-	103,119
Network loan	Export-Import Bank of Korea and others	4.65	96,338	184,792	460,195
Pre-shipment credit	Export-Import Bank of Korea and others	4.50	410,000	60,000	273,285
General loan	Shinhan Capital Co., Ltd. and others	0~CD+2.4	-	1,528,000	13,000
Accommodation bill	Shinhan Bank and others	3.85~4.09	2,500,000	1,000,000	-
Usance L/C	Shinhan Bank and others	0.67~3.5	1,030,602	1,408,898	45,930
Invoice loan	Deutsche Bank and others	1.34~2.75	114,242	-	-
CP	Woori Investment & Securities Co., Ltd. and others	3.65~6.34	906,000	527,500	293,600
Call money	KB Kookmin Bank and others	3.35~3.55	171,800	308,200	-
Other borrowings from KSFC	Korea Securities Finance Corporation	4.66	40,000	-	-
Borrowings from margin loans	Korea Securities Finance Corporation	4.66	11,644	62,652	602,460
Repurchase agreements sales	Korea Securities Finance Corporation and others	3.25~3.30	1,313,619	1,045,591	180,248
General loan in foreign currency	HSBC BANK PLC and others	3.49~7.02	618,038	420,591	306,002
			₩ 7,212,283	6,546,224	2,277,839

(2) Long-term borrowings as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate(%)	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
General loan in foreign currency	Export-Import Bank of Korea	2.12	₩ 49,592	26,505	-
Business loans	Korea National Oil Corporation	1.25	12,174	6,336	5,167
General fund for equipment	The Korea Development Bank and others	CD+2~5.51	1,203,000	862,574	152,574
Energy rationalization	The Korea Development Bank	2.25	6,266	4,235	-
Environment improvement fund	The Korea Development Bank	3.80	2,686	2,686	-
National Housing Fund	KB Kookmin Bank	3.00	43,513	46,416	48,993
CP	Samsung Securities Co., Ltd. and others	3.92	240,000	265,300	265,300
Long-term borrowings in foreign currency	Standard Chartered Bank and others	4.44~5.29	889,306	550,279	263,683
	Current portion		(156,651)	(321,548)	(103,494)
			₩ 2,289,886	1,442,783	632,223

The general loan in foreign currency from the Export-Import Bank of Korea in relation to the Group's overseas resource development business has a three-year maturity. Payments will be made in lump sum on the loan maturity date of October 1, 2013. The maturities of business loans from Korea National Oil Corporation as of December 31, 2011 are not readily determinable since the business loans are paid by installment in the event of successful commercial production by the Group's oil development business.

(3) Debentures as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate(%)	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
112th debenture	2012.04.13	5.43	₩ 300,000	300,000	300,000
95th debenture	2011.04.14	5.54	-	100,000	-
97th debenture	2011.10.25	4.98	-	100,000	-
98th debenture	2014.02.02	5.44	100,000	100,000	-
99th debenture	2012.03.27	5.23	100,000	100,000	-
100th debenture	2011.02.20	5.43	-	136,668	-
101st debenture	2013.03.20	6.05	150,000	150,000	-
102nd debenture	2012.01.22	7.65	150,000	150,000	-
103rd debenture	2014.07.03	6.80	100,000	100,000	-
104th debenture	2012.09.30	5.79	100,000	100,000	-
105th debenture	2015.06.28	5.75	200,000	200,000	-
106th debenture	2014.04.14	4.36	100,000	-	-
107th debenture	2012.10.25	3.92	100,000	-	-
	Current portion		(750,000)	(336,668)	-
			₩ 650,000	1,200,000	300,000

(4) Aggregate maturities of the Group's borrowings and debentures as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011			
Periods	Short-term borrowings	Long-term borrowings	Debentures	Total
2012.01.01~2012.12.31	₩ 7,212,283	156,651	750,000	8,118,934
2013.01.01~2016.12.31	-	1,654,078	650,000	2,304,078
2017.01.01 and thereafter	-	635,808	-	635,808
	₩ 7,212,283	2,446,537	1,400,000	11,058,820

(In millions of won)

	December 31, 2010(Unaudited)			
Periods	Short-term borrowings	Long-term borrowings	Debentures	Total
2011.01.01~2011.12.31	6,546,224	321,548	336,668	7,204,440
2012.01.01~2015.12.31	-	915,411	1,200,000	2,115,411
2016.01.01 and thereafter	-	527,372	-	527,372
	6,546,224	1,764,331	1,536,668	9,847,223

(In millions of won)

	January 1, 2010(Unaudited)			
Periods	Short-term borrowings	Long-term borrowings	Debentures	Total
2010.01.01~2010.12.31	2,277,839	103,494	-	2,381,333
2011.01.01~2014.12.31	-	603,768	300,000	903,768
2015.01.01 and thereafter	-	28,455	-	28,455
	2,277,839	735,717	300,000	3,313,556

23. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Present value of defined benefit obligations	₩ 1,171,190	1,033,030	1,441,070
Fair value of plan assets	(1,015,798)	(901,709)	(1,266,880)
	₩ 155,392	131,321	174,190

(2) Plan assets as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Deposit for severance benefit insurance	₩ 100,363	876,755	1,151,102
Retirement pension	900,605	7,113	81,961
Transfer to National Pension Fund	14,830	17,841	33,817
	₩ 1,015,798	901,709	1,266,880

(3) Expenses recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010(Unaudited)
Current service costs	₩	173,659	150,456
Interest on obligation		52,727	86,576
Losses (gain) on curtailments		(4,706)	25,479
Expected return on plan assets		(37,457)	(63,986)
Past service costs		(71)	-
Contribution		(3,684)	-
	₩	**180,468**	**198,525**

(4) Changes in the present value of the defined benefit obligations for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010(Unaudited)
Beginning balance	₩	1,033,030	1,441,070
Current service costs		173,659	150,456
Interest on obligation		52,727	86,576
Losses (gain) on curtailments		(4,706)	25,479
Past service costs		(71)	-
Benefits paid		(239,247)	(882,419)
Transfers from related parties		1,300	1,108
Actuarial losses in other comprehensive income		154,575	132,186
Changes in scope of consolidation		42	78,574
Effect of movements in exchange rates		(119)	-
Ending balance	₩	**1,171,190**	**1,033,030**

(5) Changes in the fair value of plan assets for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010(Unaudited)
Beginning balance	₩	901,709	1,266,880
Benefits paid		(143,135)	(606,116)
Contributions paid into the plan		213,818	118,478
Actuarial (losses) gains in other comprehensive income		5,949	(4,823)
Expected return on plan assets		37,457	63,986
Changes in scope of consolidation		-	63,304
Ending balance	₩	**1,015,798**	**901,709**

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(6) Principal actuarial assumptions at the reporting date are as follows:

	December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Discount rate at the reporting date	3.49%~5.42%	4.04%~5.69%	4.59%~6.47%
Expected return on plan assets at January 1	3.28%~4.30%	3.98%~4.90%	4.01%~5.50%
Future salary increases	3.00%~7.05%	3.00%~7.28%	3.00%~7.28%
Future mortality (Males, at age 45)	0.18%~0.30%	0.06%~0.29%	0.06%~0.29%

24. Long-term Provisions

Changes in long-term provisions for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011			2010(Unaudited)		
		Provision for construction warranty	Provision for product warranty	Other Provision	Provision for construction warranty	Provision for product warranty	Other Provision
Beginning balance	₩	105,715	86,360	11,255	99,554	66,512	851
Additional amount		46,484	117,766	43,264	29,390	30,766	68
Reversal amount		(11,559)	(8,690)	(436)	(12,407)	-	-
Amounts utilized		(40,221)	(41,590)	(1,773)	(10,449)	(10,010)	(89)
Effect of movements in exchange rates		(451)	3,305	510	(373)	(908)	-
Changes in scope of consolidation		-	-	-	-	-	10,425
Ending balance	₩	**99,968**	**157,151**	**52,820**	**105,715**	**86,360**	**11,255**

25. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks, including Korea Exchange Bank, to hedge the risk related to changes in foreign exchange rate, changes in crude oil price and so on. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and so on.

(1) The description of derivative instrument and hedge accounting is as follows:

Hedge accounting	Type	Description
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Foreign currency futures	Hedges currency exchange rate fluctuation risk on foreign currency reserves
	Interest rate swap	Hedges cash flow risk on interest rate fluctuation
Fair value hedge	Foreign currency forward	(i) Hedges the risk of changes in the fair value of firm commitments (ii) Hedges the risk of changes in foreign currency exchange rate for payables in foreign currency

(2) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2011 are as follows:

(i) Terms of derivative contracts

(In millions of won and in thousands of foreign currency)

Description	Type	Currency Sell	Currency Buy	Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
Cash flow hedge	Foreign currency forward	EUR	KRW	32,639	434	1,635	2012-07-17
		USD	KRW	1,788,010		1,119	2012-07-27
		KRW	EUR	16,915		1,557	2013-03-08
		KRW	GBP	815		1,824	2012-11-30
		KRW	USD	1,709,324		1,129	2013-02-05
	Interest rate swap	KRW	KRW	80,000	1	-	2020-11-21
Fair value hedge	Foreign currency forward	EUR	KRW	13,238	2,473	1,725	2012-12-20
		USD	KRW	15,445,960		1,144	2013-02-10
For trading	Foreign currency forward	KRW	USD	662,293	73	1,151	2012-01-27
		USD	KRW	478,272		1,119	2012-10-24
	Foreign currency futures	USD	USD	-	24	-	-
		KRW	KRW	1,391		1,153	-
	Interest rate futures	USD	USD	-	645	-	-
		KRW	KRW	67,946		-	2012-02-20
	Index futures	USD	USD	-	22	-	-
		KRW	KRW	2,628		-	2012-03-08
	Index number option	KRW	KRW	35,576	1,482	-	2012-01-12
	Interest rate swap	KRW	KRW	10,000	1	-	2012-05-21
	Stock warrants	KRW	KRW	2,500	1	-	2016-03-29
	Commodity futures sell	USD	USD	1,391	16	1,153	-
	Product forward	USD	USD	56,416	4	-	2012-01-31
	Foreign currency forward	EUR	KRW	45,877	2,980	1,661	2012-08-31
		USD	KRW	17,712,242		1,141	2013-01-19
		KRW	EUR	16,915		1,557	2013-03-08
		KRW	GBP	815		1,824	2012-11-30
		KRW	USD	2,371,617		1,135	2012-10-23
	Foreign currency futures	KRW	USD	-	24	-	-
		USD	KRW	1,391		1,153	-
	Interest rate futures	USD	USD	-	645	-	-
		KRW	KRW	67,946		-	2012-02-20
	Index futures	USD	USD	-	22	-	-
		KRW	KRW	2,628		-	2012-03-08
	Index number option	KRW	KRW	35,576	1,482	-	2012-01-12
	Interest rate swap	KRW	KRW	90,000	2	-	2019-12-11
	Stock warrants	KRW	KRW	2,500	1	-	2016-03-29
	Commodity futures sell	USD	USD	1,391	16	1,153	-
	Product forward	USD	USD	56,416	4	-	2012-01-31

(*) Terms of collection: Netting the settlement or collecting total

(**) The contract amount is denominated in selling currency

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(ii) Gain and loss on valuation and transaction of derivatives

(In millions of won)

Description	Type	Sales	Cost of sales	Finance income	Finance costs	Other non-operating income	Other non-operating expenses	Accumulated other comprehensive income	Firm commitment Assets	Firm commitment Liabilities	Derivatives Assets	Derivatives Liabilities	Financial assets or liabilities at fair value through profit or loss Assets	Financial assets or liabilities at fair value through profit or loss Liabilities
Cash flow hedge	Foreign currency forward	60,831	(1,017)	1,711	-	-	-	(13,594)	-	-	66,822	80,415	-	-
	Interest rate swap	-	-	-	-	-	-	(4,953)	-	-	-	4,953	-	-
Fair value hedge	Foreign currency forward	(357,697)	-	454,600	(521,454)	499,625	(470,436)	-	728,405	168,013	133,075	450,148	1,757	7,231
For trading	Foreign currency forward	3,871	(7,280)	170,290	(232,088)	-	-	-	-	-	-	780	20,868	29,049
	Foreign currency futures	5,425	(4,800)	-	-	-	-	-	-	-	-	-	-	-
	Interest rate futures	6,409	(5,250)	-	-	-	-	-	-	-	-	-	-	-
	Index futures	113,881	(99,299)	-	-	-	-	-	-	-	-	-	-	-
	Index number option	72,067	(64,277)	-	-	-	-	-	-	-	-	-	157	534
	Interest rate swap	-	(678)	-	-	-	-	-	-	-	-	-	-	6
	Stock warrants	137	(151)	-	-	-	-	-	-	-	-	-	413	-
	Commodity futures sell	426	(491)	-	-	-	-	-	-	-	-	-	20	-
	Product forward	-	-	54,092	(4,566)	-	-	-	-	-	-	-	-	-
	₩	(94,650)	(183,243)	680,693	(758,108)	499,625	(470,436)	(18,547)	728,405	168,013	199,897	536,296	23,215	36,820

As of December 31, 2011, the Group applies cash flow hedge accounting, out of which the Group accounted for the effective portion of the hedge amounting to ₩(-)35,228 million, after netting off deferred tax adjustment of ₩4,488 million and non-controlling interest portion of ₩(-)21,169 million, as gain (loss) on valuation of derivatives in accumulated other comprehensive income.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 106 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2011 is ₩(-)24,235 million. The valuation of the ineffective portion of the hedge and the valuation of other derivatives to which cash flow hedge accounting is not applied, are reflected in profit or loss.

In relation to shipbuilding contracts in foreign currencies as of December 31, 2011, the Group entered into foreign exchange forward contracts and accounted for such contracts as fair value hedges. As a result, the net balance of firm commitment assets and liabilities was ₩560,392 million and related gain and loss on valuation of firm commitments were recorded as ₩499,625 million and ₩470,436 million, respectively, in other non-operating income and expense.

Gain and loss on derivatives transactions that mature within the current year are recorded as ₩657,073 million and ₩319,171 million, respectively in finance income and costs. Gain and loss on valuation of derivatives are recorded as ₩23,620 million and ₩438,937 million, respectively in finance income and costs.

In relation to valuation of derivatives that have not reached their maturity dates, the Group recorded derivative assets of ₩199,897 million, derivative liabilities of ₩536,296 million, financial assets at fair value through profit or loss of ₩23,215 million and financial liabilities at fair value through profit or loss of ₩36,820 million as of December 31, 2011.

26. Capital and Capital Surplus

(1) The Group is authorized to issue 160,000,000 shares of capital stock (par value ₩5,000), and as of December 31, 2011, 2010 and January 1, 2010, the number of issued common shares is 76,000,000.

There have been no changes in the capital stock for the years ended December 31, 2011 and 2010.

(2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of the Company. Other capital surplus of the Company is derived from various sources including gains arising from previous business combination, and gains on disposal of treasury stocks and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

(3) Dividends paid by the Group for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010(Unaudited)
W7,000 per qualifying ordinary share (2010: W3,500)	₩	410,489	202,900

27. Treasury Stock

(1) Treasury stock of the Company as of December 31, 2011, 2010 and January 1, 2010 is summarized as follows:

(In millions of won)

	December 31, 2011			December 31, 2010(Unaudited)			January 1, 2010(Unaudited)		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Directly acquired treasury stock	14,711,560	₩ 1,400,455	3,780,871	14,711,560	₩ 1,400,455	6,517,221	3,946,528	₩ 1,115,114	684,723
Corporation own stock fund	-	-	-	-	-	-	11,432,270	348,858	1,983,499
Total	**14,711,560**	**₩ 1,400,455**	**3,780,871**	**14,711,560**	**₩ 1,400,455**	**6,517,221**	**15,378,798**	**₩1,463,972**	**2,668,222**

As the trust agreement expired (April 20, 2010) for the year ended December 31, 2010, the Company transferred indirectly acquired treasury stocks (11,432,270 shares) through the trust agreement to directly acquired treasury stock accounts. In accordance with the board of director's decision on August 25, 2010, the Company also disposed 667,238 directly owned shares to the Employee Stock Ownership Association.

(2) As of December 31, 2011, among the Company's shares, 6,063,000 shares, or ₩236,721 million at acquisition cost and ₩1,703,703 million at fair value are owned by Hyundai Mipo Dockyard Co., Ltd., a subsidiary of the Group. The Group recorded its portion as treasury stock in capital adjustments, in the amount of ₩103,565 million.

28. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of December 31, 2011, 2010 and January 1, 2010 is summarized as follows:

(In millions of won)

		December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Gain and loss on valuation of available-for-sale financial assets	₩	1,230,192	1,174,887	733,568
Gain and loss on valuation of derivatives		(35,228)	(1,035)	39,879
Exchange differences on translating foreign operations		75,550	46,185	44,730
Change in equity of equity method investments		26,430	40,870	35,060
	₩	**1,296,944**	**1,260,907**	**853,237**

(2) Other comprehensive income for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

		2011			2010(Unaudited)		
		Other comprehensive income	Owners of the Company	Non-controlling interests	Other comprehensive income	Owners of the Company	Non-controlling interests
Gain and loss on valuation of available for-sale financial assets, net of tax	₩	(12,960)	55,305	(68,265)	372,856	441,318	(68,462)
Loss on valuation of derivatives, net of tax		(35,282)	(34,193)	(1,089)	(42,296)	(40,913)	(1,383)
Exchange differences on translating foreign operations, net of tax		41,031	29,365	11,666	2,525	1,455	1,070
Change in equity of equity method investments, net of tax		(14,762)	(14,440)	(322)	5,380	5,810	(430)
Defined benefit plan actuarial losses, net of tax		(104,620)	(96,609)	(8,011)	(102,906)	(96,552)	(6,354)
	₩	**(126,593)**	**(60,572)**	**(66,021)**	**235,559**	**311,118**	**(75,559)**

29. Retained Earnings

(1) Retained earnings as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

		December 31, 2011	December 31, 2010(Unaudited)	January 1, 2010(Unaudited)
Legal reserves:				
Legal appropriated retained earnings (*1)	₩	190,000	190,000	190,000
Reserve for corporate development (*2)		30,000	30,000	30,000
Asset revaluation surplus		1,800,414	1,800,414	1,800,414
		2,020,414	2,020,414	2,020,414
Voluntary reserves: (*3)				
Reserve for business rationalization		87,277	87,277	87,277
Reserve for facilities		78,270	78,270	78,270
Reserve for research and human development		470,000	446,667	223,333
Others		8,768,345	5,459,557	3,748,576
		9,403,892	6,071,771	4,137,456
Unappropriated retained earnings		3,975,132	5,255,344	3,335,576
	₩	**15,399,438**	**13,347,529**	**9,493,446**

(*1) The Korean Commercial Code requires the Group to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any, through a resolution of shareholders.
(*2) Only available for the reduction of accumulated deficit or transfer to capital stock in accordance with related laws
(*3) Pursuant to the Tax Exemption and Reduction Control Law, the Group is allowed to make a reserve for research and human development, a reserve for facilities and others, which are appropriated in accordance with related laws.

(2) Changes of retained earnings for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010 (Unaudited)
Balance at beginning of year	₩	13,347,529	9,493,446
Net income		2,743,436	4,562,682
Less: non-controlling interests		(184,430)	(409,147)
Actuarial gains and losses		(96,609)	(96,552)
Dividends		(410,489)	(202,900)
Balance at the end of year	₩	**15,399,437**	**13,347,529**

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30. Business Combinations

(1) General information

(i) For the year ended December 31, 2011
On January 26, 2011, the Group gained control of Jahnel-Kestermann Getriebewerke GmbH, which designs and manufactures gearboxes for ships, by acquiring 100% of entity shares.

(ii) For the year ended December 31, 2010
On August 12, 2010, the Group gained control of Hyundai Oilbank Co., Ltd. which manufactures of petroleum products, by acquiring 70% of additional shares of the entity. In addition, the Group acquired 100% shares of Hyundai (Shandong) Heavy Industry Machinery Co., Ltd. which sells and manufactures wheel loaders in July 2010. At the end of 2010, the Group also gained control of Tribridge Asian Special Situation Fund by an uneven capital reduction which increased the Group's ownership from 43.9% to 78.3%.

(2) The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

(i) The consideration transferred for Jahnel-Kestermann Getriebewerke GmbH for the year ended December 31, 2011 amounts to one euro.

The following summarizes the fair value of identifiable assets acquired and liabilities assumed on acquisition date.

(In millions of won)

		2011
		Jahnel-Kestermann Getriebewerke GmbH
Short-term financial assets	₩	1,188
Trade receivables		10,406
Inventories		36,549
Property, plant and equipment		21,088
Intangible assets		665
Other assets		9,578
Trade payables and other payables		(60,310)
Borrowings		(36,619)
Net assets	₩	(17,455)

(ii) The following summarizes the major classes of consideration transferred assumed at the acquisition date for the year ended December 30, 2010.

(In millions of won)

	2010 (Unaudited)
	Cash and cash equivalents
Hyundai Oilbank Co., Ltd.	2,581,089
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	18,227
Tribridge Asian Special Situation Fund	-
	2,599,316

The following summarizes the fair value of identifiable assets acquired and liabilities assumed on acquisition date.

(In millions of won)

				2010(Unaudited)
		Hyundai Oilbank Co., Ltd.	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd	Tribridge Asian Special Situation Fund
Cash and cash equivalents	₩	1527,541	11,925	-
Trade receivables and other receivables		1,452,741	1,735	-
Inventories		1,402,410	2,028	-
Investment assets		28,807	-	-
Property, plant and equipment		3,358,654	2,931	-
Intangible assets		472,420	194	-
Other assets		115,899	2	14,461
Trade payables and other payables		(1,002,877)	(4,017)	-
Other payables		(933,665)	(2,311)	(474)
Borrowings		(1,152,127)	(1,902)	-
Bond issues		(1,442,355)	-	-
Other liabilities		(334,584)	(47)	-
Net assets	₩	**2,492,864**	**10,538**	**13,987**

(3) Goodwill

(i) For the year ended December 31, 2011

Goodwill was recognized as a result of the acquisition of Jahnel-Kestermann Getriebewerke GmbH for the year ended December 31, 2011, and the goodwill amounted to ₩17,455 million, which represents consideration transferred (one euro) less fair value of net assets of ₩(-)17,455 million.

(ii) For the year ended December 31, 2010

(In millions of won)

				2010(Unaudited)
		Hyundai Oilbank Co., Ltd.	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd	Tribridge Asian Special Situation Fund
Total consideration transferred	₩	2,581,089	18,227	-
Fair value of previous interest in the acquiree		777,954	-	11,451
		3,359,043	18,227	11,451
Less: fair value of identifiable net assets		(2,271,624)	(10,538)	(10,952)
Goodwill	₩	**1,087,419**	**7,689**	**499**

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31. Outstanding Contracts

(1) Sales for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010 (Unaudited)
Construction contracts	₩	25,015,750	27,228,268
Goods sold		27,329,867	9,113,009
Services		674,279	485,903
(Finance) Interest income		197,124	116,105
(Finance) Dividend income		16,109	1,991
(Finance) Commission income		162,375	177,273
(Finance) Gain and loss on valuation of financial instruments		10,731	61,891
(Finance) Gain and loss on disposal of financial instruments		296,855	152,421
(Finance) Other operating income		8,576	5,543
	₩	**53,711,666**	**37,342,404**

(2) Changes in outstanding contracts for the year ended December 31, 2011 are as follows:

(In millions of won)

		Shipbuilding	Others	Total
Beginning of period (*)	₩	33,268,917	17,291,523	50,560,440
Increase during the period		17,817,026	35,772,918	53,589,944
Recognized as revenue in current income		(18,610,042)	(35,101,624)	(53,711,666)
End of period	₩	**32,475,901**	**17,962,817**	**50,438,718**

(*) The beginning balance includes the impact from changes in the exchange rate.

As of December 31, 2011, the Company has provided a certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers, in connection with construction contracts.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of December 31, 2011 are as follows:

(In millions of won)

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit and loss of construction	Billed receivables on construction contracts	Unbilled receivables on construction contracts	Due to customers for contract work
Shipbuilding	₩	14,589,710	12,580,074	2,009,636	1,228,455	3,425,341	7,307,514
Others		17,948,636	15,519,184	2,429,453	370,992	806,400	1,378,491
	₩	**32,538,346**	**28,099,258**	**4,439,089**	**1,599,447**	**4,231,741**	**8,686,005**

32. Operating Segments

The Group has 10 reportable segments described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(i) Shipbuilding: Manufacturing and sale of VLCCs, containerships, P/C ships, LNG carriers, and warships

(ii) Offshore and Engineering: Manufacturing and installation of offshore facilities and floating units.

(iii) Industrial Plant and Engineering: Manufacturing and installation of thermal power plants, co-generating power plants, and processing equipments

(iv) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps, fluid machineries, and industrial robots

(v) Construction Equipment: Manufacturing and sale of construction equipments and wheel loaders

(vi) Electro Electric Systems: Manufacturing and sale of transformers, low and medium voltage circuit breakers, switchgears, and power electronics and control system

(vii) Green Energy: Services related to solar power system, wind turbine system, and new renewable energy system

(viii) Financial Services: Financing services

(ix) Oil Refining: Oil refining business.

(x) Others: Hotel operation, football club and others

Information about reportable segments is as follows:

(1) Financial performance of each segment for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

						2011
		Sales	Inter-segment revenue	Operating income	Profit	Depreciation
Shipbuilding	₩	19,069,824	(717,925)	2,484,821	2,301,185	309,156
Offshore and Engineering		3,887,603	(158,733)	389,171	394,971	47,499
Industrial Plant and Engineering		2,850,771	(157,020)	248,872	249,813	7,850
Engine and Machinery		3,144,369	(989,372)	594,437	610,067	97,330
Construction Equipment		5,567,782	(1,304,766)	460,018	425,113	35,590
Electro Electric Systems		2,599,181	(203,339)	153,212	147,433	38,245
Green Energy		398,855	(18,426)	(175,199)	(225,710)	25,553
Financial Services		721,154	(29,384)	89,712	61,479	7,742
Oil Refining		21,507,599	(2,689,179)	594,967	343,067	220,484
Others		1,068,322	(835,650)	(251,462)	(1,016,505)	76,384
Consolidation adjustments (*)		(7,103,794)	7,103,794	(52,810)	(547,477)	(13,337)
	₩	**53,711,666**	**-**	**4,535,739**	**2,743,436**	**852,496**

(In millions of won)

						2010 (Unaudited)
		Sales	Inter-segment revenue	Operating income	Profit	Depreciation
Shipbuilding	₩	16,285,803	(414,426)	2,687,210	2,552,125	308,390
Offshore and Engineering		3,424,130	(49)	763,982	825,394	46,853
Industrial Plant and Engineering		2,740,439	(82,632)	344,250	349,413	7,668
Engine and Machinery		2,837,661	(887,344)	754,914	746,893	83,862
Construction Equipment		4,442,365	(1,089,375)	388,652	352,129	35,474
Electro Electric Systems		3,495,582	(191,063)	566,869	546,311	48,116
Financial Services		450,666	(33,072)	80,174	69,236	7,603
Oil Refining		7,328,733	(1,194,759)	184,814	170,666	112,716
Others		807,258	(577,513)	(229,718)	(1,000,948)	65,904
Consolidation adjustments (*)		(4,470,233)	4,470,233	(9,361)	(48,537)	4,771
	₩	**37,342,404**	**-**	**5,531,786**	**4,562,682**	**721,357**

(*) Consolidation adjustments are made through eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using equity method.

(2) Assets and liabilities of each segment as of December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011		2010 (Unaudited)	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	19,150,076	11,745,492	21,337,489	12,879,764
Offshore and Engineering		1,942,616	1,315,255	1,568,078	1,320,693
Industrial Plant and Engineering		820,626	868,846	881,794	950,925
Engine and Machinery		2,099,264	1,274,528	2,117,097	1,296,596
Construction Equipment		2,832,852	1,298,446	2,270,719	1,040,944
Electro Electric Systems		2,281,719	692,969	3,001,714	513,439
Green Energy		1,105,791	122,534	-	-
Financial Services		4,652,308	3,265,049	4,013,996	2,749,872
Oil Refining		8,786,378	6,041,814	7,554,558	5,117,087
Others		15,967,517	5,864,006	14,746,389	6,512,587
Consolidation adjustments (*)		(10,638,331)	(1,664,642)	(10,637,933)	(1,550,929)
	₩	**49,000,816**	**30,824,297**	**46,853,901**	**30,830,978**

(*) Consolidation adjustments are made through eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using equity method.

(3) Geographical information by subsidiary location is as follows:

(i)Sales for the years ended December 31, 2011 and 2010

(In millions of won)

		2011		2010 (Unaudited)	
		Total sales	Inter-segment revenue	Total sales	Inter-segment revenue
Korea	₩	54,478,355	(3,945,559)	37,552,343	(2,776,651)
North America		615,184	(2,098)	360,196	(2,486)
Asia		5,145,480	(2,979,837)	3,606,707	(1,677,701)
Europe		418,784	(18,643)	283,123	(13,395)
Others		157,657	(157,657)	10,268	-
Consolidation adjustments (*)		(7,103,794)	7,103,794	(4,470,233)	4,470,233
	₩	**53,711,666**	**-**	**37,342,404**	**-**

(*) Consolidation adjustments are made through eliminating inter-segment transactions and unrealized profits and losses.

(ii) Non-current assets as of December 31, 2011 and 2010

(In millions of won)

		2011	2010 (Unaudited)
Korea	₩	15,830,976	15,175,777
North America		142,988	21,322
Asia		523,614	473,849
Europe		56,460	35,410
Others		15,312	-
		16,569,350	15,706,358
Consolidation adjustments		1,646,324	1,793,904
Total (*)	₩	**18,215,674**	**17,500,262**

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

33. Selling, General and Administrative Expenses

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

		2011	2010 (Unaudited)
Salaries	₩	667,212	588,615
Post-employment benefit costs		33,846	29,452
Employee welfare		134,839	110,705
Depreciation		89,864	46,905
Bad debt expenses		206,629	221,321
Ordinary development costs		132,903	88,974
Advertising		78,467	52,342
Printing		3,107	3,097
Warranty expenses		91,559	68,597
Insurance		13,633	10,411
Supplies		18,052	9,527
Utilities		10,058	8,351
Repairs		6,063	7,672
Travel		33,135	25,521
Research		10,989	31,907
Training		12,320	6,374
Service contract expenses		86,487	36,253
Transportation		218,424	141,313
Rent		44,482	32,619
Data processing		17,645	16,618
Entertainment		15,120	13,330
Taxes and dues		46,799	27,719
Service charges		122,300	146,596
Automobile maintenance		10,899	9,548
Sales commissions		77,827	77,664
Others		208,823	149,737
	₩	**2,391,482**	**1,961,168**

34. Nature of Expenses

The classification of expenses by nature for years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

		2011	2010 (Unaudited)
Changes in inventories	₩	(1,442,432)	(673,156)
Purchase of inventories		36,385,563	21,352,579
Depreciation		852,496	721,357
Amortization		85,161	72,399
Labor cost		3,128,066	3,103,960
Other expenses		10,167,073	8,896,858
	₩	**49,175,927**	33,473,997

Total expenses consist of cost of sales and selling, general and administrative expenses.

35. Operating Income and Loss

Operating income and loss consists of sales, cost of sales and selling, general and administrative expenses. The classification is identical to that under the previous K-GAAP.

36. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010 (Unaudited)
Finance income:			
Interest income	₩	236,948	207,420
Dividend income		46,219	51,696
Gain on foreign currency transactions		810,539	684,706
Gain on foreign currency translation		98,046	39,899
Gain on disposal of available-for-sale financial assets		1,544	83
Gain on valuation of financial instruments at fair value through profit or loss		8,244	52,930
Gain on disposal of financial instruments at fair value through profit or loss		212,899	77,735
Gain on valuation of derivatives		15,376	454,936
Gain on derivatives transactions		444,174	343,573
Others		2,008	3,359
		1,875,997	**1,916,337**
Finance costs:			
Interest expense		288,504	140,627
Loss on foreign currency transactions		991,894	727,068
Loss on foreign currency translation		95,065	71,963
Loss on disposal of available-for-sale financial assets		549	-
Impairment loss on available-for-sale financial assets		-	4,650
Loss on valuation of financial instruments at fair value through profit or loss		16,391	116,676
Loss on disposal of financial instruments at fair value through profit or loss		218,909	229,238
Loss on valuation of derivatives		422,546	47,294
Loss on derivatives transactions		100,262	171,199
Others		7,774	1,714
	₩	**2,141,894**	**1,510,429**

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37. Other Non-operating Income and Other Non-operating Expenses

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

(In millions of won)

		2011	2010 (Unaudited)
Other non-operating income:			
Gain on disposal of property, plant and equipment	₩	6,784	10,893
Gain on disposal of intangible assets		12	798
Gain on disposal of investments in associates		210	334,607
Reversal of provision for product warranty		8,690	-
Reversal of provision for construction warranty		11,559	12,407
Gain on valuation of firm commitments		499,625	154,556
Reversal of allowance for doubtful accounts		5,053	60,080
Others		309,656	536,265
	₩	**841,589**	**1,109,606**
Other non-operating expenses:			
Service charges	₩	172	24,294
Loss on disposal of property, plant and equipment		18,107	22,097
Loss on disposal of intangible assets		814	40
Loss on disposal of investments in associates		337	-
Loss on valuation of firm commitments		470,436	801,846
Other bad debt expenses		13,200	18,063
Donation		297,182	106,379
Others		286,589	66,480
	₩	**1,086,837**	**1,039,199**

38. Income Tax Expense

(1) The components of income tax expense for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010 (Unaudited)
Current tax expense	₩	1,080,079	1,294,377
Adjustment for prior periods		(53,446)	6,393
Origination and reversal of temporary differences		77,438	308,286
Income tax recognized in other comprehensive income		28,791	(43,520)
Total income tax expense	₩	**1,132,862**	**1,565,536**

(2) Reconciliation of effective tax rate for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

		2011	2010 (Unaudited)
Profit before income tax	₩	3,876,298	6,128,218
Income tax using the each component's statutory tax rate		1,050,673	1,360,907
Adjustment for:			
- Tax effect of non-deductible expenses		85,154	194,789
- Tax effect of non-taxable incomes		(56,439)	(24,492)
- Tax credits		(51,283)	(54,738)
- Current adjustments for prior periods		(53,446)	6,393
- Other		158,203	82,677
Income tax expenses	₩	**1,132,862**	**1,565,536**
Effective tax rate		**29.2%**	**25.5%**

(3) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010 (Unaudited)
Deferred assets (liabilities) as at the end of the period	₩	(1,261,284)	(1,183,846)
Deferred assets (liabilities) as at the beginning of the period		(1,183,846)	(875,560)
Deferred tax expenses by origination and reversal of temporary differences		77,438	308,286

(4) As of December 31, 2011, the tax effects of temporary difference were calculated by enacted tax rate of the fiscal period when the temporary differences are expected to be reversed.

(5) The Group sets off a deferred tax asset against a deferred tax liability only if it relates to income taxes levied by the same taxation authority and has a legally enforceable right to set off current tax assets against current tax liabilities.

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(6) Details of deferred tax assets (liabilities) as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Investment in subsidiaries and associates	₩	(286,451)	51,042	(112,842)
Available-for-sale financial assets		(627,851)	(845,617)	(399,062)
Reserve for research and human development		(124,410)	(105,622)	(101,845)
Trade and other receivables		101,182	56,594	49,765
Asset revaluation		(416,176)	(397,375)	(272,027)
Property, plant and equipment		(79,023)	(63,168)	(2,155)
Derivatives		(81,922)	(113,464)	(46,601)
Accrued expenses		27,329	25,925	1,846
Provisions		83,341	27,239	16,115
Others		142,697	180,600	(8,754)
	₩	**(1,261,284)**	**(1,183,846)**	**(875,560)**

39. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2011 and 2010 is as follows:

		2011	2010 (Unaudited)
Profit attributable to owners of the Company (In millions of won)	₩	2,559,006	4,153,535
Weighted average number of ordinary shares outstanding (In thousands of shares)		55,225	54,790
Earnings per share (In won)	₩	46,337	75,808

(2) The weighted average number of ordinary shares for the years ended December 31, 2011 and 2010 is as follows:

(In a share)

December 31, 2011	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	55,225,440	365/365	55,225,440

(In a share)

December 31, 2010 (Unaudited)	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	54,558,202	365/365	54,558,202
Sale of treasury stock	667,238	127/365	232,162
	55,225,440		**54,790,364**

(3) Since there are no dilutive potential common shares as of December 31, 2011 and 2010, diluted earnings per share have not been calculated.

40. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011								
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities measured at amortised cost	Derivative liabilities
Cash and cash equivalents	₩ 1,609,979	-	-	-	-	-	-	-	-
Short-term financial assets	-	1,538,120	167,571	262,882	219,688	-	-	-	-
Trade and other receivables	-	-	-	-	5,748,433	-	-	-	-
Due from customers for contract work	-	-	-	-	4,181,091	-	-	-	-
Derivative assets (current)	-	-	-	-	-	146,053	-	-	-
Long-term financial assets	-	10,184	-	3,684,692	2,129	-	-	-	-
Long-term trade and other receivables	-	-	-	-	2,385,790	-	-	-	-
Long-term due from customers for contract work	-	-	-	-	50,649	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	53,844	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	(120,790)	(8,357,778)	-
Trade and other payables	-	-	-	-	-	-	-	(6,330,232)	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	(285,899)
Long-term financial liabilities	-	-	-	-	-	-	(5,516)	(2,938,410)	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	(246,930)	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	(250,397)
	₩ 1,609,979	1,548,304	167,571	3,947,574	12,587,780	199,897	(126,306)	(17,873,350)	(536,296)

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(In millions of won)

	December 31, 2010(Unaudited)								
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities measured at amortised cost	Derivative liabilities
Cash and cash equivalents	₩ 1,878,801	-	-	-	-	-	-	-	-
Short-term financial assets	-	1,486,029	171,038	60,803	761,970	-	-	-	-
Trade and other receivables	-	-	-	-	5,912,102	-	-	-	-
Due from customers for contract work	-	-	-	-	4,666,234	-	-	-	-
Derivative assets (current)	-	-	-	-	-	245,892	-	-	-
Long-term financial assets	-	6,462	-	3,712,379	3,346	-	-	-	-
Long-term trade and other receivables	-	-	-	-	1,118,377	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	168,884	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	(321,979)	(7,443,109)	-
Trade and other payables	-	-	-	-	-	-	-	(5,803,792)	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	(700,374)
Long-term financial liabilities	-	-	-	-	-	-	(25,263)	(2,640,032)	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	(242,343)	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	(62,407)
	₩ 1,878,801	1,492,491	171,038	3,773,182	12,462,029	414,776	(347,242)	(16,129,276)	(762,781)

	January 1, 2010(Unaudited)								
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities measured at amortised cost	Derivative liabilities
Cash and cash equivalents	₩ 1,937,412	-	-	-	-	-	-	-	-
Short-term financial assets	-	735,412	142,481	97,478	503,384	-	-	-	-
Trade and other receivables	-	-	-	-	3,399,925	-	-	-	-
Due from customers for contract work	-	-	-	-	4,360,571	-	-	-	-
Derivative assets (current)	-	-	-	-	-	224,587	-	-	-
Long-term financial assets	-	333	-	3,373,409	3,297	-	-	-	-
Long-term trade and other receivables	-	-	-	-	389,385	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	79,147	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	(83,739)	(2,645,760)	-
Trade and other payables	-	-	-	-	-	-	-	(3,323,783)	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	(1,975,934)
Long-term financial liabilities	-	-	-	-	-	-	(121,342)	(931,292)	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	(132,381)	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	(1,069,995)
	₩ 1,937,412	735,745	142,481	3,470,887	8,656,562	303,734	(205,081)	(7,033,216)	(3,045,929)

(2) Financial instruments income and costs by categories for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

	Net income		Other comprehensive income		Interest income and interest expense (*)		Fee income and fee expense		Impairment loss	
	2011	2010 (Unaudited)	2011	2010 (Unaudited)	2011	2010 (Unaudited)	2011	2010 (Unaudited)	2011	2010 (Unaudited)
Cash and cash equivalents	84,119	42,090	-	-	67,174	59,312	(42)	(67)	-	-
Held for trading investments	252,841	150,182	-	-	68,942	44,499	11,772	14,520	-	-
Financial assets at fair value through profit or loss	5,447	4,381	-	-	-	-	-	-	-	-
Available-for-sale financial assets	63,676	67,033	(12,960)	372,857	12,541	5,866	3,942	727	(11,583)	(5,080)
Loans and receivables	15,843	3,266	-	-	296,911	213,428	32,413	29,030	(214,745)	(181,018)
Held for trading liabilities	(189,070)	(277,047)	-	-	(15,864)	(9,384)	-	-	-	-
Financial liabilities at fair value through profit or loss	(50)	-	-	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	(458,870)	(184,413)	-	-	(374,054)	(180,504)	-	-	(82)	-
Derivatives	(66,592)	584,904	(35,283)	(42,296)	-	-	-	-	-	-

(*) Interest income and interest expense includes interest income and interest expense arising from effective interest rate amortization.

41. Risk of Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2011, 2010 and January 1, 2010 is as follows:

(In millions of won)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Held for trading investments	₩	1,548,304	1,492,491	735,745
Financial assets at fair value through profit or loss		167,571	171,038	142,481
Available-for-sale financial assets		3,947,574	3,773,181	3,470,887
Loans and receivables		12,587,780	12,462,029	8,656,562
Derivative assets		199,897	414,776	303,734
	₩	**18,451,126**	**18,313,515**	**13,309,409**

The maximum exposure to credit risk for financial guarantee contracts is ₩27,746 million as of December 31, 2011(see notes 42 and 44).

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The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region is as follows:

(In millions of won)

		December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Korea	₩	3,890,665	3,928,669	1,939,217
North America		539,672	931,557	480,440
Asia		3,679,033	3,020,632	1,958,233
Europe		1,547,976	2,037,959	2,070,553
Others		2,930,434	2,543,212	2,208,119
	₩	12,587,780	12,462,029	8,656,562

(ii) Impairment loss

The aging of loans and receivables and the related allowance for impairment as of December 31, 2011, 2010 and January 1, 2010 are as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	₩ 11,626,869	(392,263)	10,052,176	(285,611)	7,956,215	(39,308)
Past due up to 6 months	1,104,715	(13,026)	2,448,981	(932)	510,454	(885)
Past due 6-12 months	200,795	(8,046)	152,042	(1,947)	151,519	(11,059)
Past due 1-3 years	124,049	(59,772)	76,325	(16,679)	106,744	(23,671)
More than three years	48,902	(44,443)	187,068	(149,394)	238,107	(231,554)
	₩ 13,105,330	(517,550)	12,916,592	(454,563)	8,963,039	(306,477)

The movement in the allowance for impairment in respect of loans and receivables during the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

	2011	2010 (Unaudited)
Beginning balance	454,563	306,477
Impairment loss recognized	219,829	239,384
Write off	(151,789)	(31,218)
Reversal of allowance accounts	(5,053)	(60,080)
Ending balance	517,550	454,563

The allowance accounts in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that all collection measures have been exhausted; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

(iii) The analysis of the aging of financial assets that are past due as at December 31, 2011, 2010 and January 1, 2010 but not impaired is summarised as follows:

(In millions of won)

	December 31, 2011				
	Carrying amount	6 months or less	6-12 months	1-3 years	More than 3 years
Loans and receivables	₩ 1,353,174	1,091,689	192,749	64,277	4,459

(In millions of won)

	December 31, 2010 (Unaudited)				
	Carrying amount	6 months or less	6-12 months	1-3 years	More than 3 years
Loans and receivables	₩ 2,695,464	2,448,049	150,095	59,646	37,674

(In millions of won)

	January 1, 2010 (Unaudited)				
	Carrying amount	6 months or less	6-12 months	1-3 years	More than 3 years
Loans and receivables	₩ 739,655	509,569	140,460	83,073	6,553

(2) Liquidity risk

(i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2011, 2010 and January 1, 2010 are summarised as follows:

(In millions of won)

	December 31, 2011					
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Non-derivative financial liabilities:						
Held for trading liabilities	₩ 89,485	89,485	89,485	-	-	-
Bank loans	9,658,820	10,058,273	6,851,061	619,321	1,452,747	1,135,144
Bond issues	1,398,181	1,515,494	586,219	222,165	501,285	205,824
Trade and other payables	6,577,162	6,579,695	6,005,132	326,931	245,252	2,379
Deposit liabilities	224,591	224,591	224,591	-	-	-
Others	14,596	14,596	14,596	-	-	-
Derivative financial liabilities:						
Interest rate swaps used for hedging:						
Outflow	4,953	4,953	-	-	3,107	1,846
Forward exchange contracts used for hedging:						
Outflow	531,344	559,411	203,836	87,301	267,871	403
Other forward exchange contracts:						
Outflow	33,296	34,104	27,135	1,062	5,907	-
Other derivative contracts:						
Outflow	3,524	3,524	3,501	23	-	-
	₩ **18,535,952**	**19,084,126**	**14,005,556**	**1,256,803**	**2,476,169**	**1,345,596**

The maximum amount of assurance for financial guarantee contracts is ₩27,746 million as of December 31, 2011 (see notes 42 and 44).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(In millions of won)

	December 31, 2010 (Unaudited)					
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Non-derivative financial liabilities:						
Held for trading liabilities	₩ 96,217	96,217	96,217	-	-	-
Bank loans	8,310,555	8,629,047	4,943,375	2,030,256	811,179	844,237
Bond issues	1,533,809	1,720,870	272,943	138,456	885,452	424,019
Trade and other payables	6,046,135	6,048,346	5,641,827	163,116	194,754	48,649
Deposit liabilities	227,629	227,629	227,629	-	-	-
Others	11,148	11,148	11,148	-	-	-
Derivative financial liabilities:						
Interest rate swaps used for hedging:						
Outflow	2,220	2,220	131	-	1,790	299
Forward exchange contracts used for hedging:						
Outflow	760,561	787,186	487,200	235,348	64,569	69
Other forward exchange contracts:						
Outflow	251,026	256,486	117,490	112,450	26,546	-
	₩ **17,239,300**	**17,779,149**	**11,797,960**	**2,679,626**	**1,984,290**	**1,317,273**

(In millions of won)

	January 1, 2010 (Unaudited)					
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Non-derivative financial liabilities:						
Held for trading liabilities	₩ 4,723	4,723	4,723	-	-	-
Bank loans	3,013,556	3,056,719	2,080,625	320,732	603,953	51,409
Bond issues	299,069	340,725	8,145	8,145	324,435	-
Trade and other payables	3,456,164	3,459,404	2,983,288	341,223	122,718	12,175
Deposit liabilities	256,898	256,898	256,898	-	-	-
Others	7,528	7,528	7,528	-	-	-
Derivative financial liabilities:						
Forward exchange contracts used for hedging:						
Outflow	3,045,929	3,199,909	1,293,371	734,838	1,167,514	4,186
Other forward exchange contracts:						
Outflow	200,358	211,832	35,968	49,293	126,571	-
	₩ **10,284,225**	**10,537,738**	**6,670,546**	**1,454,231**	**2,345,191**	**67,770**

(ii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2011, 2010 and January 1, 2010 are summarised as follows:

(In millions of won)

							December 31, 2011
		Carrying amount	Expected cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Interest rate swaps							
Assets	₩	-	-	-	-	-	-
Liabilities		(4,953)	(4,953)	(484)	(577)	(2,046)	(1,846)
Forward exchange contracts							
Assets		66,822	70,845	15,174	22,914	32,757	-
Liabilities		(80,416)	(83,126)	(50,326)	(20,237)	(12,563)	-
	₩	**(18,547)**	**(17,234)**	**(35,636)**	**2,100**	**18,148**	**(1,846)**

(In millions of won)

							December 31, 2010 (Unaudited)
		Carrying amount	Expected cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Interest rate swaps							
Assets	₩	-	-	-	-	-	-
Liabilities		(2,220)	(2,220)	(683)	(319)	(920)	(298)
Forward exchange contracts							
Assets		28,628	29,377	24,512	1,674	3,191	-
Liabilities		(6,342)	(6,535)	(2,736)	(3,613)	(186)	-
	₩	**20,066**	**20,622**	**21,093**	**(2,258)**	**2,085**	**(298)**

(In millions of won)

							January 1, 2010 (Unaudited)
		Carrying amount	Expected cash flow	6 months or less	6-12 months	1-3 years	More than 3 years
Forward exchange contracts							
Assets	₩	73,027	75,155	51,033	19,400	4,722	-
Liabilities		(14,315)	(14,373)	(14,057)	(301)	(15)	-
	₩	**58,712**	**60,782**	**36,976**	**19,099**	**4,707**	**-**

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(3) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts as of December 31, 2011, 2010 and January 1, 2010 is as follows:

(In millions of won)

							December 31, 2011
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	510,839	268	5	365	25,378	536,855
Loans and receivables		7,999,063	275,301	94,531	5,412	317,199	8,691,506
Trade and other payables		(3,198,877)	(99,894)	(1,066)	(27,736)	(116,952)	(3,444,525)
Borrowings		(1,034,587)	(113,458)	-	(72,180)	(13,503)	(1,233,728)
Gross statement of financial position exposure		4,276,438	62,217	93,470	(94,139)	212,122	4,550,108
Derivative contracts		(349,573)	5,901	-	-	(1,409)	(345,081)
Net exposure	₩	**3,926,865**	**68,118**	**93,470**	**(94,139)**	**210,713**	**4,205,027**

(In millions of won)

							December 31, 2010 (Unaudited)
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	434,606	480	1	223	32,253	467,563
Loans and receivables		9,018,896	359,677	132,694	1,022	184,915	9,697,204
Trade and other payables		(2,511,504)	(86,105)	(8)	(13,185)	(87,492)	(2,698,294)
Borrowings		(1,444,599)	(112,384)	-	(58,185)	(7,183)	(1,622,351)
Gross statement of financial position exposure		5,497,399	161,668	132,687	(70,125)	122,493	5,844,122
Derivative contracts		(587,205)	8,429	-	-	-	(578,776)
Net exposure	₩	**4,910,194**	**170,097**	**132,687**	**(70,125)**	**122,493**	**5,265,346**

(In millions of won)

							January 1, 2010 (Unaudited)
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	745,855	9,678	142	239	24,908	780,822
Loans and receivables		6,285,289	231,417	6	844	67,447	6,585,003
Trade and other payables		(905,018)	(83,061)	-	(17,042)	(60,297)	(1,065,418)
Borrowings		(64,228)	-	-	(4)	-	(64,232)
Gross statement of financial position exposure		6,061,898	158,034	148	(15,963)	32,058	6,236,175
Derivative contracts		(2,860,566)	23,715	-	-	795	(2,836,056)
Net exposure	₩	**3,201,332**	**181,749**	**148**	**(15,963)**	**32,853**	**3,400,119**

Significant exchange rates applied for the years ended December 31, 2011 and 2010, and as of December 31, 2011, 2010 and January 1, 2010 are as follows:

(In won)

		Average rate		Spot rate	
	2011	2010 (Unaudited)	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
USD	₩ 1,108.11	1,156.26	1,153.30	1,138.90	1,167.60
EUR	1,541.42	1,532.94	1,494.10	1,513.60	1,674.28
CNY	171.50	170.83	182.51	172.50	171.06
JPY(100)	1,391.31	1,320.56	1,485.16	1,397.08	1,262.82

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, CNY, JPY and others as of December 31, 2011 and 2010 would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010. The changes in profit or loss are as follows:

(In millions of won)

	2011	2010 (Unaudited)
USD(3 percent weakening)	₩ 117,806	147,306
EUR(3 percent weakening)	4,887	5,103
CNY(3 percent weakening)	2,654	3,981
JPY(3 percent weakening)	(2,253)	(2,104)

A strengthening of the won against the above currencies as of December 31, 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(4) Interest rate risk

(i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2011, 2010 and January 1, 2010 is as follows:

(In millions of won)

	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Fixed rate instruments:			
Financial assets	₩ 2,302,347	2,835,435	1,998,314
Financial liabilities	(6,755,037)	(6,316,632)	(1,476,775)
	₩ (4,452,690)	(3,481,197)	521,539
Variable rate instruments:			
Financial assets	₩ 683,402	575,093	871,687
Financial liabilities	(2,988,345)	(2,482,140)	(1,233,391)
	₩ (2,304,943)	(1,907,047)	(361,704)

(ii) Interest rate risk arises from savings and borrowings with floating interest rate. The Group properly hedges the risk borrowings with floating interest rate through interest rate swaps. Interest rate swap contracts as of December 31, 2011 are as follows:

(In millions of won)

Counterparties	Amount		Interest rate	Expiration date
The Korea Development Bank	₩ 80,000	Receives floating interest rate	CD (91 days)+1.95%	2020.11.21
		Pays fixed interest rate	6.73%	
KB Kookmin Bank	10,000	Receives floating interest rate	CD (91 days)	2012.05.21
		Pays fixed interest rate	3.68%	

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2011 and 2010 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010. The changes in profit or loss are as follows:

(In millions of won)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2011				
Variable rate instruments	₩ (23,049)	23,049	-	-
Interest rate swaps	900	(900)	595	(626)
Net cash flow sensitivity	₩ (22,149)	22,149	595	(626)
2010(Unaudited)				
Variable rate instruments	₩ (19,070)	19,070	-	-
Interest rate swaps	800	(800)	940	(996)
Net cash flow sensitivity	₩ (18,270)	18,270	940	(996)

(5) Fair values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(In millions of won)

	December 31, 2011		December 31, 2010 (Unaudited)		January 1, 2010 (Unaudited)	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value:						
Held for trading investments	₩ 1,548,304	1,548,304	1,492,491	1,492,491	735,745	735,745
Financial assets at fair value through profit or loss	167,571	167,571	171,038	171,038	142,481	142,481
Available-for-sale financial assets (*)	3,947,574	3,947,574	3,773,181	3,773,181	3,470,887	3,470,887
Derivative assets	199,897	199,897	414,776	414,776	303,734	303,734
	₩ 5,863,346	5,863,346	5,851,486	5,851,486	4,652,847	4,652,847
Cash and cash equivalents	₩ 1,609,979	1,609,979	1,878,801	1,878,801	1,937,412	1,937,412
Assets carried at amortized cost:						
Loans and receivables	₩ 12,587,780	12,587,780	12,462,029	12,462,029	8,656,562	8,656,562
Liabilities carried at fair value:						
Held for trading liabilities	126,306	126,306	347,242	347,242	205,081	205,081
Derivative liabilities	536,296	536,296	762,781	762,781	3,045,929	3,045,929
	₩ 662,602	662,602	1,110,023	1,110,023	3,251,010	3,251,010
Liabilities carried at amortized cost:						
Bank loans	₩ 9,658,820	9,658,820	8,310,555	8,310,555	3,013,556	3,013,556
Bond issues	1,398,181	1,398,181	1,533,809	1,533,809	299,069	299,069
Trade and other payables	6,577,162	6,577,162	6,046,135	6,046,135	3,456,164	3,456,164
Deposit liabilities	224,591	224,591	227,629	227,629	256,898	256,898
Others	14,596	14,596	11,148	11,148	7,529	7,529
	₩ 17,873,350	**17,873,350**	**16,129,276**	**16,129,276**	**7,033,216**	**7,033,216**

(*) The amounts of available-for-sale financial assets that were recorded at their acquisition cost because the fair values cannot be estimated reliably as of December 31, 2011, 2010 and January 1, 2010 are ₩134,165 million, ₩128,024 million and ₩121,404 million, respectively.

(ii) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The interest rates applied for as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Derivatives	2.90%~6.11%	4.11%~6.09%	3.64%~6.98%

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(iii) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(In millions of won)

	Level 1	Level 2	Level 3	Total
December 31, 2011:				
Held for trading investments	₩ 139,888	1,389,443	18,973	1,548,304
Financial assets at fair value through profit or loss	-	167,571	-	167,571
Available-for-sale financial assets	3,513,264	243,728	56,417	3,813,409
Derivative assets	-	199,897	-	199,897
Held for trading liabilities	50,601	75,705	-	126,306
Derivative liabilities	-	536,296	-	536,296
December 31, 2010: (Unaudited)				
Held for trading investments	80,472	1,349,547	62,472	1,492,491
Financial assets at fair value through profit or loss	-	171,038	-	171,038
Available-for-sale financial assets	3,505,446	63,302	76,410	3,645,158
Derivative assets	-	414,776	-	414,776
Held for trading liabilities	67,171	280,071	-	347,242
Derivative liabilities	-	762,781	-	762,781
January 1, 2010: (Unaudited)				
Held for trading investments	38,875	676,817	20,053	735,745
Financial assets at fair value through profit or loss	-	142,481	-	142,481
Available-for-sale financial assets	3,204,477	26,448	118,558	3,349,483
Derivative assets	-	303,734	-	303,734
Held for trading liabilities	4,955	200,126	-	205,081
Derivative liabilities	-	3,045,929	-	3,045,929

The changes of level 3 financial instruments are summarized as follows:

(In millions of won)

	Beginning Balance	Acquisition	Disposal	Valuation	Other comprehensive income	Ending Balance
Available-for-sale financial assets	₩ 76,410	2,866	(16,587)	516	(6,788)	56,417
Financial assets at fair value through profit or loss	62,472	18,912	(62,414)	3	-	18,973

42. Commitments and Contingencies

(1) The Group has entered into bank overdraft agreements with Korea Exchange Bank and others amounting to ₩598,000 million and borrowing agreements such as general loan for corporation facilities amounting to ₩1,705,700 million as of December 31, 2011.

(2) As of December 31, 2011, the Group has entered into credit facilities agreements such as letters of credit with various banks for the Group's exports and imports totaling USD 12,949,975 thousand and ₩20,000 million.

(3) In order to secure bank loans and construction contract performance guarantees, the Group has provided seven blank notes and two checks as of December 31, 2011.

(4) The outstanding balance of note receivables guaranteed by the importers' government or others and sold to financial institutions with recourse is USD 1,416 thousand, equivalent to ₩1,633 million, as of December 31, 2011. The Group's outstanding balance of trade receivables sold with recourse amount to ₩3,861 million as of December 31, 2011.

(5) As of December 31, 2011, the Group is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies amounting to RMB 5,852,330 thousand, EUR 117,750 thousand, USD 453,282 thousand and INR 1,900,000 thousand. The Group has provided certain performance guarantees for bareboat charter amounting to USD 436,888 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Group has provided performance guarantees for the mining business in relation to overseas resource developments amounting to USD 61,925 thousand and guarantees on debt obligations for the business participant, Sherritt International Corporation, amounting to USD 24,058 thousand. The Company has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Group's subsidiaries, for the construction of two ships at a contract amount of USD 121,000 thousand.

(6) In connection with the Group's contract performance guarantees, the Group has also been provided with guarantees up to 98,955 million and USD 2,493,522 thousand by various financial institutions. The Group received guarantees up to USD 31,108,852 thousand from the Export-Import Bank of Korea and other financial institutions related to the advances received for the ship. Regarding this, the Group collateralized its ships under construction and construction materials.

(7) As of December 31, 2011, the Group entered into a conditional commercial paper purchase guarantee contract backed by LOTTE Engineering & Construction Co. Ltd. and other companies amounting to ₩488,800 million. In relation to the project financing loan of Andong Okdong apartment house project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩20,000 million collateralized by unsold houses of Naro Development Company, the borrower, only if Naro Development fails to repay the loan. In addition, in regarding to the loan of Chungcheongbuk-do Choongjoo-si Bongbang-dong apartment house project, the Group entered into a guarantee contract with Hi Choongjoo Prugio No. 2, the borrower, which guarantees the Group is able to borrow up to ₩20,000 million collateralized by the prior beneficiary right. In relation to the loan of Incheon Guwol apartment house development project, the Group entered into a guarantee contract with Selene No 2 Private Company, the borrower, which guarantees the Group is able to borrow up to ₩40,000 million collateralized by the prior beneficiary right.

(8) The Group entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and recorded ₩135,078 million and ₩105,977 million as other non-current assets as of December 31, 2011 and 2010, respectively. The Group also obtained borrowings from the Export-Import Bank of Korea and Korea National Oil Corporation (see note 22).

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43. Litigation

(1) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for $13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Group made a share option agreement with CIBC under which the Group was obligated to buy back the 13 million shares of HITS for $16.96 per share, if CIBC exercised its option. Based on this agreement, the Group was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Group for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Group repurchased the 13 million shares from CIBC for $220,480 thousand. The Group required HSI and HSC to honor their written promissory note, which was rejected by HSI and HSC. Accordingly, the Group filed a lawsuit against HSI and HSC on July 28, 2000 and deposited the stocks repurchased from CIBC in Suwon District Court. On January 25, 2002, the Group partially won the litigation for the settlement of claim amounting to ₩171,800 million of principal and accrued interest thereon and recovered ₩220,933 million. Pursuant to the resolution of the board of directors on January 27, 2002, the Group filed an appeal claiming the whole amount of the principal and accrued interest.

The Group has also filed a lawsuit for the advance payments and reimbursable expenses from those companies that were not covered in the litigation above. In relation to the intermediate appeal for a partial settlement of the claim, the Group partially won the litigation at Seoul High Court on June 14, 2006 for the settlement of the claim amounting to ₩192,900 million of principal and accrued interest. However, the Group did not accept the Court's decision and filed an appeal with the Supreme Court of Korea. The Supreme Court of Korea annulled the original judgment on March 26, 2009. On August 21, 2009, the Group won its claim amounting to ₩241,200 million of principal, excluding ₩4,300 million and accrued interest thereon, and recovered ₩86,200 million. On September 10, 2009, the Group filed an appeal to the Supreme Court claiming the principal amount of ₩4,300 million, and the Supreme Court of Korea annulled the original judgment on February 9, 2012. In addition, on October 22, 2009, the Group won its claim for incidental expenses amounting to ₩50,300 million of principal and accrued interest thereon and recovered ₩73,700 million. However, on November 11, 2009, HSI and other companies filed an appeal to the court, and the court partially in favor of the plaintiff on November 10, 2011. The Group returned ₩2,600 million on November 14, 2011, and the Group filed an appeal to the Supreme Court on November 25, 2011, which is currently pending as of December 31, 2011.

(2) The National Tax Service imposed additional income tax amounting to ₩107,600 million on March 27, 2006, which has been settled by the Group. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Group's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Group filed administrative litigation. However, the Group lost the first trial on January 5, 2011 and appealed on January 25, 2011. The litigation is currently pending as of December 31, 2011.

(3) In February 2001, the Ministry of National Defense filed a lawsuit against the five domestic oil refinery companies, including the Group, for alleged collusive bidding for the supply of oil products to the Korean military, with total claim amount of ₩167,000 million. The five domestic oil refinery companies paid ₩130,992 million on December 30, 2009 under the decision of Seoul High Court, and appealed to the Supreme Court in January 2010. The Supreme Court of Korea annulled the original judgment.

(4) The Saeseoul Oil Corporation filed litigation in Seoul Central District Court in June 2010 against the Group, amounting to ₩4,944 million, for the error in the settlement of the transaction from April 1, 2003 to May 31, 2009. The Group won the first trial, and the case is currently pending in Seoul High Court. Currently, the prospect of such litigation cannot be predicted.

(5) The Fair Trade Commission imposed fine on two LPG importers and four domestic oil refinery companies including the Group for alleged collusive price-fixing on LPG prices from January 1, 2003 to December 31, 2008. The Group was imposed of a fine amounting to ₩26,314 million, and the Group paid the fine on June 29, 2010. However, the Group appealed the decision of Fair Trade Commission to Seoul High Court in May 2010, and the case is currently pending. The Group recorded the fine as a loss in its financial statements.

Additionally, 31,380 private cab drivers, Lee Gi-sung and 817 persons jointly filed a lawsuit against four domestic oil refinery companies including the Group and two LPG importers claiming total ₩9,842 million based on the Fair Trade Commission's decision, and the case is currently pending.

(6) In February 2007, the Fair Trade Commission imposed a fine amounting to ₩9,311 million on the four domestic oil refinery companies, including the Group, for alleged collusive price-fixing, and the Group paid the fine on July 16, 2007. With regard to the imposition, the Group filed an official protest to the Fair Trade Commission in May 2007, but the Commission announced the rejection of the protest in July 2007. The Group lost the second trial and filed an appeal to the Supreme Court in December 2011. Currently, the prospect of such litigation cannot be predicted.

(7) The Fair Trade Commission concluded on September 16, 2011, that the employees of four refineries, including our retail sales staff, were engaged in arrangement on the restrictions of admission of gas stations, which was conducted in a task force meeting held in March 2000. The Fair Trade Commission ordered the Group to pay fines amounting to ₩75.4 billion, and brought criminal charges against the Group. The Group paid fines of ₩75.4 billion and appealed case. The appeal is pending in the Seoul High Court as of December 2011. Currently, the prospect of such litigation cannot be predicted.

(8) The Fair Trade Commission regarded that the selling prices of the LPG filling station has been agreed when two import companies (E1, SK Gas) notified four refineries, their customers, of Oil importers' selling price, directly or indirectly. The four refineries then set the selling price of their LPG stations at the same or similar prices to the LPG stations of the oil importers. The Fair Trade Commission ordered companies to pay the fines and to correct their fault. The Group disagreed with the resolution of the Fair Trade Commission and filed an administrative lawsuit. The Group paid fines of ₩26.3 billion, and the lawsuit is pending in the Supreme Court. Currently, the prospect of such litigation cannot be predicted.

(9) As of December 31, 2011, there are 23 pending cases, including Weihai Hyundai Wind Power Technology Co., Ltd.'s contract payment increase lawsuit and others amounting to RMB 1,240 thousand, filed by foreign subsidiaries of the Group as a plaintiff, and 19 pending cases, including Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.'s bond withdrawal lawsuit amounting to RMB 13,260 thousand, are filed against foreign subsidiaries of the Group as a defendant.

(10) As of December 31, 2011, there is no lawsuit filed by a subsidiary, HI Investment & Securities Co., Ltd., as a plaintiff. There are two lawsuits amounting to ₩504 million filed against HI Investment & Securities Co., Ltd. as a defendant. The Group's management expects that there will be no material impact on the Group's financial statements related to these matters.

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44. Related Parties

(1) Significant transactions for the years ended December 31, 2011 and 2010, and outstanding balances as of December 31, 2011, 2010 and January 1, 2010 between the Company and subsidiaries or associates are as follows:

(In millions of won)

	Sales and other		Purchases and other		Receivables and other			Payables and other		
	2011	2010 (Unaudited)	2011	2010 (Unaudited)	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)	December 31, 2011	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
Subsidiaries:										
Hyundai Samho Heavy Industries Co., Ltd.	₩ 698,165	601,252	9,921	4,268	221,956	199,146	207,545	174,696	203,560	273,508
Hyundai Mipo Dockyard Co., Ltd.	443,475	393,163	14,900	16,073	123,247	108,650	88,801	92,097	88,153	125,031
Hyundai Oilbank Co., Ltd.	70,269	22,162	1,582	2,999	12,446	727	18,834	5,472	9,812	1,832
Hyundai Heavy Material Service	18,001	12,658	761,871	412,348	2,226	2,456	2,028	83,813	63,618	47,386
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	152,114	157,556	665	1,916	23,331	30,149	32,698	49	38	191
Hyundai Jiangsu Construction Machinery Co., Ltd.	437,170	458,801	1,019	1,098	79,114	110,056	67,687	115	80	356
Hyundai Heavy Industries (China) Electric Co., Ltd.	7,766	6,555	27,704	16,891	1,517	4,446	3,349	4,025	1,151	529
Yantai Hyundai Moon Heavy Industries Co., Ltd.	46	-	100,365	82,632	38,001	38,224	40,725	-	-	-
Hyundai Heavy Industries Europe N.V.	230,967	141,468	2,713	4,485	38,284	9,584	14,113	585	387	637
Hyundai Construction Equipment Americas, Inc.	349,071	185,168	3,211	1,936	78,750	25,503	10,443	553	210	156
Hyundai Ideal Electric Co.	23,594	11,309	1,628	527	12,743	5,660	2,887	162	187	276
Hyundai Construction Equipment India Private Ltd.	94,032	75,391	1,579	775	56,763	47,191	26,866	336	65	61
Others	37,994	33,545	94,255	63,880	18,101	6,838	76,505	8,368	7,844	9,387
	₩ 2,562,664	**2,099,028**	**1,021,413**	**609,828**	**706,479**	**588,630**	**592,481**	**370,271**	**375,105**	**459,350**
Associates:										
Hyundai Corporation	1,152,602	922,399	3,488	9,056	234,908	331,514	98,215	59,448	12,544	14,725
KAM Corporation	2	214	44,340	23,727	64,278	72,098	76,023	-	8,338	-
Others	33,257	2,725	523	22	47,297	465	4,152	9,845	9,845	-
	1,185,861	**925,338**	**48,351**	**32,805**	**346,483**	**404,077**	**178,390**	**69,293**	**30,727**	**14,725**
Associate of Subsidiaries										
Hyundai Cosmo Petrochemical Co., Ltd.	57,998	-	-	-	4,747	-	-	-	-	-
	₩ 3,806,523	**3,024,366**	**1,069,764**	**642,633**	**1,057,709**	**992,707**	**770,871**	**439,564**	**405,832**	**474,075**

(2) Significant transactions for the years ended December 31, 2011 and 2010, and outstanding balances as of December 31, 2011, 2010 and January 1, 2010 between subsidiaries and associates are as follows:

(In millions of won)

		Sales and other		Receivables and other		
Selling company	**Purchasing company**	**2011**	**2010 (Unaudited)**	**December 31, 2011**	**December 31, 2011 (Unaudited)**	**January 1, 2011 (Unaudited)**
Hyundai Oilbank Co., Ltd.	Hyundai Samho Heavy Industries Co., Ltd.	28,535	6,953	2,198	2,006	2,511
	Hyundai Mipo Dockyard Co., Ltd.	3,775	4,347	9	1,535	1,120
	Hyundai Heavy Material Service	168,523	40,800	15,645	10,851	8,875
	HDO Singapore Pte. Ltd.	235,019	561	302	561	871
	Hyundai Corporation	575,206	50,978	32,282	7,052	5,502
	Hyundai Cosmo Petrochemical Co., Ltd.	1,869,171	585,882	167,862	153,433	136
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co.,Ltd.	140,538	78,170	-	27,827	-
	Wärtsilä-Hyundai Engine Company Ltd.	229	217	11,178	32	49
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Vinashin Shipyard	445,740	52,827	138,607	50,732	122,972
Hyundai Heavy Material Service	Hyundai Samho Heavy Industries Co., Ltd.	42,299	34,179	10,287	4,335	4,141
	Hyundai Mipo Dockyard Co., Ltd.	80,311	99,450	11,045	16,686	2,188
Mipo Engineering Co.,Ltd.	Hyundai Mipo Dockyard Co., Ltd.	31,326	25,830	3,829	2,970	1,359
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Hyundai Financial Leasing Co., Ltd.	-	-	13,904	6,845	7,900
	Hyundai Heavy Industries (China) Electric Co., Ltd.	-	-	-	1,178	-
Hyundai Jiangsu Construction Machinery Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	215	5,049	229	25	-
	Hyundai Financial Leasing Co., Ltd.	-	-	45,808	8,743	27,557
	Hyundai Heavy Industries (China) Electric Co., Ltd.	-	-	-	58,388	-
HHI China Investment Co., Ltd.	Hyundai Samho Heavy Industries Co., Ltd.	1,727	1,458	-	231	-
	Hyundai Mipo Dockyard Co., Ltd.	1,076	735	-	-	-
	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	1,069	425	20,213	-	-
	Hyundai Jiangsu Construction Machinery Co., Ltd.	3,155	625	58,541	17	-
	Hyundai Heavy Industries (China) Electric Co., Ltd.	5,390	1,519	26,889	9	124
	Yantai Hyundai Moon Heavy Industries Co., Ltd.	201	152	-	1	-
Hyundai Financial Leasing Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	2,232	1,654	-	-	-
	Hyundai Jiangsu Construction Machinery Co., Ltd.	13,607	11,640	-	43,296	-
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	5,147	5,178	1,366	-	592
	Hyundai Jiangsu Construction Machinery Co., Ltd.	33,042	48,521	1,811	-	3,686
Hyundai Heavy Industries Europe N.V.	Hyundai Construction Equipment Americas, Inc.	267	26	259	482	-
Hyundai Construction Equipment Americas, Inc.	Hyundai Heavy Industries Europe N.V.	46	355	48	23	-
Hyundai Vinashin Shipyard	Hyundai Mipo Dockyard Co., Ltd.	528,247	307,057	85,608	39,833	56,733
HDO Singapore Pte. Ltd.	Hyundai Oilbank Co., Ltd.	2,255,989	1,191,199	134,887	224,278	168,502
Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Oilbank Co., Ltd.	1,133,008	339,199	96,945	85,687	-
Hyundai Corporation	Hyundai Oilbank Co., Ltd.	3,427	-	-	-	-
	Hyundai Construction Equipment Americas,Inc.	151,412	111,138	-	-	-
Hyundai Merchant Marine Co.,Ltd.	Hyundai Oilbank Co., Ltd.	80,839	-	4,966	11,961	7,900
	Hyundai Samho Heavy Industries Co., Ltd.	-	-	28,543	56,702	55,963
		7,842,358	**3,009,435**	**913,369**	**815,935**	**478,975**

(*) The transaction amounts of Hyundai Oilbank Co., Ltd. with HDO Singapore Pte. Ltd. and Hyundai Cosmo Petrochemical Co., Ltd. for the year ended December 31, 2010 are calculated after the connection of the related party entity incorporated in August 12, 2010. In 2010, the sales amounts of Hyundai Oilbank Co., Ltd. with HDO Singapore Pte. Ltd. and Hyundai Cosmo Petrochemical Co., Ltd. are ₩561 million and ₩1,807,793 million, respectively, and the purchases amounts are ₩2,958,053 million and ₩681,917 million, respectively.

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(3) Details of guarantees between the Company, subsidiaries and associates as of December 31, 2011 are as follows:

(In thousands of foreign currency)

Guarantee provider	**Guarantee recipient**	**Provider**	**Type of guarantees**	**Currency**	**Guaranteed Amount**
Subsidiaries:					
Hyundai Heavy Industries Co., Ltd.	Hyundai Financial Leasing Co., Ltd.	Sumitomo Bank Ltd. and others	Payment	CNY	1,500,000
	Hyundai Heavy Industries Europe N.V.	Korea Exchange Bank and others	Payment	EUR	36,000
		Fortis Bank	Performance	EUR	250
	Hyundai Construction Equipment Americas, Inc.	Hana Bank	Payment	USD	54,600
	Hyundai Ideal Electric Co.	Liberty Mutual	Performance	USD	8,000
	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	SCB	Payment	USD	27,900
		Woori Bank	Payment	CNY	65,000
	Hyundai Construction Equipment India Private Ltd.	HSBC	Payment	USD	10,000
		SCB and others	Payment	INR	1,900,000
	Jahnel-Kestermann Getriebewerke GmbH	Shinhan Bank and others	Payment	EUR	81,500
	Hyundai Power Transformers USA, Inc.	Woori Bank and others	Payment	USD	113,500
	Hyundai Heavy Industries Co. BULGARIA	BNP Paribas	Payment	USD	10,000
	Weihai Hyundai Wind Power Technology Co. Ltd.	Export-Import Bank of Korea	Payment	USD	25,000
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Vinashin Shipyard	Export-Import Bank of Korea	Payment	USD	40,000
Hyundai Oilbank Co., Ltd.	HDO Singapore Pte.Ltd.	Korea Exchange Bank and others	L/C Payment	USD	92,500
HHI China Investment Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Bank of Communications and others	Payment	CNY	377,302
	Hyundai Financial Leasing Co., Ltd.	SCB	Payment	USD	66,667
		Korea Exchange Bank and others	Payment	CNY	2,256,720
	Hyundai JiangsuConstruction Machinery Co., Ltd.	China Construction Bank and others	Payment	CNY	1,340,453
	Hyundai Heavy Industries (China) Electric Co., Ltd.	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Payment	USD	5,000
		Bank of Communications and others	Payment	CNY	309,869
	Yantai Hyundai Moon Heavy Industries Co., Ltd.	Bank of Communications	Payment	USD	115
		Hana Bank	Payment	CNY	2,986
				USD	453,282
				EUR	117,750
				CNY	5,852,330
				INR	1,900,000
Associates:					
Hyundai Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	H&K Shipping S.A and others	Performance	USD	436,888
				USD	890,170
				EUR	117,750
				CNY	5,852,330
				INR	1,900,000

(4) Assets collateralized as pledged assets for obligations of the Group's related parties as of December 31, 2011 are as follows:

(In millions of won)

Guarantee provider	Guarantee recipient	Pledged assets	Book value	Pledged amount	Borrowings amount	Type	Lender
Associates:							
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical	Land, Buildings	₩ 140,915	444,000	370,000	Long-term borrowings	The Korea Development Bank

(5) Compensation for key management of the Group for the years ended December 31, 2011 and 2010 is ₩25,948 million and ₩30,974 million, respectively. Key management is defined as directors and internal auditors who have important rights and responsibilities involving the planning, operation and control of the Group.

45. Share-based Payment

In accordance with 2009 and 2010 wage bargaining agreements, the Group contributed a portion of its Hyundai Mipo Dockyard Co., Ltd. shares into a trust securities account in order to support the employee stock ownership plan. The trust of securities as of the reporting date is as followings:

(In millions of won)

	Shares	Number of shares	Exercise price	Periods	Financial institution	Note
First	Common stock of Hyundai Mipo Dockyard Co., Ltd.	152,074	₩ 76,759	2009.11~2013.08	Korea Exchange Bank	Withdrawal is limited during the period. (Retiring employees are eligible to withdraw)
Second		174,967	81,486	2010.11~2014.08		

The above trust securities transaction is classified as cash-settled share-based payment arrangements, which compensate employee service with cash or other assets based on the value of the Group's stocks and other equity instruments, and it is applied to employees, who are unconditionally become entitled to stock appreciation rights as soon as it is granted. Thus, the amount that falls under the wage bargaining agreements is recognized as wage expense, and additional costs arising from stock appreciation right is recognized as compensation expenses associated with stock options.

(In millions of won, except share data)

	First trust securities		Second trust securities		Total	
	Number of stocks	Long-term accrued expenses	Number of stocks	Long-term accrued expenses	Number of stocks	Long-term accrued expenses
Beginning balance	₩ 156,387	18,887	179,469	25,464	335,856	44,351
Issuance	-	-	-	-	-	-
Expiration of options due to exercising the rights and others	(4,313)	(653)	(4,502)	(793)	(8,815)	(1,446)
Compensation expenses associated with stock option (*)	-	899	-	505	-	1,404
Ending balance	₩ 152,074	19,133	174,967	25,176	327,041	44,309

(*) Compensation expenses are adjusted by considering stock price volatility and other factors in accordance with the Black Scholes option pricing model. Significant assumptions under the Black Scholes option pricing model are as follows:

(In won)

	Fair value of stocks	Exercise price	Expected volatility in stock price	Expected dividend	Expected exercise period	Risk free rate
First trust securities	₩ 125,815	76,759	54.30%	-	1.62 years	3.34%
Second trust securities	143,891	81,486	73.12%	-	2.62 years	3.34%

46. Explanation of Transition to K-IFRS

As stated in note 2(1), these are the Group's first consolidated financial statements prepared in accordance with K-IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening K-IFRS statement of financial position at January 1, 2010 (the Group's date of transition).

(1) Exemptions elected from K-IFRS No.1101 by the Group

The Group has elected to use one or more of the exemptions in accordance with K-IFRS No.1101 for the preparation of statements of financial position at the date of transition and applied the following optional exemptions.

(i) Business combinations
The Group has elected to apply K-IFRS retrospectively to all business combinations that occurred on or after the date of transition.

(ii) Fair value or revaluation as deemed cost
The Group has elected to use the revaluations under previous K-GAAP prior to the date of transition as deemed costs for certain items of property, plant and equipment.

(iii) Borrowing costs
The Group has elected to capitalize borrowing costs only in respect of qualifying assets for which the commencement date for capitalization is on or after the date of transition.

(2) Reconciliation of equity

(i) The effects of the adoption of K-IFRS on the Group's financial position as of January 1, 2010, the transition date to K-IFRS, are as follows:

(In millions of won)

Company	Total assets	Total liabilities	Total equity
Previous K-GAAP	₩ 36,460,181	25,451,502	11,008,679
Adjustments for:			
Impairment on assets (*1)	(114,012)	-	(114,012)
Change in revenue recognition criteria (*2)	121,724	241,594	(119,870)
Property, plant and equipment (*3)	260,406	-	260,406
Accumulating compensated absences (*4)	-	81,388	(81,388)
Provision for construction warranty (*5)	-	28,617	(28,617)
Due from customers for contract work and due to customers for contract work (*6)	80,386	80,386	-
Defined benefit obligations (*7)	-	(103,131)	103,131
Convertible preferred stock (*8)	1,264	-	1,264
Equity method investments (*10)	9,953	-	9,953
Receivables and liabilities arising on consignment (*12)	75,169	75,169	-
Others (*13)	(415,385)	(420,917)	5,532
Deferred tax (*14)	(34,633)	(55,863)	21,230
Changes in scope of consolidation	34,762	29,213	5,549
Total adjustment	**19,634**	**(43,544)**	**63,178**
K-IFRS (Unaudited)	**₩ 36,479,815**	**25,407,958**	**11,071,857**

(ii) The effects of the adoption of K-IFRS on the Group's financial position as of December 31, 2010 are as follows:

(In millions of won)

		Total assets	Total liabilities	Total equity
Previous K-GAAP	₩	45,576,148	30,124,696	15,451,452
Adjustments for:				
Impairment on assets (*1)		(106,632)	-	(106,632)
Change in revenue recognition criteria (*2)		121,170	249,649	(128,479)
Property, plant and equipment (*3)		262,263	-	262,263
Accumulating compensated absences (*4)		-	87,480	(87,480)
Provision for construction warranty (*5)		-	36,038	(36,038)
Due from customers for contract work and due to customers for contract work (*6)		511,710	511,710	-
Defined benefit obligations (*7)		-	(44,414)	44,414
Convertible preferred stock (*8)		4,208	-	4,208
Private equity fund (*9)		(63,566)	-	(63,566)
Equity method investments (*10)		33,000	-	33,000
Good will and others (*11)		540,884	-	540,884
Receivables and liabilities arising on consignment (*12)		96,690	96,690	-
Others (*13)		(214,788)	(298,032)	83,244
Deferred tax (*14)		(22,140)	29,144	(51,284)
Changes in scope of consolidation		114,954	38,017	76,937
Total adjustment		**1,277,753**	**706,282**	**571,471**
K-IFRS (Unaudited)	₩	**46,853,901**	**30,830,978**	**16,022,923**

(iii) The effects of the adoption of K-IFRS on the Group's financial performance for the year ended December 31, 2010 are as follows:

(In millions of won)

		Net income	Total comprehensive income
Previous K-GAAP	₩	4,060,018	4,340,927
Adjustments for:			
Impairment on assets (*1)		49,697	16,690
Change in revenue recognition criteria (*2)		(8,609)	(8,609)
Property, plant and equipment (*3)		23,129	6,536
Accumulating compensated absences (*4)		169	169
Provision for construction warranty (*5)		(7,421)	(7,421)
Defined benefit obligations (*7)		59,715	(43,191)
Convertible preferred stock (*8)		(2,829)	2,132
Private equity fund (*9)		(898)	(49,747)
Equity method investments (*10)		56,280	3,789
Good will and others (*11)		264,325	268,464
Others		62,959	105,991
Deferred tax (*14)		(5,375)	89,350
Changes in scope of consolidation		11,521	73,161
Total adjustment		**502,663**	**457,314**
K-IFRS (Unaudited)	₩	**4,562,681**	**4,798,241**

(*1) Difference in impairment losses on assets is adjusted.
(*2) Revenue of large engines for vessels, which is recognized based on the percentage of completion method under previous K-GAAP, is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.
(*3) Effectiveness review of the expected pattern and term of consumption of the future economic benefits embodied in the asset is adjusted, and the optional exemption is applied.

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(*4) In the case of accumulating compensated absences, the cost and liability is recognized when the employees render service that increases their entitlement to future compensated absences.
(*5) Expected warranty costs are excluded from costs incurred to date for determining the stage of completion and recognized based on the percentage of completion method.
(*6) The gross amount due from customers for contract work is presented as an asset for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the gross amount due to customers for contract work is presented as a liability.
(*7) Employee benefits are assessed using actuarial assumptions.
(*8) Convertible preferred stock, which is regarded as equity security under previous K-GAAP, is regarded as debt security under K-IFRS.
(*9) Private equity fund, which is regarded as available-for-sale security under previous K-GAAP, is regarded as investment in associates under K-IFRS.
(*10) Differences in accounting standards on investments in associates are adjusted.
(*11) Reversal of amortization of goodwill and reconciliations made due to the differences in accounting standards on business combination.
(*12) Financial investment companies recognize receivables obligated to customers and liabilities obligated to Korea Exchange, which are arising on consignment on transition date, respectively.
(*13) Others include the offsetting between accounts receivables and account payables amounting to 427,124 million and 304,163 million as of January 1, 2010 and December 31, 2010, respectively.
(*14) Deferred tax on differences in accounting balances under previous K-GAAP and K-IFRS, and the difference in deferred taxes on change in capital adjustment arising from equity method investments are adjusted.

(3) Materials adjustments to the statement of cash flows

Interest received, interest paid, dividends received and income taxes paid which were presented using the indirect method under the previous K-GAAP are presented using the direct method as separate line items of cash flows from operating activities under K-IFRS.

There are no other material differences between the statement of cash flows presented under K-IFRS and the statement of cash flows presented under previous K-GAAP.

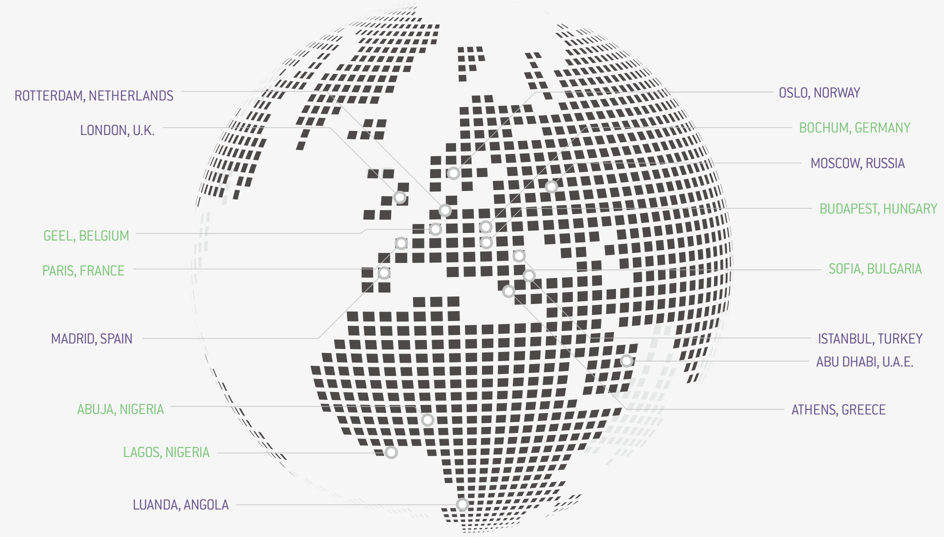
(4) Changes in scope of consolidation

The changes in scope of consolidation arising from transition to K-IFRS as of December 31, 2010 were as follows:

Company	Reason
Ulsan Hyundai Football Club Co.,Ltd.	Under the Act on External Audit of Stock Companies, these entities were excluded from consolidation. However under K-IFRS they are consolidated subsidiaries.
KOMAS Corporation	
Hotel Hyundai. Co.,Ltd.	
Mipo Engineering Co.,Ltd	
HVIC IT Fund 3rd	
Weihai Hyundai Wind Power Technology Co., Ltd.	
Hyundai Khorol Agro Ltd.	
HHI MAURITIUS LIMITED	
Hyundai Heavy Industries France SAS.	
Hyundai (Malaysia) SDN BHD	
Hyundai Technologies Center Hungary Kft.	
PHECO Inc.	
LS Leading Solution Private Security Investment Trust 22 (Equity)	Under K-GAAP, these entities were excluded from consolidation. However under K-IFRS they are consolidated subsidiaries.
LS Leading Solution Private Security Investment Trust 35 (Equity)	
PCA BGF World Gold Fund A Class	
Tribridge Asian Special Situation Fund	
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)	
KB-Hanaro Private Securities Investment Trust 31 (Bond)	
Hi-Smart Private Securities Investment Trust 2 (Hybrid bond)	

HHI GLOBAL NETWORK

OFFICES
INCORPORATED FIRMS



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MOSCOW
WORLD TRADE CENTER, ENT.3,
#1902 KRASNOPRESNENSKAYA
NAB.12 MOSOW, 123610, RUSSIA
TEL: 7-495-258-1381
FAX: 7-495-258-1382

NORTH AMERICA

NEW JERSEY
300 SYLVAN AVENUE
ENGLEWOOD CLIFFS
NJ 07632, U.S.A.
TEL: 1-201-816-4080~2
FAX: 1-201-816-4083

HOUSTON
15990 NORTH BARKERS
LANDING, SUITE 175,
HOUSTON, TEXAS 77079, U.S.A.
TEL: 1-281-578-7097, 7802
FAX: 1-281-578-8317, 7330

ATLANTA
6100 ATLANTIC BOULEVARD,
NORCROSS, GA 30071, U.S.A.
TEL: 1-678-823-7839
FAX: 1-678-823-7553

PANAMA
AVE. SAMUEL LEWIS, EDIF.
HSBC, PISO 12, OBARRIO
PANAMA CITY
REP OF PANAMA
TEL: 507-213-7657~9
FAX: 507-213-7660

ASIA

TOKYO
8TH FLOOR, YURAKUCHO DENKI
BLDG.,1-7-1 YURAKU-CHO
CHIYODA-KU, TOKYO 100-0006
JAPAN
TEL: 81-3-3211-0742~4
FAX: 81-3-3211-2093

OSAKA
I-ROOM 5TH FLOOR NAGAHORI
PLAZA BLDG. 2-4-8 MINAMI
SENBA, CHUO-KU
OSAKA 542-0081, JAPAN
TEL: 81-6-6261-5766~7
FAX: 81-6-6261-5818

SINGAPORE
7 TEMASEK BOULEVARD
#41-02, SUNTEC TOWER ONE
038987, SINGAPORE
TEL: 65-6337-2366
FAX: 65-6337-8966

MUMBAI
5TH FLOOR, EAST QUADRANT
THE IL&FS FINANCIAL CENTRE
PLOT NO. C-22, G-BLOCK
BANDRA-KURLA COMPLEX
BANDRA(E), MUMBAI 400 051, INDIA
TEL: 91-22-2653-3420~26
FAX: 91-22-2653-3429~30

MIDDLE EAST

DUBAI
205, BUILDING 4, EMAAR
SQUARE, SHEIKH ZAYED ROAD
POBOX 252458, DUBAI, U.A.E.
TEL: 971-4-425-7995
FAX: 971-4-425-7996

KUWAIT
15th FLOOR, AL-SOUR TOWER,
AL-SOUR STREET, AL-QIBLAH,
KUWAIT
TEL: 965-2291-5354
FAX: 965-2291-5355

JEBEL ALI
JEBEL ALI FREEZONE LOB 18,
FLAT NO.301 & 302, 3RD FLOOR,
P.O.BOX 261733, DUBAI, U.A.E.
TEL: 971-4-884-0566
FAX: 971-4-884-0567

AL KHOBAR
7TH FLOOR, AL KHOBAR BUSINESS
GATE BUILDING, P.O.BOX 20753, AL
KHOBAR - 31952 KINGDOM OF SAUDI
ARABIA
TEL: 966-3-849-3876~7

RIYADH
OFFICE 230, 2ND FLOOR, THE PLAZA
CENTER, P.O BOX 8072, RIYADH
11485, SAUDI ARABIA
TEL: 966-1-464-4696/9366
FAX: 966-1-464-2352

ABU DHABI
(HYUNDAI HEAVY INDUSTRIES CO.,
LTD-ABU DHABI) ROOM NO. 422,
MERCEDES BENZ SHOWROOM,
AL FAHIM BUILDING, SECTOR NO.
M4, PLOT NO. 8 P.O.BOX:91466,
MUSAFFAH, ABU DHABI, U.A.E
TEL: 971-2-555-0541(EXT.343)
FAX: 971-2-555-0543

AFRICA

LUANDA
RUA LUCRECIA PAIM NO. 28/30
LUANDA, ANGOLA
TEL: 244-222-370-669
FAX: 244-222-399-667

OVERSEAS INCORPORATED FIRMS

EUROPE

GEEL
(HYUNDAI HEAVY INDUSTRIES
EUROPE N.V.) VOSSENDAAL
11, 2440 GEEL, BELGIUM
TEL: 32-14-56-2211
FAX: 32-14-59-3405

SOFIA
(HYUNDAI HEAVY INDUSTRIES CO.
- BULGARIA) 1271, SOFIA 41
ROJEN BLVD, BULGARIA
TEL: 359-2-809-3200, 3210, 3220
FAX: 359-2-803-3203, 3242

BOCHUM
(JAHNEL-KESTERMANN
GETRIBEWRKE GMBH)
HUNSCHEIDTSTR. 116, 44789
BOCHUM, GERMANY
TEL: 49-234-339-332
FAX: 49-234-339-200

PARIS
(HYUNDAI HEAVY INDUSTRIES FRANCE
SAS) 17, RUE BEFFROY, 92200
NEUILLY-SUR-SEINE, FRANCE
TEL: 33-1-4637-1761
FAX: 33-1-4637-1295

BUDAPEST
(HYUNDAI TECHNOLOGIES CENTER
HUNGARY LTD.) 1146, BUDAPEST
HERMINA UT 22, HUNGARY
TEL: 36-1-273-3730, 3733
FAX: 36-1-220-6708

VLADIVOSTOK
(HOTEL HYUNDAI VLADIVOSTOK)
29, SEMENOVSKAYA STREET
VLADIVOSTOK, 690091, RUSSIA
TEL: 7-4232-40-7300
FAX: 7-4232-40-7007

PRIMORSKIY KRAI
[HYUNDAI ELECTROSYSTEMS CO.,
LTD.] P. B.: 692760, 15,
POTEMKINA STR., ARTEM,
PRIMORSKIY KRAI, RUSSIA
TEL: 7-4232-59-8540
FAX: 7-4232-30-2552

PRIMORSKIY KRAI
[HYUNDAI MIKHAILOVKA AGRO LTD.]
P. B.: 692519, 42, VOLODARSKOGO
STR., USSURIISK, PRIMORSKIY KRAI,
RUSSIA
TEL: 7-4234-31-5085
FAX: 7-4234-31-5085

PRIMORSKIY KRAI
[HYUNDAI KHOROL AGRO LTD.]
P. B.: 692273, 40, LENINSKAYA STR.,
KHOROL REGION, PRIMORSKIY KRAI,
RUSSIA
TEL: 7-4234-72-9113
FAX: 7-4234-72-9113

NORTH AMERICA

OHIO
(HYUNDAI IDEAL ELECTRIC CO.)
330 EAST FIRST STREET
MANSFIELD, OH 44902, U.S.A.
TEL: 1-419-522-3611
FAX: 1-419-522-9386

ATLANTA
(HYUNDAI CONSTRUCTION
EQUIPMENT AMERICAS, INC.)
6100 ATLANTIC BOULEVARD,
NORCROSS, GA 30071, U.S.A.
TEL: 1-678-823-7777
FAX: 1-678-823-7778

ALABAMA
(HYUNDAI POWER TRANSFORMERS
USA, INC.) 215 FOLMAR PARKWAY,
MONTGOMERY, AL 36105
TEL: 1-334-481-2000
FAX: 1-334-481-2098

SOUTH AMERICA

RIO DE JANEIRO
(HYUNDAI HEAVY INDUSTRIES
BRASIL) RODOVIA PRESIDENTE
DUTRA, KM 316(XEROX),
CEP:27.580-000, ITATIAIA, RJ, BRAZIL
TEL: 55-24-3352-2338

ASIA

BEIJING
(BEIJING HYUNDAI JINGCHENG
CONSTRUCTION MACHINERY CO., LTD.)
NO. 2, NANLI, LUGUOQIAO
FENGTAI DISTRICT, BEIJING, CHINA
TEL: 86-10-8321-8347~8
FAX: 86-10-8321-1353
8321-4730 (Factory)

CHANGZHOU
(HYUNDAI (JIANGSU) CONSTRUCTION
MACHINERY CO., LTD.)288, HEHAI
WEST ROAD, XINBEI DISTRICT,
CHANGZHOU, JIANGSU 213125,
CHINA
TEL: 86-519-8519-1002, 1020
FAX: 86-519-8519-1385 (Sales)
8519-1089 (Admin)

CHANGZHOU
(CHANGZHOU HYUNDAI HYDRAULIC
MACHINERY CO., LTD.)
326, HUANGHE WEST ROAD
CHANGZHOU, JIANGSU, CHINA
TEL: 86-519-8302-1726
FAX: 86-519-8302-1710

TAI'AN
(HYUNDAI (SHANDONG) HEAVY
INDUSTRIES MACHINERY. CO., LTD.)
YITIANMEN AVENUE MIDDLE
TAIANHIGH-TECHZONE, SHANDONG
CHINA
TEL: 86-538-349-0110
FAX: 86-538-349-0098

YANGZHONG
(HYUNDAI HEAVY INDUSTRIES
(CHINA) ELECTRIC CO., LTD.) NO. 9
XIANDAI ROAD, XINBA SCIENTIFIC
AND TECHNOLOGIC ZONE
YANGZHONG, JIANGSU, P.R.C.
ZIP: 212212, CHINA
TEL: 86-511-8842-0666, 0500
0212, 0250
FAX: 86-511-8842-0668,0231

YANTAI
(YANTAI HYUNDAI MOON
HEAVY INDUSTRIES CO., LTD.)
No. 333 CHANGJIANG ROAD
YANTAI ETDA, SHANDONG, CHINA
TEL: 86-535-216-5800~1
FAX: 86-535-216-5810, 5830

SHANGHAI
(HHI CHINA INVESTMENT CO.,
LTD.) ROOM 2305, NORTH TOWER,
SHANGHAI STOCK EXCHANGE,
BUILDING, #528, PUDONG SOUTH
ROAD, SHANGHAI, CHINA
TEL: 86-21-6880-0808
(ARS 201~203,208)
FAX: 86-212-6880-0608

SHANGHAI
(HYUNDAI FINANCIAL LEASING
CO., LTD.) ROOM 3301, CHINA
MERCHANTS TOWER
#161 EAST LU JIA ZUI ROAD
SHANGHAI, CHINA (200120)
TEL: 86-21-6888-0505
FAX: 86-21-5876-4027

SHANGHAI
(HYUNDAI HEAVY INDUSTRIES
(SHANGHAI) R&D CO., LTD.) ROOM
10102, BUILDING 10, NO. 498,
GUOSHOUJING ROAD, SHANGHAI,
CHINA
TEL: 86-21-5013-3393
FAX: 86-21-5013-3393 #105

PUNE
(HYUNDAI CONSTRUCTION
EQUIPMENT INDIA PVT., LTD.)
PLOT NO. A-2, MIDC CHAKAN
PHASE - II, VILL.-KHALUMBRE.
PUNE 410 501, INDIA
TEL: 91-21-3530-1700
FAX: 91-21-3530-1712

SHANDONG
(WEIHAI HYUNDAI WIND POWER
TECHNOLOGY CO., LTD.)
MIDDLE SECTION OF HYUNDAI ROAD,
WENDENG, SHANDONG, CHINA
TEL: 86-631-896-6000
FAX: 86-631-896-6799

AFRICA

LAGOS
(HYUNDAI HEAVY INDUSTRIES CO.,
NIGERIA LTD.) PLOT B, BLOCK 12E,
ADMIRALTY WAY, LEKKI, LAGOS,
NIGERIA
TEL: 234-803-544-2774,
234-807-276-9160

KUWAIT
(HYUNDAI GREEN INDUSTRIES CO.,
W.L.L.) PO BOX 5107, SAFAT-13052
KUWAIT, AL-SALAM TOWER 7TH
FLOOR, AL-SALHIYA, KUWAIT CITY,
STATE OF KUWAIT
TEL: 965-60966639
FAX: 965-22413963

AFFILIATED COMPANIES

Company	Business Line	Major Shareholder
HYUNDAI MIPO DOCKYARD CO., LTD.	Shipbuilding, Conversion & Repairs	Hyundai Samho Heavy Industries Co., Ltd. (46.04%)
HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.	Shipbuilding	Hyundai Heavy Industries Co., Ltd. (94.92%)
NEW KOREA COUNTRY CLUB	Tourism	Hyundai Heavy Industries Co., Ltd. (40.00%)
HYUNDAI OILBANK CO., LTD.	Petroleum Refining	Hyundai Heavy Industries Co., Ltd. (91.13%)
HYUNDAI FINANCE CORPORATION	Corporate Financing, Management Consulting	Hyundai Heavy Industries Co., Ltd. (67.49%)
HYUNDAI OIL TERMINAL CO., LTD.	Oil Storage Facility	Hyundai Oilbank Co., Ltd. (100.00%)
HYUNDAI VENTURE INVESTMENT CORPORATION	Venture Fund Investments	Hyundai Finance Corp. (68.38%)
MIPO ENGINEERING CO., LTD.	Ship Design & Engineering	Hyundai Mipo Dockyard Co., Ltd. (100%)
HYUNDAI ENERGY & RESOURCES CO., LTD.	Resource Development	Hyundai Heavy Industries Co., Ltd. (40.00%)
HYUNDAI FUTURES CORP.	Overseas Futures & Options Brokerage	Hyundai Finance Corp. (65.22%)
WÄRTSILÄ-HYUNDAI ENGINE CO., LTD.	Manufacturing of Dual-Fuel Engines	Hyundai Heavy Industries Co., Ltd. (50%)
ULSAN HYUNDAI FOOTBALL CLUB CO., LTD.	Professional Sports Club	Hyundai Heavy Industries Co., Ltd. (100%)
HYUNDAI HEAVY MATERIAL SERVICE	Manufacturing of Ship Components	Hyundai Heavy Industries Co., Ltd. (100%)
KOMAS CORPORATION	Shipping	Hyundai Heavy Industries Co., Ltd. (100%)
HI INVESTMENT & SECURITIES CO., LTD.	Securities Services	Hyundai Mipo Dockyard Co., Ltd. (83.24%)
HI ASSET MANAGEMENT CO., LTD.	Securities Services	HI Investment & Securities (92.41%), Hyundai Mipo Dockyard Co., Ltd. (7.57%)
HOTEL HYUNDAI CO., LTD.	Hospitality	Hyundai Heavy Industries Co., Ltd. (100%)
TAEBAEK WIND POWER CO., LTD.	Wind Power	Hyundai Heavy Industries Co., Ltd. (35%)
HYUNDAI CORPORATION	Trading	Hyundai Heavy Industries Co., Ltd. (22.36%)
HYUNDAI COSMO PETROCHEMICAL CO., LTD.	Manufacturing of Petrochemicals	Hyundai Oilbank Co., Ltd. (50.00%)
MUJU WIND POWER CO., LTD.	Wind Power	Hyundai Heavy Industries Co., Ltd. (45.00%)
CHANGJUK WIND POWER CO., LTD.	Wind Power	Hyundai Heavy Industries Co., Ltd. (43.00%)
HYUNDAI-AVANCIS CO., LTD.	Solar Module Manufacturing & Sales	Hyundai Heavy Industries Co., Ltd. (50.00%)

CORPORATE DATA

Head Office
#1, Jeonha-dong, Dong-gu
Ulsan 682-792, Republic of Korea

Seoul Office
Hyundai Building, 14th Floor
Gye-dong, Jongno-gu
Seoul 100-793, Republic of Korea
Tel: 82-2-746-4603
Fax: 82-2-746-4662

Date of Establishment
December 28, 1973

Paid-in Capital
KRW 380 billion

Common Stock
76,000,000 shares

Number of Employees
24,948

General Shareholders' Meeting
March 16, 2012

Listing
Listed on the Korea Stock Exchange
in August 1999.
KSE Ticker: 009540

CONTACT US
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hhiir@hhi.co.kr

HYUNDAI
HEAVY INDUSTRIES CO.,LTD.