ANNUAL REPORT
2011

KIA MOTORS

In 2011, we responded the way smart companies should in the face of the continuing global economic crisis by aligning our resources to meet the evolving needs of our customers and lead market changes. As a result, we achieved excellent results despite the challenging business environment by recording 2.478 million units in global retail sales, which is an 18.6% increase from the previous year. Kia Motors has consistently driven toward a better future through global management, design management and sustainable management.

And now we are paving the way toward the future of mobility and greater value for all of our stakeholders.

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FINANCIAL HIGHLIGHTS

	2011	2010	2009	2008	2007
CONSOLIDATED STATEMENT OF FINANCIAL POSITION* (unit: KRW in millions)					
Total Assets	30,255,179	26,275,144	25,962,876	25,583,550	19,461,002
Cash Items (Liquidity)	3,934,169	2,914,146	2,792,286	1,408,847	1,156,943
Current Assets	11,075,187	9,763,671	11,208,990	11,709,967	8,369,696
Total Liabilities	16,745,469	16,027,027	18,658,782	19,763,966	14,918,798
Short-term Debt	3,104,071	3,585,210	3,752,210	6,751,183	5,597,7604
Current Liabilities	11,421,924	11,627,539	12,910,209	13,692,654	10,420,754
Long-term Debt	2,503,230	2,755,446	6,192,950	5,586,300	3,900,995
Total Debt	5,607,300	6,340,656	9,945,160	12,337,483	9,498,755
Net Debt	1,673,132	3,426,510	7,152,874	10,928,636	8,341,812
Total Stockholders' Equity	13,509,709	10,248,117	7,304,094	5,819,584	4,542,204
Total Liabilities & Stockholders' Equity	30,255,179	26,275,144	25,962,876	25,583,550	19,461,002
Liability-to-Equity Ratio	124.0%	156.4%	255.5%	339.6%	328.4%
Debt-to-Equity Ratio	41.5%	61.9%	136.2%	212.0%	209.1%
Net Debt-to-Equity Ratio	12.4%	33.4%	97.9%	187.8%	183.7%
CONSOLIDATED STATEMENT OF INCOME* (unit: KRW in millions)					
Revenue	43,190,942	35,826,955	29,257,392	22,217,661	20,311,996
Cost of Sales	33,138,961	27,905,367	22,769,058	17,560,181	16,494,033
Cost of Sales (%)	76.7%	77.9%	77.8%	79.0%	81.2%
Gross Profit	10,051,981	7,921,588	6,676,148	4,657,480	3,817,963
Operating Profit	3,525,146	2,490,028	1,195,206	664	(57,923)
Margin (%)	8.2%	7.0%	4.1%	0.0%	-0.3%
Pretax Profit	4,721,650	3,323,048	1,220,714	(297,044)	(99,854)
Net Profit	3,519,236	2,698,331	1,020,632	(105,966)	(172,392)
Margin (%)	8.1%	7.5%	3.5%	-0.5%	-0.8%
CONSOLIDATED STATEMENT OF CASH FLOWS* (unit: KRW in millions)					
Cash Flows from Operating Activities	4,745,188	5,272,537	4,306,926	(408,449)	(967,486)
Cash Flows from Investing Activities	(3,047,415)	(2,361,795)	(1,739,819)	(1,958,906)	(1,338,083)
Cash Flows from Financing Activities	(1,441,746)	(3,343,298)	(1,796,307)	2,494,448	2,435,066
Cash and Cash Equivalents, Beginning of Year	1,615,879	2,001,225	1,268,631	1,036,288	884,702
Net Increase (Decrease)	688,290	(385,346)	1,032,510	232,343	151,586
Cash and Cash Equivalents, End of Year	2,304,169	1,615,879	2,301,141	1,268,631	1,036,288
CREDIT RATING					
Korea Ratings	AA	AA	AA-	AA-	AA-
Moody's	Baa2	Baa3	Ba1	Baa3	Baa3
S&P **	BBB	BBB	BBB-	BBB-	BBB-

* Consolidated data based on K-GAAP for 2007~2009 and K-IFRS for 2010~2011

** S&P Credit Rating has been upgraded to BBB+ as of March 2012.

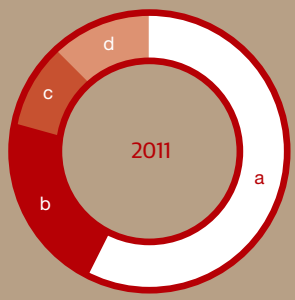
2011 AT A GLANCE

	2011	2010	2009	2008	2007
PRODUCTION (Unit: Thousand units)					
Total	2,542	2,139	1,531	1,395	1,371
Korea	1,584	1,417	1,137	1,055	1,119
Overseas	959	722	394	340	252
GLOBAL RETAIL SALES (Unit: Thousand units)					
Total	2,478	2,088	1,651	1,375	1,269
Korea	492	483	411	315	272
Overseas	1,986	1,605	1,239	1,059	997

Production Ratio by Country

(Unit: %)

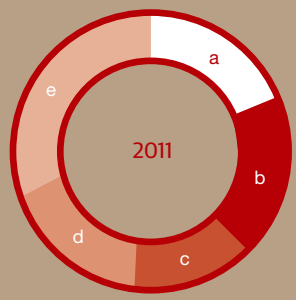
a. Korea 62.3%
b. China 17.0%
c. Slovakia 9.9%
d. US 10.8%



Sales Breakdown by Region

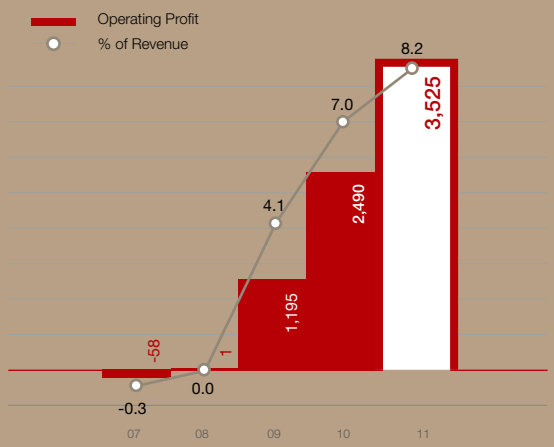
(Unit: %)

a. Korea 19.8%
b. US 19.6%
c. Europe** 11.7%
d. China 17.5%
e. Rest of World 31.4%



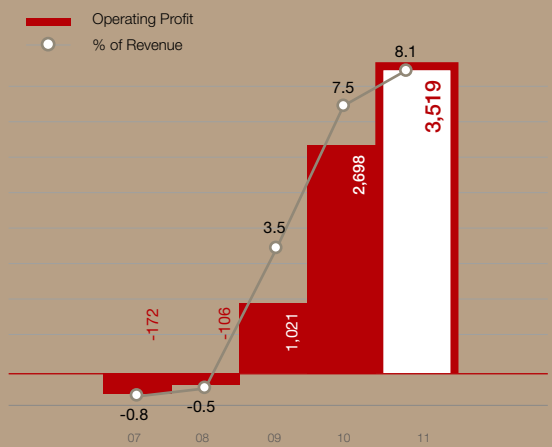
Operating Profit*

(Unit: KRW in billions)



Net Profit*

(Unit: KRW in billions)



* Consolidated data based on K-GAAP for 2007~2009 and K-IFRS for 2010~2011
** Europe = EU+EFTA countries

CHAIRMAN'S MESSAGE



As a world-renowned carmaker and exemplary corporate citizen, Kia Motors will achieve sustainable growth for all of our stakeholders.

2011 was a significant year as we further enhanced Kia Motors' prestige by reaffirming our position as one of the world's top ten carmakers.

Nevertheless, we expect to witness sluggish growth of the auto industry in 2012 due to the financial crisis in Europe that is prolonging the global economic downturn as well as increasingly fierce competition among the world's auto manufacturers.

We are committed to laying the foundation to become a global top-tier company through substantial and fruitful management activities. To this end, we will focus on intensifying quality management that we have steadily pursued in recent years to provide a world-class level of quality that satisfies our customers and touches their hearts.

Moreover, Kia Motors will be more active in its social contribution endeavors to protect the socially vulnerable and ensure mutual development with our partners. We will do our utmost to contribute to social development for a better tomorrow as an exemplary corporate citizen.

To realize these goals, we recently launched 'Kia Vision 2016', a mid- to long-term strategy aimed at achieving this year's business goals and preparing for the future, and will carry out this plan seamlessly.

Kia Motors boasts an unyielding spirit of challenge and infinite potential to turn crises into opportunities. With the undivided unity and drive of all our employees, we will make this year a landmark one, while embracing our dreams and passion for the future.

Thank you.



Mong-Koo Chung
Chairman

VICE CHAIRMAN'S MESSAGE



Guided by 'Kia Vision 2016', Kia Motors will provide fuel for future growth through customer-centered, globally sustainable management.

Dear shareholders,

I would like to extend my sincere gratitude to all our shareholders for your support of Kia Motors over the past year.

2011 was a year of challenges and significant incidents including the earthquake in Japan, democratization movements in the Middle East and Asia and the economic crisis in Europe. As a result, the global economy underwent a period of turmoil.

Despite this daunting scenario, Kia Motors once again achieved record-high results by prudently overcoming all obstacles. Our unprecedented achievements are highlighted by a 19% growth rate in sales over 2010, selling a total of 2.48 million units at home and abroad. Furthermore, we heralded Kia's second consecutive strike-free year. As such, we successfully cemented our position as one of world's top 10 carmakers, a ranking we have held since 2010.

We also posted a record-high operating income of over KRW 3 trillion, while our stock price jumped 21% from the previous year, thereby elevating our market capitalization to 5th place among all listed companies in Korea.

Meanwhile, our brand value increased significantly in 2011, bringing us one step closer to becoming one of the world's top 100 brands. The Morning (known as Picanto in overseas markets) and Pride (Rio) were both winners of the 2012 red dot design competition. In fact, Kia has won a total of six red dot awards over four consecutive years starting with the Soul in 2008 – the first Korean automobile to receive such recognition – thereby showcasing the growing prestige of Kia Motors. We can also proudly extol our many other achievements in 2011 such as surpassing the 10 million unit cumulative export and 20 million unit domestic production milestones.

All these achievements over the past year can be attributed to your unwavering encouragement and support.

Turning now to the present and future, the world's auto market faces even fiercer competition as global makers are rolling out aggressive strategies for survival amidst a climate of great uncertainty.

Nevertheless, Kia Motors' 2012 goal is to sell a total of 2.71 million units, an increase of 9.5% year-on-year. To this end, we plan to increase the sales of high-yield models such as the K7 (Cadenza) and K5 (Optima) while maintaining our strength in the small-size car categories. The launch of the K9 (overseas name yet to be decided), our new flagship model, will further strengthen our brand loyalty. Regionally, we will intensively develop and launch new localized models including next generation versions of the cee'd in Europe and Forte (Cerato) in China to expand our sales in key strategic regions.

We also plan to enhance Kia's brand competitiveness by engaging in stronger, more effective global marketing communication. We will dramatically enhance Kia's recognition and brand value by conveying consistent brand messaging to the world through all available channels.

Moreover, we will continue to fortify our global production system by securing production capacity, improving productivity, upgrading our facilities and increasing product quality based on labor-management cooperation. We will further strengthen the shared growth of partner companies as we support their competitiveness through mutual trust.

We at Kia Motors are committed to developing new growth engines for the future as we strive to achieve our business goals for 2012. To this end, we plan to initiate key strategic tasks by implementing 'Kia Vision 2016' as our mid-to long-term strategy.

First, we will strengthen our customer-oriented management. New programs will be launched to offer Kia's exclusive brand value at all customer contact points. Moreover, we will grow into a top-tier global brand by providing the highest quality products through the introduction of enterprise-wide plant innovation and strengthening of our dealer network and sales competencies at home and abroad.

Second, we will advance our global business structure by strengthening our business portfolios to enable mid-to long sustainable growth. Competitiveness in key growth markets including China will be enhanced along with strategies for market expansion.

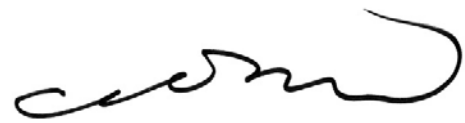
Third, we will lay a foundation for sustainable growth by partaking in enterprise-wide development and enhancement of business quality while establishing unique human resources development systems, thereby fostering a creative and innovative corporate culture. We will also intensify our CSR efforts as we initiate global social contributions by our business sites at home and abroad.

Distinguished shareholders,

Kia Motors has grown thanks to your endless support and encouragement. I would like to ask for your unyielding support in 2012, as we promise to fulfill your expectations by seamlessly achieving our plans to secure future growth.

I wish you and your family good health and happiness.

Thank you.



Hyoung-Keun Lee
Vice Chairman & CEO



MORE CHOICES

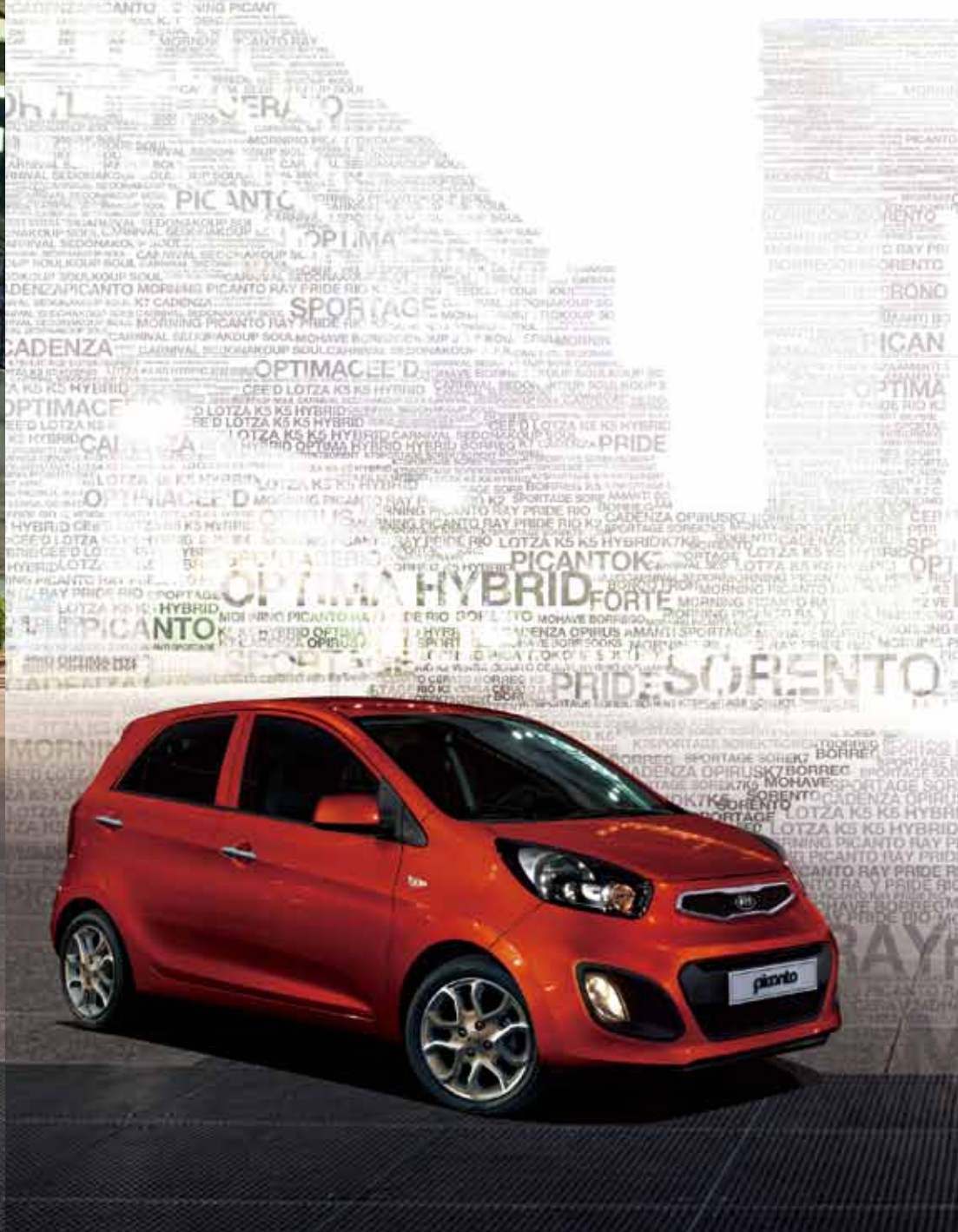
DESIGN MANAGEMENT

Kia Motors is proud of our designs that imbue spirit into our products as well as strong brand performance. Our creativity and commitment to excellence provide the joy of driving to consumers worldwide. We have grown into a company that consistently creates new value that transcends customer expectations while providing vitality and joy as a leader in today's rapidly changing market.


OPTIMA

Morning/Picanto
Ray
Pride/Rio/K2
Venga
Cerato/Forte
Forte Lpi Hybrid
Soul
cee'd
K5/Optima
K5 Hybrid/Optima Hybrid
K7/Cadenza
Opirus
Sportage
Sorento
Mohave
Carens/Rondo
Carnival/Sedona
Bongo III
Frontier

MORE CHOICES FOR



19

DRIVING PLEASURE

19 Models for Increased Driving Pleasure





MORE PROGRESS





GLOBAL MANAGEMENT

Kia Motors has been increasingly recognized at home and abroad as a renowned global player selling over two million units per year in 168 countries across the globe. We have confirmed our presence as a beloved brand throughout the world by closely engaging customers through diverse marketing activities and customer services under our 'I Like Kia' global brand campaign.

MORE PROGRESS AROUND

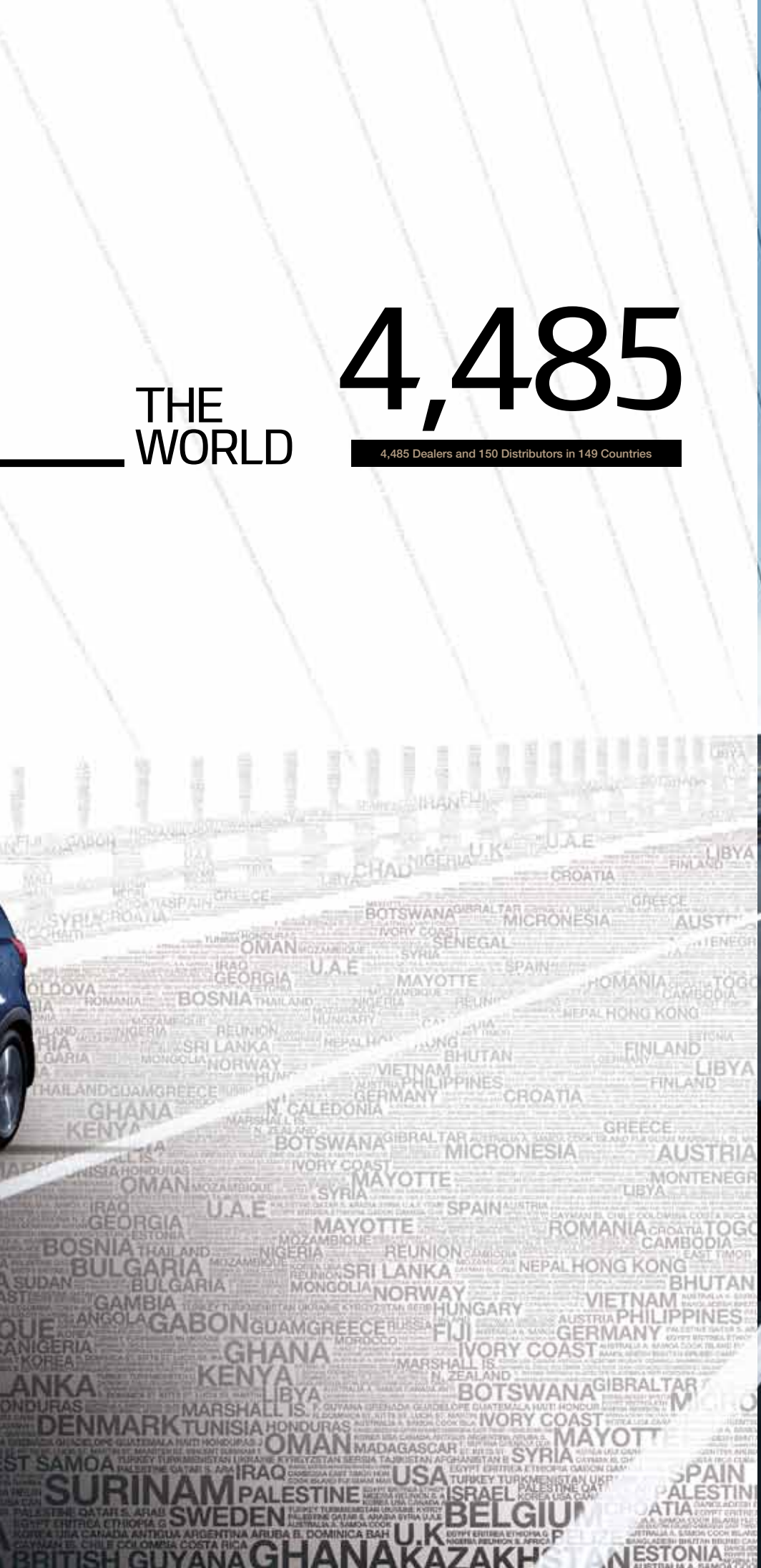
Korea
USA
Canada
Antigua
Argentina
Aruba
Bahamas
Barbados
Belize
Bermuda
Bolivia
Brazil
British Guyana
Cayman Islands
Chile
Colombia
Costa Rica
Cuba
Curacao
Dominican Republic
Ecuador
El Salvador
French Guyana
Grenada
Guadeloupe
Guatemala
Haiti
Honduras
Jamaica
Martinique
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
St. Kitts
St. Lucia
St. Martin
St. Maarten
St. Vincent
Surinam
Trinidad & Tobago
Turks & Caicos
Uruguay
Venezuela
Virgin Islands
Austria
Balearic Islands
Belgium
Canary Islands
Cyprus
Czech Islands
Denmark
Finland
France
Germany
Gibraltar
Greece
Hungary
Iceland
Ireland
Italy
Malta
Netherlands
Norway
Poland
Portugal
Slovak
Spain
Sweden
Switzerland
U.K.
Albania
Armenia
Azerbaijan
Belarus
Bosnia
Bulgaria
Croatia
Estonia
Georgia
Kazakhstan
Latvia
Lithuania
Macedonia
Moldova
Montenegro
Romania
Russia
Slovenia
Turkey
Turkmenistan
Ukraine
Kyrgyzstan
Serbia
Tajikistan
Afghanistan
Bahrain
Iran
Iraq
Israel
Jordan
Kuwait
Lebanon
Oman
Pakistan
Palestine
Qatar
Saudi Arabia
Syria
U.A.E
Yemen
Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Chad
Congo
Djibouti
Egypt
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Ivory Coast
Kenya
Liberia
Libya
Morocco
Madagascar
Mauritius
Malawi
Mali
Mayotte
Mozambique
Nigeria
Reunion Island
South Africa
Seychelles
São Tomé and Príncipe
Senegal
Sierra Leone
Sudan
Swaziland
Tanzania
Togo
Tunisia
Uganda
Zaire
Zambia
Zimbabwe
Australia
American Samoa
Cook Island
Fiji
Guam
Marshall Islands
Micronesia
New Caledonia
New Zealand
Palau
Papua New Guinea
Saipan
Solomon Islands
Tahiti
Vanuatu
West Samoa
Bangladesh
Bhutan
Brunei
Cambodia
East Timor
Hong Kong
India
Indonesia
Japan
Laos
Macao
Malaysia
Myanmar
Mongolia
Nepal
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Vietnam



THE WORLD

4,485

4,485 Dealers and 150 Distributors in 149 Countries




MORE
GREEN
RIO



ENVIRONMENTAL MANAGEMENT

Kia Motors has redefined the concept of future mobility as a world's top-tier carmaker. Driven by active investment in R&D, we have strengthened our competitiveness in environmentally friendly technologies and are taking a leadership role in the future of the automobile industry with the development of hybrid vehicles and electric cars. We have spearheaded efforts to open a new chapter for a sustainable future by practicing green management in all areas, from initial vehicle conception to overseas business site operation.



MORE GREEN FOR BETTER TOMORROW

Hana Kim
Jason Lee
Kay Park
James McClure
Bill Monk
Anna Cho
Sally Song
Emily Hill
Rebecca Rhee
Marcia Abbs
Michelle Kwan
Bonita Bright
Jane Baker
Bonnie Huh
Kara Lukas
Sabrina Kim
Elin Jace
Jace Arri
Bianca White
Peter Hwang
Jiyoo Park
Suri Lim
Miso Yoo
Jeyun Ryu
Mark Smith
Demian Kessner
Jill Miller
Kate Taylor
Andria Jones
Carol Walsh
Minsung Kim
Misung Park
Soo Lee
Joanna Choi
David Chung
Sara Woo
Jay Bae
Mona Cho
Jungmin Huh
Jungseon Hong
Grace Lim
Joohyun Sohn
Minho Shin
Hyunjung Kim
Jeehye Yoon
Nayeon Chang

45,312

45,312 Employees with Shared Values for Future Mobility



OUR PERFORMANCE

It is exciting to work with a team of highly motivated and talented individuals. All the employees and executives at Kia Motors generate the best performance through collaboration and encouragement in all areas of design, production and sales. As a result, we achieved outstanding growth at home and abroad in 2011 through further improved quality and technology, and the launch of a variety of newly designed cars.

We will achieve our goals through a strong commitment to tackling challenges in today's rapidly changing auto market.



EXPAND GLOBAL FOOTPRINT


OPTIMA
BULGARIA
ELIN JACET
FORTE LPI HYBRID
KAZAKHSTAN
LIBYA
KARA LUKAS
BELGIUM
JILL MILLER
KATE TAYLOR
FORTE
PANAMA
OPIRUS AMANTI
SPORTAG
MORNING
OPIRUS
SLOVENIA
BONNIE HUH
SOO LEE
JEYUN RYU
K5 HYBRID
CAROL WALSH
BONITA BRIGHT
KATE TAY
DEMIAN KESSNER
SURI LIM
CADENZA
FORTE KOUP
MINSUNG KIM
CARNIVAL SEDONA BONGO FRONTIER
TURKMENISTAN
BRAZIL
SOO LEE
OPTIMA
DEMIAN KESSNER
MARK SMIT
BIANCA WHITE
KARA LUKAS
ELIN JACET
SABRINA KIM
SALLY SONG
PETER HWANG
MONTENEGRO
BRITISH GU
BIANCA WHITE
KAY PARK
ANNA CHO
EMILY HILL
SWED
SPORTAGE
BILL MONK
SURI LIM
KATE TAYLOR
MICHELLE KWAN
SABRINA KIM
DEMIAN KESSNER
BIANCA WHITE
ANDRIA JONES
MISO YOO
OPTIMA HYBRID
CANADA
JOANNA CHOI
ELIN JACET



DOMESTIC BUSINESS PERFORMANCE

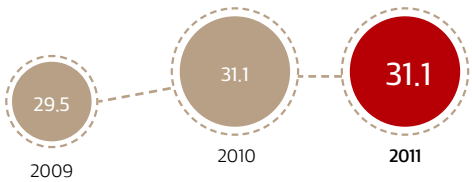
Despite the domestic economic downturn brought about by the global financial crisis, our growth momentum in 2011 continued with steady sales of Kia's flagship cars. Our presence in the domestic market will be further strengthened through the launch of diverse new cars and stronger sales prowess.

Strong Results with Bolstered Market Presence

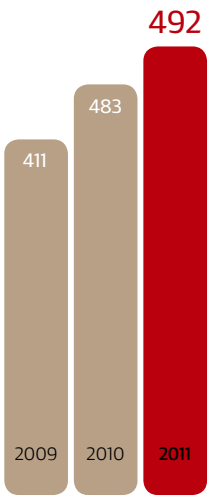
In 2011, Kia Motors achieved its best results ever through an increase in sales volume thanks to our increasing competitiveness in the domestic market and through improvements in the average unit price. The rising portion of sales of mid-size cars, including the K5 (known as Optima in overseas markets), as well as RVs, including the Sportage and Sorento, pushed up the average unit price of our total sales. As a result, revenue for 2011 increased by 2.4% year-on-year.

Sales also increased by 1.7% from the previous year to 491,712 units through improved market competitiveness. The total sales volume for the All-new Morning (Picanto), K5 (Optima) Hybrid and All-new Pride (Rio), which were all launched in 2011, recorded 121,750 units. In the case of the Ray, a new concept mini CUV, more than 4,100 units were sold in the first month following its launch, thereby further accelerating our growth momentum.

RVs saw a 3% increase in sales from the previous year to 148,579 units, whereas the sales of sedans decreased by 1% year-on-year to 286,744 units. In particular, the All-new Morning achieved sales of 110,703 units in the domestic market alone, making it the second top-selling car in Korea. The Morning has occupied the top of the super-mini car segment since 2008. The K5 and K7 (Cadenza) boasted sales volumes of 86,642 and 23,444 units, respectively, thereby reaffirming the popularity of the K series sedans. The Sportage R and Sorento R sold 52,070 and 40,562 units, respectively, showcasing the prestige of the R series diesel SUVs as steady sellers.



Domestic Market Share
(Unit: %)



Domestic Sales
(Unit: Thousand units)



Driving Ahead for Sustainable Growth

2012 is expected to be a challenging year for domestic carmakers, including Kia Motors, due to market challenges such as expected low economic growth rate and an increase in the number of imported cars in Korea. However, we will strive to turn obstacles into opportunities by consistently enhancing our brand recognition and building sales momentum, driven by the launch of competitive high-quality cars. Moreover, we will further solidify our competitiveness with the launch of the K9, a high-end sedan that is the most anticipated new car in 2012, as well as refreshed versions of the Sorento R and K7. By doing so, we plan to sell a total of 500,000 units for an increase of 1.7% from the previous year. We will also achieve a growth in quality by flexibly responding to changes in the demand for different car types, thereby reaffirming our dominant presence in the domestic auto market.





In 2011, Kia Motors achieved record-high results, receiving growing acclaim and further strengthening our reputation in overseas markets. We will continue to enhance our brand recognition by actively expanding our global footprint in the U.S., China and European markets, and by solidifying our sales competencies.

Expanding Our Global Footprint

In 2011, our continual growth momentum in the global market was driven by our outstanding product competitiveness backed by excellence in design and quality. In particular, flagship cars like the Picanto, Optima and Sportage achieved high sales and greater brand recognition, thereby accelerating Kia's growth momentum. 2011 sales of the Picanto reached a record-high volume among Kia cars exported with 129,671 units. In addition, overseas retail sales amounted to 1,986,000 units with 2011 overseas production volume reaching 957,000 units, up 31.2% year-on-year due to the expansion of production at the U.S. and China plants.

Overall, Kia's 2011 global retail sales figures reached 2,478,000 units, up 18.6% from the previous year, with sales of 492,000 units in Korea, 485,000 units in the U.S., 290,000 units in Europe, 433,000 units in China and 778,000 units in other markets. By car type, Kia Motors' overseas business performance was driven by sales of the Forte (385,612 units), Sportage (383,103 units) and Sorento (261,345 units).

By region, in the U.S., the center of the global auto industry, we achieved the highest year-on-year sales growth rate among our target markets of 36.3%, selling 485,000 units, while capturing 3.8% of the overall market. This excellent result can be attributed to our stronger market competitiveness driven by active localized marketing strategies and brand value enhancement. In Europe,



OVERSEAS BUSINESS PERFORMANCE

despite challenging market conditions and lower new vehicle demand, we sold 290,000 units, up 12.2% from the previous year, thanks to higher sales of the Picanto, Venga and Sportage. In China, we sold 433,000 units for sales growth of 29.9%, which is significantly higher than the 7.3% average growth rate in market demand. In other markets, we sold 778,161 units, up 18.4% from the previous year.

Global Leadership with Local Insights

One of the key factors for Kia's successful and consistent global growth is our localization strategy, which accurately determines consumption trends in each region of the world. Kia's sales growth also has been steered by aggressive marketing as we strategically adapt our products to reflect customer needs in every market including Europe, Russia, China and Brazil.

We began the launch of localized models in 2006 with the introduction of the cee'd, a model created specifically to target the European market. Sales volume for the cee'd totaled 123,091 units in 2007 alone, thereby accelerating the development of strategic models for Europe. Cumulative sales volume for the cee'd reached over 410,000 units as of last September. Meanwhile, in China, 58,334 units of the K2 have been sold since its launch last July. The K2 is a localized strategic small model that follows the successful path of the localized version of the Cerato (Forte). These specialized products are highlighting our leading position in the Chinese small-size car market, and in turn, are contributing our growth in overseas markets.

In addition to sales, Kia Motors pursues global production management based on its localization strategy. To this end, we operate local production systems in the U.S., China and Slovakia. Kia Motors' Georgia plant in the U.S., which produces the Sorento and Optima, manufactured 272,000 units in 2011 and, with the expansion of facility investment, is targeting 360,000 units of production from 2012. Furthermore, we will begin construction of our third plant in Jiangsu, China later this year, which will be capable of producing 300,000 units per year when completed, thus bringing our total production at all three plants in China to 730,000 units. As such, Kia Motors is expected to continue its rise as a prestigious automaker in China, a market that is rapidly transforming into a key player in the global auto industry.

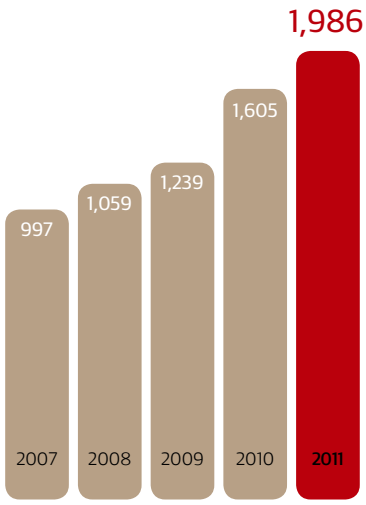
In addition, we have established firm ground for us to become a world-renowned automaker by introducing a system to ensure prompt responses to changing market demands. In line with this, we have localized all areas of the business, ranging from design and R&D to production, sales and service in the three major global markets of Europe, China and the U.S.



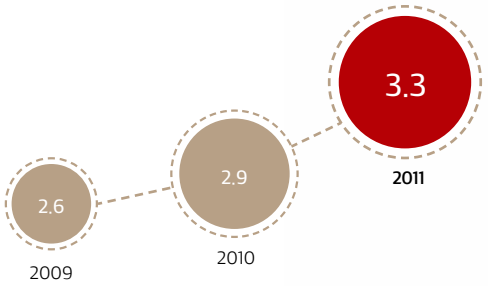
Winning Accolades Across the Globe

In 2011, Kia Motors received noteworthy acclaim in overseas markets thanks to our focus on management fundamentals and resulting improved brand recognition. We ranked first, acquiring A+ ratings, in the U.S. auto website truecar.com's latest Grades for Manufacturers and Brands review. Moreover, J.D. Power and Associates ranked Kia Motors fourth in its 2012 survey on current brand repurchase intent, placing Kia among the world's most prestigious premium brands.

Kia Motors also garnered great accolades in Europe coupled with a more promising outlook on sales in the region. For instance, last June, the Picanto ranked first in a super-mini model comparison by the highly renowned German magazine Auto Bild. Last December, the Picanto also took top honors in the city car category of the 'Passenger Car Awards' held by L'argus, France's representative automobile magazine. These distinctions showcase how renowned European car magazines are recognizing Kia's product quality. Additionally, the All-new Rio received five stars, the highest rank possible, in the European New Car Assessment Program (NCAP) last November for its excellence in safety. These awards and accolades are a testament to Kia Motors' expected sales expansion and improving brand image in Europe.



Overseas Retail Sales
(Unit: Thousand units)



Global Market Share
(Unit: %)









Advancing with Core Strengths

In 2012, the overseas auto market is expected to face fierce competition as global auto manufacturers begin expanding their sales amid continuing global economic uncertainties. However, we will realize profits through brand value innovation and productivity enhancement. Moreover, we plan to strengthen our presence as a global carmaker by establishing a basis for sustainable growth as we secure competitive new eco-friendly technologies.

We have outlined specific goals for each strategic market. In the U.S., we will increase our market share from 3.8% to 4.0% by expanding our line-up including the Optima, Rio and refreshed Sorento. We aim to sell 534,000 units for a 10% increase over 2011. In Europe, we plan to increase our sales of the Picanto and Rio as well as launch the next generation cee'd. Our goal is to sell 356,000 units in Europe for a 22.8% year-on–year increase. Our sales goal for China is 460,000 units, up 6.4% from the previous year, with expected strong sales of the K2, K5 and Sportage. In other markets, we will boost the sales momentum of the Picanto, Rio, Optima and Sportage, while strengthening our dealer network and expanding our brand marketing activities.

In 2012, we will achieve these goals and further cement our position as a true global player through excellent product quality and customized services.

GLOBAL AWARDS LIST



SOUL

- **Best Buys**
  Consumers Digest, USA, November 2011

CERATO • FORTE

- **Luxury Midsize Segment**
  2011 China Automobile Customer Satisfaction Index, China, September 2011

SORENTO

- **Best Buys**
  Consumers Digest, USA, November 2011
- **Best Family Cars of 2011**
  Parents Magazine and Edmunds.com, USA, June 2011
- **Best Car Buys for 2011**
  NADAguides, USA, May 2011
- **Top 10 Family Cars of 2011**
  Kelley Blue Book (kbb.com), USA, February 2011

SPORTAGE

- **2012 Compact Utility of the Year**
  Auto123.com, Canada, November 2011
- **Best Buys**
  Consumers Digest, USA, November 2011
- **High Price SUV Segment**
  2011 China Automobile Customer Satisfaction Index, China, September 2011
- **Exterior Design Award**
  Automotive Brand Contest, Germany, July 2011
- **Vehicle Satisfaction Award**
  AutoPacific 2011, USA, May 2011
- **Best Crossover**
  Diesel Car (Magazine), UK, May 2011
- **red dot design award**
  red dot, Germany, March 2011
- **Golden Klakson**
  Klakson Automotive Magazine, Russia, January 2011
- **5-Star Safety Rating**
  Euro NCAP, Germany, January 2011





OPTIMA • K5

- **Car of the Year**
  Behind The Wheel, Australia, December 2011
- **2012 Mid-Size Car of the Year**
  Auto123.com, Canada, November 2011
- **Best Buys**
  Consumers Digest, USA, November 2011
- **2011 Australian International Design Awards**
  GDA(Good Design Australia), Australia, July 2011
- **Exterior Design Award**
  Automotive Brand Contest, Germany, July 2011
- **Top 10 Best Buy Cars for 2011**
  Auto A Fondo, USA, March 2011
- **red dot design award**
  red dot, Germany, March 2011

picanto • morning

- **Passenger Car of the Year**
  L'argus Automobile, France, December 2011
- **iF Product Design Award**
  iF Design Awards, Germany, November 2011
- **Best Supermini (Green Awards 2011)**
  What Car? Magazine, UK, September 2011

CADENZA • K7

- **Good Design Award**
  The Chicago Athenaeum, USA, December 2011

Rio • PRIDE

- **Good Design Award**
  The Chicago Athenaeum, USA, December 2011
- **Exterior Design Award**
  Automotive Brand Contest, Germany, July 2011

OUR STRENGTHS

We design with a passion and commitment to double your driving pleasure. Such passion and commitment begins with Kia's design philosophy of 'simplicity of the straight line'. Simplicity is essential in completing Kia's exclusive family look as well as setting the fundamentals of our design language. Kia's design direction is heading towards consistency in reflecting our brand values.

Those who drive a Kia will discover a new world of driving pleasure while experiencing Kia's unique value along with our creative design both inside and outside of our cars.

DESIGN OUTSIDE THE BOX




KIA
RAY
CARENS
CROATIA
BOTSWANA
OMAN
SYRIA
U.A.E
GEORGIA
BOSNIA
BULGARIA



DESIGN MANAGEMENT

Design Management Timeline

2007

Thinking of Design

Creating interest and excitement for Design Kia

2008

Acting on Design

Adopting specific images embodying Design Kia

2009

Experiencing Design

Sharing the results by launching representative new cars







Kia Motors, the first carmaker in Korea to develop an exclusive design language, is leading global design trends through styling that combines humanity and sensibility. Kia's design is not about shapes, lines or surfaces of a car. It is about sharing new and pleasant experiences with the world's customers, and winning their hearts.



Kia-exclusive Design

For Kia Motors, design is a mindset of change and innovation that transcends mere product design and instead is a creative way of thinking. Kia has succeeded in establishing a unique design language and profile by adopting such a design-oriented approach. As a result, Kia's design management has received widespread recognition both at home and abroad.

Kia's design management efforts have resulted in a string of global accolades, including the world's most renowned design awards. In 2011, the Picanto won the Transportation Design Award in the Product Design Category at the 2012 iF Design Awards, one of the world's most prestigious design competitions. In addition, Kia's Soul, Venga, Optima and Sportage have received a total of eight red dot and iF awards since 2009, thereby reaffirming Kia's global design competitiveness.

Kia's Optima, Sportage and Rio also won awards in the Transport Design category of the U.S.' Good Design Award, and Kia Motors won the 'Best of Best' prize in the brand design category at the Automotive Brand Contest held by the German Design Council last July. As such, Kia Motors has received numerous prestigious design awards in the U.S. and Europe, the original birthplaces of automobiles.







Design Management from Every Angle

Since declaring our new design-led management strategy in 2005, we have implemented design management in every aspect of what we do – from product design to production to sales. We strive to reinforce the creativity and competencies of our designers on multiple fronts while creating differentiated competitiveness in design by establishing an innovative corporate culture that instills creative thinking throughout our business.

'Kia Design Artworks,' which best represents our creativity, is a design project that has helped cement our presence as a leading company in design management. Launched in 2009 to strengthen our designers' creativity and better convey the passion of Design Kia, 'Kia Design Artworks' is a series of design exhibitions and festivals that showcase our designers' philosophy and imagination. Also, in 2011, our art car, the Ray Disco, was introduced at the Seoul Design Festival where it garnered widespread acclaim.

Design and Tomorrow

Despite the achievements we have accomplished so far, rather than becoming complacent we will continue to innovate so our customers can experience and feel Kia in a new light. As such, we will do our utmost in terms of design management while implementing 'innovation in customer values' at all customer contact points. This is not only the bedrock for our sustainable growth, but also our promise to offer a better future of mobility to our customers as we introduce new enhancements to ensure their love and support for Kia.

Kia Motors' design is not just about creating a car but is about changing culture. We will open a new chapter of design-led management called 'Design 2.0' by steadily carrying out our mission to make a better tomorrow for a growing number of customers.



Design 2.0

Design Awards



DE?IGN 2.0

November 2011

Picanto (Morning)
- iF Product Design Award, one of the world's top three design awards

  Winner (Transportation)

July 2011

Kia Motors
- 2011 Automotive Brand Contest by German Design Council

  Best of Best Award in Brand Design

Rio (Pride)
- 2011 Automotive Brand Contest by German Design Council

  Winner in Exterior Design

Optima (K5)
- 2011 Automotive Brand Contest by German Design Council

  Winner in Exterior Design

Sportage (Sportage R)
- 2011 Automotive Brand Contest by German Design Council

  Winner in Exterior Design

March 2011

Optima (K5)
- red dot Design Award, one of the world's top three design awards

  Best of the Best in Product Design (Transportation)

  The first Best of the Best designation for a Korean automotive brand

Sportage (Sportage R)
- red dot Design Award

  Winner in Product Design (Transportation)

December 2010

Sportage (Sportage R)
- iF Product Design Award

  Winner (Transportation)

Optima (K5)
- iF Product Design Award

  Winner (Transportation)

Sportage (Sportage R)
- Good Design Award, the most prestigious design award in the US

  Winner

Optima (K5)
- Good Design Award

  Winner
- Prime Ministerial Award
- Good Design Award awarded by online consumers

Sportage (Sportage R)
- Good Design Award

  Winner (Transportation)

Optima (K5)
- Good Design Award

  Winner (Transportation)

March 2010

Venga
- red dot Design Award

  Winner (Transportation)

December 2009

Venga
- iF Product Design Award

  Winner (Transportation)

Soul
- Good Design

  Presidential Award

March 2009

Soul
- red dot Design Award

  Honorable Mention (Transportation)

November 2008

Kia Motors
- Korea Design Award, Korea's most prestigious design award

  Presidential Award (Corporate Sector)

Cerato (Forte)
- Pin Up Design Award

  Gold Award (Transportation)



BRANDING

Kia Motors strives to implement its human-driven beliefs and passion for innovation in its brand values. By distinguishing Kia as an 'exciting and enabling' brand, we are striving to become a brand that gains trust from customers seeking a sense of achievement and something uniquely new.

Exciting & Enabling Experiences

Based on Kia Motors' image as an 'exciting and enabling' company, Kia is applying our new Space Identity (SI) concept to all of our worksites covering sales, service and production. As such, we strive to ensure that our customers vividly experience and feel Kia's young-at-heart and dynamic brand attributes anytime, anywhere.

After developing our new SI in 2010, we have applied the system to all our sales branches and service centers where we interact with our customers in person. Known as the 'Red Cube' concept, the new SI was developed to highlight the trust, dynamism and excitement that are unique to the Kia brand. In particular, the new stylishly decorated interiors and exteriors of our sales branches convey Kia's unique identity and offer joy and vitality to customers.

In 2011, we expanded the application of the SI to production sites – exhibition rooms, auditoriums and even tour routes – to broaden the reach of spaces where people can experience the Kia brand. In consideration of the growing number of plant visitors, we installed large-scale LED screens at the entrance of exhibition rooms to welcome them. Our exhibition rooms and tour courses are also equipped with various interactive digital equipment including touch screens, PDPs, multi displays and e-registers. Informational guides and displays in the exhibition rooms of each plant visually demonstrate Kia's history, design, technologies and production processes, thus allowing visitors to vividly experience everything about Kia Motors and automobile production methods. Of particular note, each plant has a theme-based showcase space to highlight, for example, the historical nature of the plant where Korea's first passenger car was produced or the eco-friendly focus of the plant where hybrid models are produced.

Definition of Brand Management

1. Starting Point
Establishing the brand identity (goal setting)

2. Directions
Improving customer awareness + Establishing a differentiated image

3. Activities by Sector
Securing consistency and continuity among sectors



Brand Management Roadmap

Phase 1 (2005-2007)

Building the Basis for Brand Management

- Announcing brand management plans
- Mapping out action plans for each sector/region

Phase 2 (2008-2010)

Strengthening Brand Management

- Establishing a brand management/assessment system
- Launching new cars partially reflecting the brand identity (BI)

Phase 3 (2011-2015)

Accelerating Brand Management

- Launching new cars that fully reflect the brand identity (BI)
- Strengthening the global brand management system

Moment of Truth

We are also pushing our global brand management forward by focusing on communication with customers to promote Kia Motors' globally advanced design and quality to customers around the world, thereby positioning ourselves as an industry leading brand.

Moreover, we have established three brand beliefs as core strategies for communication in our corporate image campaign – challenger, spirited and human-driven. Based on these three beliefs, we plan to implement a large-scale corporate image campaign targeting major regions over the next two to three years, which will bring about a substantially enhanced brand image.

In addition, we will initiate more transparent and open brand communication activities so that all our customer contact points can become places for genuine moments of truth.





Driven by our strong brand power and excellent marketing capabilities, Kia Motors strives to effectively promote our unique design and technology as well as our healthy and dynamic corporate image to all our customers through every available channel.



MARKETING



Sportsmanship and Leadership

Our marketing initiatives flourish on multiple fronts in order to establish a creative and dynamic brand. In particular, as a global top-tier auto manufacturer, we sponsor the world's premier sporting events that match the dynamic and challenging spirit of Kia Motors.

For instance, we sponsored the 2011 FIFA Women's World Cup™ in Germany at which we provided official vehicles during the event. As such, we were successful in enhancing our brand recognition in Europe. We also focus on promoting Kia Motors to the world through diverse football marketing activities such as the Kia City Soccer Tour 2011 and the Kia Mascot Friend, a youth program we carried out as an Official FIFA Partner.

Furthermore, we have served as the major sponsor for the Australian Open since 2002, and renewed our sponsorship agreement for another five years from 2008 to 2013. We are doing our utmost to leverage this high-profile sponsorship in promoting Kia Motors' dynamic brand image by providing official transportation vehicles and operating the Kia Ball Kids program. In addition, we invited 40 Kia customers from 18 countries around the world to attend the Australian Open 2011 while also conducting a program called Kia Lucky Drive to Australia, which provides customers with the opportunity to experience the matches at the Australia Open as well as the local sights of Melbourne.

Meanwhile, our ongoing global corporate image campaign, which aims to communicate Kia's brand beliefs through diverse media including social network services, is utilizing our brand ambassador Rafael Nadal, one of the world's top tennis players. The campaign, entitled "I Like Kia", is actively being carried out throughout the major regions of the world.

In the future, Kia Motors will continue to be active in leveraging its sports marketing activities both online and offline. By doing so, we will share our strong passion for victory, fair competition and genuine sportsmanship with sports fans and Kia customers around the globe.







More Ways to Communicate

As a leading player in the auto industry, Kia Motors strives to effectively promote our brand in ways that meet the rapidly changing online communication environment so as to befit our dynamic and future-oriented corporate image.

For instance, we are communicating with customers around the world though an official corporate blog as well as Twitter and Facebook accounts. Through various online mediums we are conveying the latest news and events involving Kia Motors while fostering online communities to promote our CSR programs such as 'Kia Global Work Camp' and 'EcoDynamics Roadmap' as well as to nurture future marketing experts through activities like 'Funk Kia Designer'. As such, we are providing a space for program participants and supporters to share their experiences and stories.

We have also created an engaging corporate image through various initiatives and channels including inviting the public to cultural events and engaging in global volunteer events. Through these activities, we aim to communicate with customers as well as work toward benefiting the local communities in which we serve and society as a whole.

2011 NEW MODELS

2011

4 models sold over 200 thousand units while
2 models sold more than 300 thousand units

200	Picanto (Morning)	251
	Pride (Rio) / K2	299
	Optima (K5)	218
	Sorento	261
300	Forte	386
	Sportage	383

VOLUME MODEL SALES
(Unit: Thousand units)

All-new Morning (Picanto)

Sporty European Style

The All -new Morning touts a bold and sassy look as a sporty European super-mini car with a unique and modern style. It provides value above and beyond what is expected from a super-mini car with class-leading performance and fuel efficiency, premium safety features and cutting-edge convenience features. Its radiator grille has Kia's unique family look inspired by the snout of a tiger while even the steering wheel reflects Kia's design identity, a first among Kia models. Such uniqueness in design can be found in every aspect of the Morning.

picanto • morning



Mohave

Absolute Driving

The Mohave full-size SUV is equipped with a new high-performance S2 engine and eight-speed automatic transmission for maximized power performance and fuel efficiency that dominate that of its competitors at home and abroad. Along with advanced safety and convenience features, the Mohave will continue to lead Korea's traditional large-size SUV segment by offering unsurpassed value.

MOHAVE



Sportage R (Sportage)

Rebirth of the SUV

The Sportage R, unparalleled in the domestic SUV market, was recently reborn with improved product quality as well as a new heart – a high-performance turbo GDI engine. The 2011 Sportage R, with Kia's exclusive Theta II 2.0 Turbo GDI Engine, has class-leading power output of 261hp and torque of 37.2kg.m, offering a driving experience that overwhelms even the most exclusive of imported cars, let alone its domestic competitors. Its fuel efficiency reaches 11.2km/ℓ (2WD automatic transmission), making it one of the most economically efficient cars in its category. Moreover, the Sportage R boasts a distinctive exterior design with dual mufflers and a mesh-type radiator grille that blend together to create a sporty appeal befitting its strong performance.

SPORTAGE



Soul GDI

Time to Soul

The Soul, the iconic product of Design Kia, was reborn as the Soul GDI with a gasoline GDI engine, six-speed automatic transmission and upgraded style and safety. It boasts the highest power performance in its class with output of 140ps and torque of 17.0kg.m. Soul's upgraded interior and exterior styling is coupled with various enhanced safety and convenience features that result in a significant improvement in product quality.

SOUL



Optima (K5) Turbo GDI

To the World Best

The Optima has been equipped with a high-performance turbo GDI engine, enabling a power output of 271ps and torque of 37.2kg.m. While the Optima Turbo GDI features superior power performance, overwhelming both domestic and imported cars, it also has excellent fuel efficiency of 12.8km/L with a smaller engine displacement that belies its powerful performance. The Optima boasts enhanced product quality through its advanced design and premium safety and convenience features.

OPTIMA • K5



All-new Rio (Pride)

New Concept of Pride

The All-new Rio (Pride) is a bold and dynamic next-generation small-size car, reflecting Kia Motors' 'confident and stylish' small-size car design identity. It has the easily recognizable family look of Kia Motors with its tiger nose radiator grille, while its sharp and sporty headlamp shape completes its award-winning design. The All-new Rio is equipped with cutting-edge safety and convenience features, resulting in the highest product quality for a small-size car.

Rio • PRIDE



Cadenza (K7) 3.3 GDI

Design is Timeless

The Cadenza (K7) 3.3 GDI boasts impressive power output of 294ps and torque of 35.3kg.m. Its high-performance 3.3 GDI engine with fuel efficiency of 10.9km/ℓ gives drivers one of the most powerful driving experiences in its category. The new 'Smart Parking Assist System,' which allows parallel parking through only transmission and pedal operation, has been added as an optional extra. It aims to fully satisfy consumers seeking a luxury semi-large sized sedan that is head and shoulders above the competition in terms of grace, style and performance.

CADENZA • K7



Ray

Open Your Life

The Ray is a new-concept super-mini SUV featuring unrivaled economic efficiency thanks to its Kappa 1.0 engine and maximized interior space through innovative design. The front end exudes bold and confident style, the side view is an exercise in simplicity and stability, and the neat and stylish rear architecture combines to create a truly unique and modern silhouette. State-of-the-art convenience and safety features were added to maximize customer satisfaction, making it the best option for drivers who seeking individuality or practicality.

RAY



Carnival / Sedona (Carnival R)

New Start to a New Lifestyle

The 2012 Carnival is an excellent eco-friendly multi-purpose vehicle equipped with a DPF (Diesel Particulate Filter) in its diesel variants, and has obtained Euro V standards for protectionist low emissions. Customer satisfaction was also strengthened with the addition of advanced convenience features and new external color options.

SEDONA • CARNIVAL



OUR FUTURE

For Kia Motors, sustainability is more than just a responsibility. Kia's 'EcoDynamics' strategy will underpin our sustainable competitiveness that will place us at the forefront of the future of green mobility. It is also our promise for a happier and safer tomorrow for future generations. All of our researchers are doing our utmost to develop green cars with an unwavering commitment to achieving sustainable growth for Kia and society as a whole.

It is by no means an easy task, but we are confident that we will open a new chapter of eco-friendly motoring through our consistent efforts.

SOW SEEDS FOR THE FUTURE




VENGA
EV
VENGA
MICRON
REUNION
SPAIN
U.A.E
SYRIA
ORGIA
MAYOTTE
ESTONIA
SPORTAGE SORENTO MORNING PICANTO CADENZA PICANTO
CAMEROON
MOLDOVA
MOZAMBIQUE
GREECE
GEORGIA
DEMIAN KESSNER MISO YOO
ITALY
GHANA
KATE TAYLOR
ANDRIA JONES
DEMIAN KESSNER
DAVID CHUNG
MARK SMITH
AUSTRIA
BIANCA WHITE
KARA LUKAS
ANNA CHO
CADENZA
ELIN JACET
JILL MILLER
SOUL
FRANCE
ANNA CHO
MORNING PICANTO RAY PRIDE RIO MORNING PICANTO RAY PRIDE RIO
SORENTO
HYBRIDSURI LIM
PETER HWANG



RESEARCH & DEVELOPMENT

Kia Motors practices 'EcoDynamics' to reach zero emissions for sustainable mobility. Our advanced technologies and future-oriented management will enable us to create new value that contributes to the sustainability of the Earth and mankind.



Green Future of Our Dreams

Kia Motors is actively responding to energy depletion, the development of alternative energy and stricter environmental regulations. Our efforts go beyond enhancing existing gasoline and diesel engines as we are also focusing on the development of new technologies that can dramatically alleviate various environmental issues.

To this end, Kia Motors launched our 'EcoDynamics' green brand in 2009 to propose solutions for the development of environmentally friendly cars. Through this endeavor, we have been actively finding answers to the challenges facing the environment we all live in.

We have continuously launched new eco-friendly cars since 2009. In September 2009, Kia's first hybrid car, the Forte LPi Hybrid, was launched in Korea and, in November 2010, we released the Optima (K5) Hybrid in the U.S. In 2011, we completed development of CUV full-electric cars and, in 2012, we are pushing ourselves further to develop globally marketed full-electric cars as well as hydrogen fuel cell vehicles.

HEV (Hybrid Electric Vehicle)

An HEV is a car with two powerplants – one traditional internal combustion-type engine and one battery-powered electric motor. Its fuel efficiency and power performance are significantly enhanced with lower levels of gas emissions compared to vehicles powered by an internal combustion engine alone.

Driven by our exclusive technological prowess, we launched the Forte LPi Hybrid with eco-friendly performance and unique style in 2009, making a successful entry into the eco-friendly car arena. In 2011, the Optima (K5) Hybrid was released in the North American and Korean markets. And we will launch versions of the Optima Hybrid for the European and other overseas markets in 2012.



EV (Electric Vehicle)

An electric vehicle is powered by an electric motor alone. Since it solely uses electricity as its power source, it is more economical than cars powered by fossil fuels. And, as a genuinely eco-friendly car, it emits no polluting exhaust emissions.

The first outcomes of our consistent investment in the commercialization of electric vehicles were the Besta van in 1986 and an electric model for the Sportage in 1999. In 2010, we showcased the PoP, a future electric concept car, at the Paris Motor Show. Stronger EU emissions regulations, increased industry competition in terms of fuel efficiency and new emissions reduction technologies has helped reaffirm Kia's commitment to the future of motoring.

Our specialized technological prowess was recently demonstrated in December 2011 with the launch of the Ray EV, an urban-style mini CUV electric car that combines existing EV and new technologies. We are now focused on developing the infrastructure for convenient recharging while expanding the number of models to which such technologies can be applied.



FCEV (Fuel Cell Electric Vehicle)

One fundamental approach to environmental protection is to develop cars powered by alternatives to fossil fuels. An FCEV is powered by fuel cells that produce electricity through the combination of oxygen found in the air and hydrogen. An FCEV emits no emissions except for water, making it a genuinely eco-friendly car and a long-term solution to environmental concerns.

Kia's pilot Mohave FCEV project has been carried out with the goal of global commercialization in 2015. It was successfully developed in 2009, and is equipped with an in-house developed fuel cell stack that provides the world's highest level of 115 kW of propulsion power and a Supercapacitor – a next-generation energy storage device.

After just recharging it once, it can be driven up to 758km at a speed of up to 160 km/h. Its durability, technological prowess and practicality were proven with the successful completion of the 'Hydrogen Road Tour 2009', a 2,655 km practical road test from San Diego, U.S. to Vancouver, Canada.

We first began to develop fuel cell technologies in 1998. Since then, we have prepared for mass production by establishing an infrastructure for hydrogen refueling and developing new technologies in order to raise the efficiency of FCEVs. Following this trajectory, we plan to set up a small-scale production and pilot distribution scheme in 2012 with mass production scheduled for 2015.





Towards a Green Future

Guided by our vision to practice love for humanity through automobiles, we strive to fulfill all of our social responsibilities including contributing to added social, ecological and economic value. We launched our green management initiatives with the introduction of an environmental management system at our Hwaseong plant in April 2003, followed by a corporate announcement on our commitment to green management in June 2003. As such, we have enhanced our competitiveness by preemptively managing environmental risks, establishing an eco-friendly production system and actively responding to global environment regulations. Moreover, we also set up a response system for green growth by developing eco-friendly vehicles and initiating the reduction of greenhouse gas.

Through such diverse and active environmental management activities, our eco-friendliness has been highly recognized just like our excellent design, advanced technology and proven product quality. For example, the Optima (K5), Picanto (Morning) and Rio (Pride) all received Environmental Certification on the Life Cycle Assessment (LCA) from TÜV NORD, a German standards certification agency. In 2008, the cee'd became the first Korean automobile to acquire international environmental certification, followed by Sportage, Soul and Venga in 2010. Now, a total of seven models including the Optima, Picanto and Rio have received certification, acknowledging their eco-friendliness in compliance with international standards.

We will grow into an eco-friendly brand that respects the environment, society and humanity by seeking sustainable development through the establishment of an environmental management system throughout our corporate life cycle. From the production of eco-friendly products, purchasing and logistics to marketing and customer services, we will work toward ensuring a better future for all.







GLOBAL R&D NETWORK

01 EUROPE TECHNICAL CENTER/ HYUNDAI DESIGN CENTER EUROPE

Working with our local subsidiary that oversees product planning, sales and marketing in Europe, the Europe Technical Center is strengthening our regional sales capabilitie

- Location: Russelsheim, Germany
- Facility: Technical Center

02 KIA DESIGN CENTER EUROPE

Situated within Kia Motors' European headquarters, the Kia Design Center Europe is boosting Kia's design management on the continent.

- Location: Frankfurt, Germany
- Facility: Design Center

01 Europe Technical Center/ Hyundai Design Center Europe



02 Kia Design Center Europe



03 Hyundai·Kia Motors R&D Center



05 Japan R&D Center





04 Eco-Technology Research Institute

03 HYUNDAI·KIA MOTORS R&D CENTER

- Location: Hwaseong, Gyeonggi-do
- Size: Ground area - 3,470,000m^2 (857 acres)
- Facilities: Engineering Design Building, Design Center, Powertrain R&D Center, Wind Tunnel, Proving Ground, etc.

04 ECO-TECHNOLOGY RESEARCH INSTITUTE

- Location: Yongin, Gyeonggi-do
- Facilities: Hydrogen fueling station, fuel cell endurance tester, ELV dismantling system, etc.

05 JAPAN R&D CENTER

Located close to Tokyo, the Japan R&D Center focuses on developing the latest electronic and hybrid technologies.

- Location: Chiba, Japan
- Facilities: R&D Center and Design Center

06 California Proving Ground





07 America Technical Center



08 America Design & Technical Center

09 Kia Design Center America



06 CALIFORNIA PROVING GROUND

Playing a key role in developing vehicles for the North American market, the California Proving Ground is where performance and endurance tests are conducted on all Kia vehicles sold in the US and locally developed parts.

- Location: Mojave Desert, California
- Size: Ground area – 17.52 million m^2 (4,329 acres) / 8 test tracks / Total length – 116 km (72 miles)

07 AMERICA TECHNICAL CENTER

The America Technical Center plays a central role in R&D within the US and is connected with the America Design & Technical Center and Proving Ground in California.

- Location: Superior township, Michigan, US

08 AMERICA DESIGN & TECHNICAL CENTER

The America Design & Technical Center undertakes research into concept cars and development of mass-production cars suitable for the US market.

- Location: Irvine, California, US
- Facilities: Design Studio

09 KIA DESIGN CENTER AMERICA

Boasting world-class facilities and quality personnel, Kia Design Center America is the birthplace of innovative models under the Kia label.

- Location: Irvine, California, US
- Facilities: Design & modeling studio, painting facilities, new model presentation room, visual presentation room, etc.

ECO-FRIENDLY MODELS & CONCEPT CARS

Kia Motors has developed new models with improved eco-friendliness, safety and economic efficiency to provide greater options, more convenience, safer driving and more joyful experiences to our customers while reducing their carbon footprint.

Optima (K5) Hybrid

The Industry Frontrunner

The Optima Hybrid touts top-level fuel efficiency, greater than that of mini cars, along with a sophisticated and distinctive style, excellent acceleration performance, calm and embracing design and top-tier eco-friendliness as Kia's first gasoline hybrid mid-size sedan. This premium mid-size green car is a new alternative for auto buyers in today's age of rising oil prices.

21.6 km/ℓ

- 21.6km/ℓ, 111g/km (Grade 2, 2.0 A/T basis)
- 45.9%: Higher fuel efficiency compared to existing gasoline models



Forte LPi Hybrid

Responsibility & Sensibility

The Forte LPi Hybrid was created with state-of-the-art technologies to minimize its environmental impact and maximize value for money. The LPi-electric system boasts a low CO_2 emission profile that rivals any car on the road today, and comes wrapped in a glamorous body to provide that curbside 'wow' factor.

17.8 km/ℓ

- 17.8 km/ℓ, 99 g/km (Grade 1, 1.6 LPi CVT basis)
- 25%: Higher fuel efficiency compared to existing gasoline models
- 55%: CO_2 emissions compared to its 1.6 LPi counterpart model (179g/km)



Kia GT Concept

4-door Luxury Sports Sedan

The Kia GT, a first-of-its-kind concept car, is a four-door luxury sports sedan with rear wheel drive. Kia's exclusive design identity was reinterpreted to give a dynamic and progressive style to the model. Its design ergonomics offer passengers a wide and pleasant interior space, while its gasoline Lamda 3.3 Turbo GDi engine and 8-speed transmission boast strong power performance, guaranteeing dynamic driving performance.

395 horsepower

- 395 horsepower
- 54.4kg.m of torque



Naimo EV Concept

A Real Korean Beauty

The Naimo is Kia's EV concept car that conveys Korea's unique traditional beauty to the world with its external colors which are reminiscent of Koryo Dynasty's green celadon. Its refined and simple external style oozes sophisticated beauty thanks to design elements like its asymmetrical panorama glass roof that creates a unique square form. On the inside, Naimo features a high-tech lifestyle space enabling flexible mobility and communication via a tablet PC packed with all the latest technologies.

27 kwh

- 27kwh: Lithium ion polymer battery
- 80kw: High power output motor



Venga EV Concept

Our First Full-electric Passenger Concept

The Venga EV concept is a full-electric small-size MPV developed based on the existing production Venga which is a strategic model targeting the European market. Its lithium ion polymer battery is lighter and less bulky than competing nickel hydrogen batteries. The Venga EV's maximum speed is 140km/h and it boasts excellent acceleration performance, taking only 11.8 seconds to reach 100km/h from a standstill.



KV7 Concept

Modern Day Activity Van

The modern and dynamic KV7; a van concept of the future with the practicality of a mini-van and the sportiness of an SUV. This is our second box style design following the Soul, and is reminiscent of a cutting-edge smart phone with its sleek and sophisticated silhouette. The KV7 touts the world's first-of-its-kind gull wing doors in its segment, providing an easily-accessible, wide inner space.



FINANCIAL REVIEW

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Kia Motors Corporation:

We have audited the accompanying consolidated statements of financial position of Kia Motors Corporation and its subsidiaries (the "Company") as of December 31, 2011, 2010 and January 1, 2010, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010, 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
February 29, 2012

This report is effective as of February 29, 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.

Consolidated Statements of Financial Position

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

(In millions of Won)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Cash and cash equivalents	5, 31	₩ 2,304,169	1,615,879	2,001,225
Short-term financial instruments	5, 31	1,630,000	1,298,268	489,428
Accounts and notes receivable - trade	31, 32	2,178,699	2,278,562	2,077,101
Accounts and notes receivable - other	31	432,453	748,366	442,292
Inventories	6	4,302,865	3,581,101	4,629,694
Advance payments		54,493	45,947	32,041
Prepaid income taxes		14,675	699	-
Other current assets	13, 31	157,833	194,849	188,863
Total current assets		11,075,187	9,763,671	9,860,644
Long-term financial instruments	5, 31	21,033	4,013	5,065
Long-term available-for-sale financial assets	7, 31	1,229,673	475,382	380,487
Accounts and notes receivable - trade	31	2,322	7,597	11,647
Investments in associates	8, 18	6,809,391	5,558,788	4,384,810
Property, plant and equipment, net	4, 9, 14, 32	9,184,385	8,563,541	8,544,885
Intangible assets, net	4, 11, 12	1,517,277	1,361,579	1,181,313
Investment property	4, 10	56,100	56,763	22,268
Guarantee deposits	31	173,156	193,328	156,620
Deferred tax assets	27	61,905	250,756	277,366
Other non-current assets	13, 31	124,750	39,726	27,492
Total non-current assets		19,179,992	16,511,473	14,991,953
Total assets		₩ 30,255,179	26,275,144	24,852,597

See accompanying notes to the consolidated financial statements.

(In millions of Won)	Note	December 31, 2011	December 31, 2010	January 1, 2010
LIABILITIES				
Accounts and notes payable - trade	31	₩ 4,825,992	4,774,977	3,770,207
Short-term borrowings	14, 31, 32	1,588,410	2,156,534	3,907,869
Accounts and notes payable - other	31	1,744,387	1,971,381	1,375,593
Advances received		148,243	160,965	249,110
Accrued expenses	31	799,220	439,283	791,331
Income taxes payable		244,515	182,353	21,511
Current portion of long-term debt and bonds	14, 31	1,509,886	1,428,676	1,844,777
Provisions for warranties - current	17	502,985	481,903	217,154
Finance lease liabilities - current	31	5,775	-	80,949
Other current liabilities	15, 31	52,511	31,467	29,277
Total current liabilities		11,421,924	11,627,539	12,287,778
Bonds	14, 31	1,696,312	1,412,639	1,987,686
Long-term debt	14, 31	783,898	1,342,808	1,961,622
Finance lease liabilities	31	23,020	-	2,229
Long-term advances received		128,950	118,775	92,570
Defined benefit obligations	16	274,600	64,735	188,842
Other long-term employee benefits		199,587	171,723	138,176
Provision for warranties	17	1,172,176	805,506	536,668
Deferred tax liabilities	27	1,024,275	461,245	128,350
Other non-current liabilities	15, 31	20,727	22,057	25,092
Total non-current liabilities		5,323,545	4,399,488	5,061,235
Total liabilities		16,745,469	16,027,027	17,349,013
EQUITY				
Common stock	20	2,132,452	2,101,772	2,054,355
Capital surplus		1,557,966	1,546,603	1,534,206
Retained earnings	21	9,224,715	6,113,182	3,620,294
Accumulated other comprehensive income	20	443,254	70,351	(89,858)
Other	20	151,334	151,330	129,387
Total equity attributable to owners of the Company		13,509,721	9,983,238	7,248,384
Non-controlling interests		(11)	264,879	255,200
Total equity		13,509,710	10,248,117	7,503,584
Total liabilities and equity		₩ 30,255,179	26,275,144	24,852,597

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Income

For the years ended December 31, 2011 and 2010

(In millions of won, except earnings per share information)

	Note		2011	2010
Sales	4, 32	₩	43,190,942	35,826,955
Cost of sales	28, 32		33,138,961	27,905,367
GROSS PROFIT			10,051,981	7,921,588
Selling expenses	24, 28		(4,451,317)	(3,715,920)
General and administrative expenses	24, 28		(2,101,576)	(1,835,816)
Other income	25		457,378	420,545
Other expenses	25, 28		(431,320)	(300,369)
OPERATING INCOME	34		3,525,146	2,490,028
Share of profits of associates and, gain on disposal	8		1,336,618	981,661
Finance income	26, 31		180,102	197,551
Finance expenses	26, 31		(320,216)	(346,193)
PROFIT BEFORE INCOME TAXES			4,721,650	3,323,047
Income tax expense	27		1,202,414	624,717
PROFIT FOR THE YEAR		₩	3,519,236	2,698,330
Profit attributable to owners of the Parent Company			3,415,577	2,682,119
Profit attributable to non-controlling interests			103,659	16,211
EARNINGS PER SHARE				
Basic earnings per share in won	22	₩	8,573	6,843
Diluted earnings per share in won	22	₩	8,457	6,648

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2011 and 2010

(In millions of won)

	Note		2011	2010
PROFIT FOR THE YEAR		₩	3,519,236	2,698,330
OTHER COMPREHENSIVE INCOME (NET OF TAX):				
Change in fair value of available-for-sale financial assets			342,338	71,387
Effective portion of changes in fair value of cash flow hedges			(4,157)	1,758
Effective portion of changes resulting from the changes in currency exchange rate of non-derivative financial instrument			6,664	52,465
Change in capital adjustments - increase in gain of equity method accounted investments			39,813	25,677
Change in capital adjustments - decrease (increase) in loss of equity method accounted investments			(13,812)	64,460
Defined benefit plan actuarial losses			(90,867)	(92,232)
Change in defined benefit plan actuarial losses of associates			(14,439)	-
Foreign currency translation difference			9,599	(62,070)
		₩	275,139	61,445
ATTRIBUTABLE TO:				
Owners of the Parent Company			3,683,174	2,750,096
Non-controlling interests			111,201	9,679
Total comprehensive income for the year		₩	3,794,375	2,759,775

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(In millions of won)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Other	Non-controlling interests	Total
BALANCE AT JANUARY 1, 2011	₩ 2,101,772	1,546,603	6,113,182	70,351	151,330	264,879	10,248,117
COMPREHENSIVE INCOME (NET OF TAX):							
Profit for the year	-	-	3,415,577	-	-	103,659	3,519,236
Change in fair value of available-for-sale financial assets	-	-	-	342,338	-	-	342,338
Effective portion of changes in fair value of cash flow hedges	-	-	-	(4,157)	-	-	(4,157)
Effective portion of changes resulting from the changes in currency exchange rate of non-derivative financial instrument	-	-	-	6,664	-	-	6,664
Change in capital adjustments - increase in gain of equity method accounted investments	-	-	-	39,813	-	-	39,813
Change in capital adjustments - increase in loss of equity method accounted investments	-	-	-	(13,812)	-	-	(13,812)
Foreign currency translation difference	-	-	-	2,057	-	7,542	9,599
Defined benefit plan actuarial losses	-	-	(90,867)	-	-	-	(90,867)
Change in defined benefit plan actuarial losses of associates	-	-	(14,439)	-	-	-	(14,439)
TOTAL COMPREHENSIVE INCOME	-	-	3,310,271	372,903	-	111,201	3,794,375
TRANSACTIONS WITH OWNERS AND OTHER, RECORDED DIRECTLY IN EQUITY:							
Dividends	-	-	(198,738)	-	-	-	(198,738)
Acquisition of treasury stock	-	-	-	-	(178,789)	-	(178,789)
Sales of treasury stock	-	-	-	-	183,381	-	183,381
Exercise of stock warrants	30,680	11,363	-	-	(1,317)	-	40,726
Acquisition of non-controlling interests	-	-	-	-	(3,271)	(376,091)	(379,362)
TOTAL TRANSACTIONS WITH OWNERS AND OTHER, RECORDED DIRECTLY IN EQUITY	30,680	11,363	(198,738)	-	4	(376,091)	(532,782)
BALANCE AT DECEMBER 31, 2011	₩ 2,132,452	1,557,966	9,224,715	443,254	151,334	(11)	13,509,710

See accompanying notes to the consolidated financial statements.

(In millions of won)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Other	Non-controlling interests	Total
BALANCE AT JANUARY 1, 2010	₩ 2,054,355	1,534,206	3,620,294	(89,858)	129,387	255,200	7,503,584
COMPREHENSIVE INCOME (NET OF TAX):							
Profit for the year	-	-	2,682,119	-	-	16,211	2,698,330
Change in fair value of available-for-sale financial assets	-	-	-	71,387	-	-	71,387
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,758	-	-	1,758
Effective portion of changes resulting from the changes in currency exchange rate of non-derivative financial instrument	-	-	-	52,465	-	-	52,465
Change in capital adjustments - increase in gain of equity method accounted investments	-	-	-	25,677	-	-	25,677
Change in capital adjustments - decrease in loss of equity method accounted investments	-	-	-	64,460	-	-	64,460
Foreign currency translation difference	-	-	-	(55,538)	-	(6,532)	(62,070)
Defined benefit plan actuarial losses	-	-	(92,232)	-	-	-	(92,232)
TOTAL COMPREHENSIVE INCOME	-	-	2,589,887	160,209	-	9,679	2,759,775
TRANSACTIONS WITH OWNERS AND OTHER, RECORDED DIRECTLY IN EQUITY:							
Dividends	-	-	(96,999)	-	-	-	(96,999)
Acquisition of treasury stock	-	-	-	-	(162,321)	-	(162,321)
Sales of treasury stock	-	-	-	-	186,299	-	186,299
Exercise of stock warrants	47,417	12,397	-	-	(2,035)	-	57,779
TOTAL TRANSACTIONS WITH OWNERS AND OTHER, RECORDED DIRECTLY IN EQUITY	47,417	12,397	(96,999)	-	21,943	-	(15,242)
BALANCE AT DECEMBER 31, 2010	₩ 2,101,772	1,546,603	6,113,182	70,351	151,330	264,879	10,248,117

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(In millions of won)

	Note		2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	29	₩	4,997,468	5,586,505
Interest received			118,136	27,265
Interest paid			(185,779)	(296,174)
Dividends received			306,261	69,425
Income tax paid			(490,897)	(114,484)
NET CASH PROVIDED BY OPERATING ACTIVITIES			4,745,189	5,272,537
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments in associates			254,939	-
Proceeds from sale of property, plant and equipment			120,936	47,913
Purchase of short-term financial instruments, net			(331,732)	(808,840)
Acquisition of investments in associates			(755,243)	(175,731)
Cash flows from business combination			(25,540)	-
Acquisition of property, plant and equipment			(1,456,494)	(907,297)
Acquisition of intangible assets			(437,492)	(419,532)
Cash flows from other investing activities			78	(32,566)
NET CASH USED IN INVESTING ACTIVITIES			(2,630,548)	(2,296,053)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bonds			1,340,699	198,865
Paid-in-capital increase			42,075	64,976
Dividends paid			(198,735)	(96,992)
Repayment of short-term borrowings and long-term debt, net			(1,483,561)	(2,546,407)
Repayment of bonds			(779,807)	(872,712)
Acquisition of treasury stock			(178,789)	(162,321)
Proceeds from sales of treasury stock			168,873	150,055
Proceeds from financial lease liabilities			28,795	-
Repayment of current financial lease liabilities			-	(83,178)
Acquisition of non-controlling interests			(379,362)	-
Cash flows from other financing activities			(1,144)	4,416
NET CASH USED IN FINANCING ACTIVITIES			(1,440,956)	(3,343,298)
IMPACT ON FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			14,605	(18,532)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			688,290	(385,346)
Cash and cash equivalents at beginning of year			1,615,879	2,001,225
CASH AND CASH EQUIVALENTS AT END OF YEAR		₩	2,304,169	1,615,879

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

1. General Description of Parent Company and Subsidiaries

(a) Organization and Description of the Company

Kia Motors Corporation (the "Parent Company"), one of the leading motor vehicle manufacturers in Korea, was established in December 1944 under the laws of the Republic of Korea to manufacture and sell a range of passenger cars, recreational vehicles and other commercial vehicles in the domestic and international markets. The Parent Company owns and operates three principal automobile production sites: the Sohari factory, the Hwa-sung factory and the Kwangju factory.

The shares of the Parent Company have been listed on the Korea Exchange since 1973. As of December 31, 2011, the Parent Company's largest shareholder is Hyundai Motor Company, which holds 33.99 percent of the Parent Company's stock.

The consolidated financial statements of the Company at and for the year ended December 31, 2011 comprise the Parent Company and its subsidiaries (together referred to as the "Company") and the Company's interest in associates and jointly controlled entities.

(b) Consolidated Subsidiaries

Details of consolidated subsidiaries as of December 31, 2011 are summarized as follows:

Subsidiary	Location	Business	Percentage date	Reporting of ownership
<Subsidiaries included in consolidation>				
Kia Motors America, Inc. (KMA)	U.S.A.	Exclusive importer and distributor of motor vehicles and parts	December 31	100.00%
Kia Motors Manufacturing Georgia, Inc. (KMMG) (*1)	U.S.A.	Manufacturing and sale of vehicles and parts	〃	100.00%
Kia Canada Inc. (KCI) (*2)	Canada	Exclusive importer and distributor of motor vehicles and parts	〃 〃	100.00% 100.00%
Kia Motors Deutschland GmbH (KMD)	Germany	〃	〃	100.00%
Kia Motors Europe GmbH (KME)	Germany	Holding company	〃	100.00%
Kia Motors Polska Sp.z.o.o. (KMP) (*3)	Poland	Exclusive importer and distributor of motor vehicles and parts	〃	99.60%
Kia Motors Slovakia s.r.o. (KMS)	Slovakia	Manufacturing and sale of vehicles and parts	〃	100.00%
Kia Motors Sales Slovensko s.r.o. (KMSs) (*4)	Slovakia	Exclusive importer and distributor of motor vehicles and parts	〃	100.00%
Kia Motors Belgium (KMB)(*4)	Belgium	〃	〃	100.00%
Kia Motors Czech s.r.o. (KMCZ) (*4)	Czech	〃	〃	100.00%
Kia Motors (UK) Ltd. (KMUK) (*4)	England	〃	〃	100.00%
Kia Motors Austria GmbH (KMAS) (*4)	Austria	〃	〃	100.00%
Kia Motors Hungary K.f.t (KMH) (*4)	Hungary	〃	〃	100.00%
Kia Motors Iberia(KMIB) (*4)	Spain	〃	〃	100.00%
Kia Motors Sweden AB (KMSW) (*4)	Sweden	〃	〃	100.00%
Kia Motors France SAS (KMF) (*4)	France	〃	〃	100.00%
Kia Motors Russia LLC(KMR) (*5)	Russia	〃	〃	100.00%
Kia Motors Nederland BV (KMNL) (*4)	Nederland	〃	〃	100.00%
Kia Motors Australia Pty Ltd. (KMAU)	Australia	〃	〃	100.00%
Kia Motors New Zealand (KMNZ) (*6)	New Zealand	〃	〃	100.00%
Kia Motors Company Italy S.r.l (KMIT) (*4)	Italy	〃	〃	100.00%

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(*1) KMA acquired addition 50% of ownership of KMMG during 2011(note 33).
(*2) 17.47% owned by KMA
(*3) 99.6% owned by KMD
(*4) 100.0% owned by KME
(*5) 80.0% owned by KME and 20.0% owned by KMD
(*6) 100.0% owned by KMAU

(c) Financial Information of Subsidiaries

Financial information of significant subsidiaries (before eliminating intra-group transaction) as of and for the years ended December 31, 2011 and 2010 are summarized as follows:

(i) Financial information as of and for the year ended December 31, 2011

(In millions of won)

Company		Total assets	Total liabilities	Sales	Net income
KMA	₩	2,564,774	2,002,720	10,301,589	295,984
KMMG		2,265,763	1,513,581	5,749,450	204,682
KMS		2,807,296	1,937,858	5,130,433	105,789
KMR		562,163	320,505	3,361,773	195,373

(ii) Financial information as of and for the year ended December 31, 2010

(In millions of won)

Company		Total assets	Total liabilities	Sales	Net income
KMA	₩	2,368,030	2,117,201	7,898,184	46,419
KMMG		1,914,458	1,382,036	3,591,485	34,912
KMS		2,781,004	2,004,099	4,428,269	65,794
KMR		442,974	385,175	2,345,576	118,631

2. Basis of Preparation

(a) Statement of Compliance

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

These are the Company's first consolidated financial statements prepare 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 Company'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 Company's reported financial position and financial performance is explained in note 34.

(b) Basis of Measurement

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

- Derivative financial instruments are measured at fair value
- Available-for-sale financial assets are measured at fair value

- Liabilities for defined benefit plans are recognized at the net of total present value of defined benefit obligations less the fair value of plan assets

(c) Functional and Presentation Currency

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

(d) 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year are included in the following notes:

- Note 16 : Employee Benefits
- Note 17 : Provisions
- Note 18 : Commitments and Contingencies
- Note 27 : Income Taxes

3. Significant Accounting Policies

The significant accounting policies applied by the Company 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 statements of financial position at January 1, 2010 for the purpose of the transition to K-IFRS, unless otherwise indicated.

(a) Basis of Consolidation

SUBSIDIARIES Subsidiaries are entities controlled by the Company. Control exists when the Company 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 Company 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 Company 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.

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.

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

(b) Business Combination

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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- 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

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*.

Changes in a the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interest is adjusted to reflect the changes in their relative interests in the subsidiary.

GOODWILL The Company elected to retroactively 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 recognized under previous GAAP, K-GAAP. Goodwill derived from business combinations occurred after January 1, 2010 is as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, bargain purchase gain is immediately recognize in statements of income for the period. Goodwill is subsequently measured at cost less accumulated impairment losses.

(c) Associates and Jointly Controlled Entities

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

Joint ventures are those entities over whose activities the Company 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 Company'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 Company for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Company'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 Company has an obligation or has to make payments on behalf of the investee for further losses.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprised of 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.

(e) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined based on the specific identification method for materials-in-transit and moving-average method for all other inventories, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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.

(f) Non-derivative Financial Assets

The Company 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 Company recognizes financial assets in the consolidated statements of financial position when the Company 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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is 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.

HELD-TO-MATURITY INVESTMENTS A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company 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.

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.

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 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 Company's right to receive payment is established.

DERECOGNITION OF FINANCIAL ASSETS The Company 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 Company is recognized as a separate asset or liability.

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

Notes to Consolidated Financial Statements

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OFFSETTING BETWEEN FINANCIAL ASSETS AND FINANCIAL LIABILITIES Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the Company 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.

(g) Non-derivative Financial Liabilities

The Company 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 Company recognizes financial liabilities in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial liability.

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.

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

(h) 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 Company holds forward exchange contracts, currency options and other derivative contracts to manage foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the foreign currency risk of highly probable forecasted transactions(a cash flow hedge).

On initial designation of the hedge, the Company 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 Company 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 cash flows of the respective hedged items during the period for which the hedge is designated.

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.

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) Other derivative financial instruments

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

Pursuant to interpretations by the Korean Financial Supervisory Service, warrants embedded in debt instruments with down-round provisions is separated from the debt instrument and recorded in equity.

(i) 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.

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.

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.

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.

(j) Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. 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. In addition, in the preparation of the opening K-IFRS consolidated statements of financial position on the date of transition to K-IFRS, the Company measures property, plant and equipment except for land at fair value at the date of transition, which is deemed cost, in accordance with K-IFRS No. 1101.

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 Company 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.

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Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

The estimated useful lives of the Company's property, plant and equipment for the current and comparative periods are as follows:

	Useful lives (years)
Buildings and structures	20 - 40
Machinery and equipment	3 - 15
Dies, molds and tools	5
Vehicles	5
Other equipment	5

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

(k) Borrowing Costs

The Company 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.

(l) 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 except for goodwill 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, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives (years)
Intellectual property rights	5, 10
Software	5
Development costs	(*)
Country club membership and golf club membership	Indefinite

(*) Capitalized development costs are amortized over the useful life considering the life cycle of the developed products.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. 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.

RESEARCH AND DEVELOPMENT Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is 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 Company 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.

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

(m) 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.

(n) Impairment of Non-financial Assets

The carrying amounts of the Company'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. Goodwill and 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 Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of 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 reflect 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.

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.

(o) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. In case of financial leases, at the commencement of the lease term, the Company recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset. Also, minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

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(p) Government Grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received. Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Other government grants which are intended to compensate the Company for expenses incurred shall be are recognized as income in profit or loss over the periods in which the Company recognizes the related costs as expenses. Government grants which are intended to give immediate financial support to the Company with no future related costs are recognized as government grant income in profit or loss.

(q) Employee Benefits

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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

OTHER LONG-TERM EMPLOYEE BENEFITS Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

RETIREMENT BENEFITS: DEFINED BENEFIT PLANS A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company'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 Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company 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 Company 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, is 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 Company recognizes the past service cost immediately.

In addition, employees of Kia Motors America, Inc. is eligible to participate, upon meeting certain service requirement, in the profit sharing retirement plan under the Internal Revenue Code 401(k) in the United States. Kia Motors America matches contributions equal to 70% (100% for KMMG) of the employee's contributions, but not in excess of 6% (4% for KMMG) of the employee's compensation. The employer contributions vest gradually and are completely vested after five years of service to Kia Motors America.

(r) Provisions

Provisions are recognized when the Company 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.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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

(s) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated 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.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. 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.

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

(t) 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 Company 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 Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(u) Revenue

Revenue from sale of goods or the use by others of the Company assets is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and cash incentives to the customers.

Revenue from sales of vehicles, service parts and other related products is recognized when the Company has transferred to the buyer the significant risk and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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The Company uses sales incentives in response to a number of market and product factors, including pricing actions and incentives offered by competitors, the amount of excess industry production capacity, the intensity of market competition and consumer demand for the product. The Company may offer a variety of sales incentive programs at any point in time, including cash offers to dealers and consumers, lease subsidies which reduce the consumers' monthly lease payment, or reduced financing rate programs offered to customers. These sales incentives are recognized as deduction from revenue.

Sales in which the Company guarantees the minimum resale value of the product, such as sales to certain rental car companies, are accounted for similar to an operating lease. The guarantee of the resale value may take the form of an obligation by the Company to pay any difference between the proceeds the customer receives upon resale in an auction and the guaranteed amount, or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from the resale of these vehicles are included in profit or loss.

The Company accounts for sales of goods and services under Q Point Program that is comprised of multiple embedded factors for revenue recognition transaction. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("Q Points") and the other components of the sale. The amount allocated to the Q Points is estimated by reference to the fair value of the points for which they could be sold separately. Such amount is deferred and revenue is recognized only when the Q Points are redeemed and the Company has fulfilled its obligations rather than the initial point of sales of goods and services.

Rental income from investment property is recognized in profit or loss on straight-line basis over the term of the lease.

(v) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income except for dividend from investment in associates, 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 Company'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, unwinding of the discount on provisions, and losses on hedging instruments that are recognized in profit or loss. Interest expense of borrowings is recognized as it accrues in profit or loss, using the effective interest method.

(w) Income Tax

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.

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.

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 Company 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 Company 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 Company 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 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 Company 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 they intend to settle current tax liabilities and assets on a net basis.

(x) Earnings per Share

The Company presents basic and diluted 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 Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(y) Operating Segments

An operating segment is a component of the Company that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Company, 2) whose operating results are reviewed regularly by the Company's chief operating decision maker ('CODM') in order to allocate resources and assess its performance, and 3) for which discrete financial information is available.

Management has determined that the CODM of the Company is the CEO. The CODM does not receive and therefore does not review discrete financial information for any component of the Company. Consequently, no operating segment information is included in these consolidated financial statements. Entity wide disclosures of geographic and product revenue information are provided in note 4 to the consolidated financial statements.

4. Geographic and Other Information

The Company is engaged in manufacturing and sales of vehicles and parts, leasing of vehicles and rendering vehicle maintenance services. Leasing income and maintenance services are insignificant to total sales. Revenue information for each product and service is not available and management believes the cost to develop such information would be excessive. Consequently revenue amounts for each product and service is not disclosed.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(a) The following tables provide information of sales by region based on the location of customers and non-current assets as of and for the year ended December 31, 2011:

(In millions of won)

	Domestic	North America	Europe	Other region	Adjustment	Adjusted amount
Net sales	₩ 9,363,030	13,695,781	11,433,786	8,698,345	-	43,190,942
Property, plant and equipment, intangible asset and other	8,170,218	1,337,992	1,211,511	5,604	32,437	10,757,762

(b) The following tables provide information of sales by region based on the location of customers and non-current assets as of and for the year ended December 31, 2010:

(In millions of won)

	Domestic	North America	Europe	Other region	Adjustment	Adjusted amount
Net sales	₩ 9,143,864	9,848,574	9,728,780	7,105,737	-	35,826,955
Property, plant and equipment, intangible asset and other	7,674,180	1,198,717	1,094,028	5,387	9,571	9,981,883

5. Cash and Cash Equivalents and Restricted Financial Instrument

(a) Cash and cash equivalents as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand	₩ 350	281	393
Bank deposits	2,303,819	1,615,598	2,000,832
	₩ 2,304,169	1,615,879	2,001,225

(b) Financial instruments which are restricted in use for as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Win-Win cooperation deposits	₩ 16,000	-	-
Guarantee deposits	13	13	32
Other deposits	18,899	25,799	23,366
	₩ 34,912	25,812	23,398

6. 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	January 1, 2010
Finished goods	₩ 2,912,829	2,521,329	3,595,690
Merchandise	176,226	158,849	321,142
Semi-finished goods	430,417	345,151	193,494
Work-in-process	165,939	131,090	99,003
Raw materials	446,756	313,390	219,186
Supplies	89,938	74,092	85,169
Materials-in-transit	80,760	37,200	116,010
	₩ 4,302,865	3,581,101	4,629,694

7. Long-term Available-for-sale Financial Assets

(a) Long-term available-for-sales financial assets as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

Company	Rate	Acquisition cost	December 31, 2011	December 31, 2010	January 1, 2010
MARKETABLE SECURITIES					
Hyundai WIA Corporation	17.67%	₩ 295,449	647,716	-	-
Hyundai Hysco Co., Ltd.	13.91%	169,552	392,087	280,540	188,514
HMC Investment Securities Co., Ltd.	3.68%	25,939	13,809	22,871	23,411
SeAH Besteel Corp.	0.00%	20	80	65	29
		490,960	1,053,692	303,476	211,954
NON-MARKETABLE SECURITIES (*)					
WIA Automotive Engine (Shang-dong) Company	18.00%	35,382	35,382	35,382	35,382
Hyundai Capital America	7.82%	115,330	115,330	113,890	116,561
Other		25,269	25,269	22,634	16,590
		175,981	175,981	171,906	168,533
		₩ 666,941	1,229,673	475,382	380,487

(*) Investments in equity instruments that do not have a quoted market price in an active market, that are not significant disparity between fair value and book value and whose fair value cannot be reliably measured of such unquoted equity instruments are measured at cost.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(b) Change in fair value of available-for-sale financial assets for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Beginning balance	₩ 107,965	16,444
Changes in unrealized gain	454,767	91,521
Ending balance	562,732	107,965
Income tax effect	(136,181)	(23,752)
Ending balance	₩ 426,551	84,213

(c) The Company has provided 1,500 shares (carrying amount :₩ 526 million) of the Korea Defense Industry Association ("KDIA"), which are included in available-for-sale financial assets for a performance guarantee on a contract.

8. Investment in Associates

(a) Details of investment in associates as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

		December 31, 2011		December 31, 2010		January 1, 2010	
Company	Percentage of ownership	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Hyundai Mobis Co., Ltd. (*1)	16.88%	₩ 215,012	2,286,137	215,012	1,833,016	215,012	1,413,152
Hyundai Steel Company	21.29%	245,153	1,940,532	245,153	1,794,125	245,153	1,510,965
Hyundai Engineering & Construction Co., Ltd. (*1)	5.23%	746,234	752,578	-	-	-	-
Hyundai Powertech Co., Ltd.	37.58%	172,576	266,352	172,576	229,912	172,576	172,740
Hyundai WIA Corporation (*2)	-	-	-	30,185	374,088	30,185	320,027
Hyundai Card Co., Ltd. (*1)	11.48%	147,960	224,501	147,960	199,426	147,960	187,399
Hyundai Dymos Inc.	45.37%	89,438	188,148	89,438	154,562	89,438	135,545
EUKOR Car Carriers Inc. (*1)	8.00%	19,565	74,208	19,565	54,715	19,565	47,051
Hyundai AMCO Co., Ltd. (*1)	19.99%	10,067	88,023	10,067	81,373	10,067	80,177
Hyundai Partecs Co., Ltd.	31.00%	12,400	18,714	12,400	16,433	12,400	14,308
Hyundai Autoever Systems Co., Ltd.	20.00%	1,000	31,582	1,000	26,735	1,000	21,831
Donghee Auto Co., Ltd.	35.10%	10,530	11,674	10,530	11,175	10,530	10,803
TRW Steering Co., Ltd.	29.00%	8,952	3,213	8,952	4,132	8,952	3,995
Kia Tigers Co., Ltd (*3)	100.00%	20,300	-	20,300	-	20,300	-

(In millions of won)

Company	Percentage of ownership	December 31, 2011 Acquisition cost	December 31, 2011 Carrying amount	December 31, 2010 Acquisition cost	December 31, 2010 Carrying amount	January 1, 2010 Acquisition cost	January 1, 2010 Carrying amount
Hyundai NGV Co., Ltd.	24.39%	₩ 250	250	250	250	250	250
Haevichi Hotel & Resort	40.00%	8,520	2,868	8,520	-	8,520	-
HMC Win-Win Cooperation Fund	-	-	-	-	-	6,000	6,202
Beijing Mobis Transmission Co., Ltd.	24.08%	22,790	64,575	22,790	52,340	22,790	47,789
China Millennium Corporations	30.30%	27,185	18,921	27,185	16,487	27,185	16,292
Hyundai Motor Group China Ltd.	30.00%	9,211	84,248	9,211	59,997	9,211	40,848
Yanji Kia Motors A/S and Repair (*3)	100.00%	1,792	1,792	1,792	1,792	1,792	1,792
Hyundai Powertech (Shangdong) Co., Ltd.	25.00%	17,935	19,552	8,926	8,926	-	-
Dongfeng Yueda Kia Motors Co., Ltd. (*4)	50.00%	161,372	546,535	161,372	463,879	161,372	309,347
Hyundai Motor Manufacturing Russia LLC	30.00%	129,229	133,293	129,229	126,545	-	-
Kia Japan Co., Ltd. (*3)	100.00%	33,197	34,128	33,197	31,984	33,197	29,105
Innocean Worldwide Americas, LLC	30.00%	557	4,278	557	3,561	557	2,101
Hyundai Information System North America	30.00%	1,911	2,521	1,911	2,239	1,911	2,082
Sewon America, Inc.	40.00%	15,090	10,768	15,090	11,096	15,090	11,009
		₩ 2,128,226	6,809,391	1,403,168	5,558,788	1,271,013	4,384,810

(*1) Though the Company's ownership is below 20%, the Company has significant influence to participate in the financial and operating policy decisions.

(*2) The Company disposed a portion of its investment which resulted an ownership of below 20%. As a result, the Company reclassified the investment from investment in associates to long-term available-for-sale financial assets upon lost of significant influence.

(*3) Though the Company has 100% of the ownership, applied equity method because management believes that difference between consolidation and applying equity method is immaterial

(*4) Dongfeng Yueda Kia motors Co., Ltd. is a jointly controlled entity established by contractual agreement between the Company and Dongfeng-Yueda group.

(b) Fair value of marketable securities of associates companies as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Hyundai Mobis Co., Ltd.	₩ 4,796,706	4,673,503	2,809,031
Hyundai Steel Company	1,737,866	2,260,860	1,570,798
Hyundai Construction Co., Ltd.	410,562	-	-

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(c) Changes in investment in associates for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

Company	Beginning balance	Acquisition (disposal)	Equity profit or loss on investment	Other capital movement	Dividends received	Other increase (decrease)	Ending balance
Hyundai Mobis Co., Ltd.	₩ 1,833,016	-	484,827	(7,065)	(24,641)	-	2,286,137
Hyundai Steel Company	1,794,125	-	158,686	(3,199)	(9,080)	-	1,940,532
Hyundai Engineering & Construction Co., Ltd.	-	746,234	14,482	(8,138)	-	-	752,578
Hyundai Powertech Co., Ltd.	229,912	-	36,973	(533)	-	-	266,352
Hyundai WIA Corporation (*3)	374,088	(78,445)	-	(194)	-	(295,449)	-
Hyundai Card Co., Ltd.	199,426	-	26,474	(1,399)	-	-	224,501
Hyundai Dymos Inc.	154,562	-	35,429	(1,843)	-	-	188,148
EUKOR Car Carriers Inc.	54,715	-	23,556	1,287	(5,350)	-	74,208
Hyundai AMCO Co., Ltd.	81,373	-	18,381	(1,737)	(9,994)	-	88,023
Hyundai Partecs Co., Ltd.	16,433	-	2,281	-	-	-	18,714
Hyundai Autoever Systems Co., Ltd.	26,735	-	7,369	(522)	(2,000)	-	31,582
Donghee Auto Co., Ltd.	11,175	-	499	-	-	-	11,674
TRW Steering Co., Ltd.	4,132	-	(919)	-	-	-	3,213
Kia Tigers Co., Ltd (*1)	-	-	-	-	-	-	-
Hyundai NGV Co., Ltd. (*2)	250	-	-	-	-	-	250
Haevichi Hotel & Resort	-	-	2,868	-	-	-	2,868
Beijing Mobis Transmission Co., Ltd.	52,340	-	8,643	3,592	-	-	64,575
China Millennium Corporations	16,487	-	1,402	1,032	-	-	18,921
Hyundai Motor Group China Ltd.	59,997	-	50,393	3,629	(29,771)	-	84,248
Yanji Kia Motors A/S and Repair (*2)	1,792	-	-	-	-	-	1,792
Hyundai Powertech (Shangdong) Co., Ltd.	8,926	9,009	1,032	585	-	-	19,552
Dongfeng Yueda Kia Motors Co., Ltd.	463,879	-	274,475	28,499	(220,318)	-	546,535
Hyundai Motor Manufacturing Russia LLC	126,545	-	11,204	(4,456)	-	-	133,293
Kia Japan Co., Ltd.	31,984	-	120	2,024	-	-	34,128
Innocean Worldwide Americas, LLC	3,561	-	1,975	-	(1,329)	71	4,278
Hyundai Information System North America	2,239	-	425	-	(181)	38	2,521
Sewon America, Inc.	11,096	-	(451)	-	-	123	10,768
	₩ 5,558,788	676,798	1,160,124	11,562	(302,664)	(295,217)	6,809,391

(*1) The Company discontinued the application of the equity method for investment in Kia Tigers Co., Ltd. due to the carrying amount of Company's share being reduced to zero during 2011.

(*2) These investments in associates are recorded at cost as management believe that the effect of applying the equity method of accounting for investments is immaterial.

(*3) The Company disposed of a portion of its investment in Hyundai WIA Corporation and recognized gain on sale of investment in associates of ₩ 176,494 million. The Company reclassified its remaining investment from investment in associates to available-for-sale financial assets, as a result of lost of significant influence upon disposal of shares.

(d) Changes in investment in associates for the year ended December 31, 2010 are summarized as follows:

(In millions of won)

Company	Beginning balance	Acquisition (disposal)	Equity profit or loss on investment	Other capital movement	Dividends received	Other increase (decrease)	Ending balance
Hyundai Mobis Co., Ltd.	₩ 1,413,152	-	429,074	11,323	(20,533)	-	1,833,016
Hyundai Steel Company	1,510,965	-	185,274	106,966	(9,080)	-	1,794,125
Hyundai Powertech Co., Ltd.	172,740	37,576	20,187	(591)	-	-	229,912
Hyundai WIA Corporation	320,027	-	70,792	(16,731)	-	-	374,088
Hyundai Card Co., Ltd.	187,399	-	32,355	(4,669)	(15,659)	-	199,426
Hyundai Dymos Inc.	135,545	-	17,605	1,412	-	-	154,562
EUKOR Car Carriers Inc.	47,051	-	14,004	(4,069)	(2,271)	-	54,715
Hyundai AMCO Co., Ltd.	80,177	-	13,219	(7,025)	(4,998)	-	81,373
Hyundai Partecs Co., Ltd.	14,308	-	2,125	-	-	-	16,433
Hyundai Autoever Systems Co., Ltd.	21,831	-	6,080	(176)	(1,000)	-	26,735
Donghee Auto Co., Ltd.	10,803	-	318	54	-	-	11,175
TRW Steering Co., Ltd.	3,995	-	137	-	-	-	4,132
Kia Tigers Co., Ltd.	-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.	250	-	-	-	-	-	250
Haevichi Hotel & Resort	-	-	5,038	(5,038)	-	-	-
HMC Win-Win Cooperation Fund	6,202	-	-	-	-	(6,202)	-
Beijing Mobis Transmission Co., Ltd.	47,789	-	4,109	442	-	-	52,340
China Millennium Corporations	16,292	-	39	156	-	-	16,487
Hyundai Motor Group China Ltd.	40,848	-	32,495	462	(13,808)	-	59,997
Yanji Kia Motors A/S and Repair	1,792	-	-	-	-	-	1,792
Hyundai Powertech (Shangdong) Co., Ltd.	-	8,926	-	-	-	-	8,926
Dongfeng Yueda Kia Motors Co., Ltd.	309,347	-	150,226	4,306	-	-	463,879
Hyundai Motor Manufacturing Russia LLC	-	129,229	(1,869)	(815)	-	-	126,545
Kia Japan Co., Ltd.	29,105	-	(203)	3,082	-	-	31,984

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Company		Beginning balance	Acquisition (disposal)	Equity profit or loss on investment	Other capital movement	Dividends received	Other increase (decrease)	Ending balance
Innocean Worldwide Americas, LLC	₩	2,101	-	1,322	138	-	-	3,561
Hyundai Information System North America		2,082	-	132	25	-	-	2,239
Sewon America, Inc.		11,009	-	(798)	885	-	-	11,096
	₩	4,384,810	175,731	981,661	90,137	(67,349)	(6,202)	5,558,788

(e) Financial information of associates as of and for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

Company		Total assets	Total liabilities	Sales	Net income (loss)
Hyundai Mobis Co., Ltd.	₩	22,575,648	8,781,092	26,294,579	3,026,845
Hyundai Steel Company		21,779,478	12,662,333	15,259,549	745,930
Hyundai Construction Co., Ltd.		11,871,992	7,508,517	11,920,167	685,139
Hyundai Powertech Co., Ltd.		1,791,495	1,081,452	2,803,987	98,750
Hyundai Card Co., Ltd.		10,843,751	8,888,243	2,408,325	225,892
Hyundai Dymos Inc.		951,588	536,066	1,399,985	60,475
EUKOR Car Carriers Inc.		2,671,900	1,744,300	2,558,996	270,115
Hyundai AMCO Co., Ltd.		1,479,777	1,039,383	2,303,963	90,447
Hyundai Partecs Co., Ltd.		93,190	32,824	55,793	8,420
Hyundai Autoever Systems Co., Ltd.		395,279	237,368	734,088	36,924
Donghee Auto Co., Ltd.		145,697	112,437	174,415	2,245
TRW Steering Co., Ltd.		57,119	46,037	131,697	(305)
Kia Tigers Co., Ltd		3,577	4,237	27,752	(17)
Haevichi Hotel & Resort		328,196	321,025	59,940	11,305
Beijing Mobis Transmission Co., Ltd.		407,098	138,931	350,150	35,893
China Millennium Corporations		90,410	27,964	20,812	4,630
Hyundai Motor Group China Ltd.		622,038	333,536	2,363,745	165,179
Hyundai Powertech (Shangdong) Co., Ltd.		186,944	108,737	8,599	3,098
Dongfeng Yueda Kia Motors Co., Ltd.		3,602,673	2,509,602	6,881,579	548,936
Hyundai Motor Manufacturing Russia LLC		1,308,359	918,357	1,806,225	65,952
Kia Japan Co., Ltd.		34,289	160	1,364	120
Innocean Worldwide Americas, LLC		162,522	148,262	191,581	12,673
Hyundai Information System North America		24,188	15,786	98,967	2,209
Sewon America, Inc.		267,580	240,662	271,647	(1,126)

(f) Financial information of associates as of and for the year ended December 31, 2010 are summarized as follows:

(In millions of won)

Company		Total assets	Total liabilities	Sales	Net income (loss)
Hyundai Mobis Co., Ltd.	₩	18,298,130	7,337,651	22,143,540	2,715,236
Hyundai Steel Company		19,877,433	11,446,502	10,235,461	922,444
Hyundai Powertech Co., Ltd.		1,744,113	1,131,110	1,980,163	54,134
Hyundai WIA Corporation		3,530,825	2,544,013	5,124,935	132,400
Hyundai Card Co., Ltd.		10,416,574	8,679,464	2,335,824	284,377
Hyundai Dymos Inc.		948,340	606,955	1,528,599	58,223
EUKOR Car Carriers Inc.		2,398,329	1,714,392	2,190,196	175,043
Hyundai AMCO Co., Ltd.		1,195,313	787,966	1,511,408	58,616
Hyundai Partecs Co., Ltd.		96,406	43,395	46,272	6,856
Hyundai Autoever Systems Co., Ltd.		305,890	172,055	606,896	32,686
Donghee Auto Co., Ltd.		129,972	98,134	131,891	905
TRW Steering Co., Ltd.		54,619	43,231	151,098	(2,518)
Kia Tigers Co., Ltd		4,219	4,267	21,958	(45)
Haevichi Hotel & Resort		319,624	323,758	55,059	11,675
Beijing Mobis Transmission Co., Ltd.		319,904	102,547	380,830	17,008
China Millennium Corporations		94,581	40,167	16,348	129
Hyundai Motor Group China Ltd.		451,239	241,877	2,056,257	113,460
Hyundai Powertech (Shangdong) Co., Ltd.		36,995	315	-	-
Dongfeng Yueda Kia Motors Co., Ltd.		2,534,920	1,607,162	4,816,012	305,845
Hyundai Motor Manufacturing Russia LLC		913,396	526,134	3,078	(6,230)
Kia Japan Co., Ltd.		32,160	175	1,317	(203)
Innocean Worldwide Americas, LLC		139,952	124,343	140,500	10,037
Hyundai Information System North America		16,216	7,712	82,758	1,935
Sewon America, Inc.		184,819	157,119	148,943	(1,281)

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For the years ended December 31, 2011and 2010

9. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩2,907,187	-	2,907,187	2,895,143	-	2,895,143	2,896,069	-	2,896,069
Buildings	2,341,508	(577,601)	1,763,907	2,195,682	(496,115)	1,699,567	2,223,162	(419,572)	1,803,590
Structures	525,280	(260,379)	264,901	500,173	(239,331)	260,842	484,212	(212,757)	271,455
Machinery and equipment	4,908,105	(2,106,272)	2,801,833	4,495,529	(1,947,180)	2,548,349	4,475,765	(1,874,934)	2,600,831
Dies, molds and tools	2,616,691	(2,069,016)	547,675	2,466,750	(1,875,136)	591,614	2,225,459	(1,643,926)	581,533
Vehicles	127,399	(43,085)	84,314	125,295	(42,542)	82,753	107,971	(35,990)	71,981
Other equipment	311,255	(195,804)	115,451	239,188	(162,630)	76,558	307,592	(223,024)	84,568
Construction-in -progress	699,117	-	699,117	412,059	(3,344)	408,715	235,065	(207)	234,858
	₩14,436,542	(5,252,157)	9,184,385	13,329,819	(4,766,278)	8,563,541	12,955,295	(4,410,410)	8,544,885

(b) Details of changes in property, plant and equipment for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition (*1)	Disposal (*2)	Depreciation	Reclassification	Other	Ending balance (*3)
Land	₩ 2,895,143	5,802	(18,816)	-	23,941	1,117	2,907,187
Buildings	1,699,567	45,642	(10,588)	(72,334)	99,273	2,347	1,763,907
Structures	260,842	5,211	(1,387)	(23,968)	24,558	(355)	264,901
Machinery and equipment (*4)	2,548,349	133,438	(41,664)	(307,260)	471,206	(2,236)	2,801,833
Dies, molds and tools	591,614	81,876	(60,137)	(238,948)	170,903	2,367	547,675
Vehicles	82,753	5,838	(21,835)	(23,703)	41,429	(168)	84,314
Other equipment	76,558	38,109	(339)	(28,251)	29,100	274	115,451
Construction- in -progress	408,715	1,152,993	-	-	(860,410)	(2,181)	699,117
	₩ 8,563,541	1,468,909	(154,766)	(694,464)	-	1,165	9,184,385

(*1) Acquisition includes assets acquired in business combination in the amount of ₩ 12,415 million.

(*2) The net amount of loss on sale of property, plant and equipment is ₩ 33,830 million for the year ended December 31, 2011.

(*3) The Company received ₩ 268,202 million government grants through investment agreement with Slovakia government. The grants are deducted in calculating the carrying amount of the asset.

(*4) Capital lease assets are included.

(c) Details of changes in property, plant and equipment for the year ended December 31, 2010 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposal	Depreciation	Reclassification	Other	Ending balance
Land	₩ 2,896,069	5,896	-	-	-	(6,822)	2,895,143
Buildings	1,803,590	10,710	(11,090)	(74,699)	8,377	(37,321)	1,699,567
Structures	271,455	2,258	(122)	(22,731)	14,364	(4,382)	260,842
Machinery and equipment	2,600,831	10,359	(39,008)	(213,867)	246,299	(56,265)	2,548,349
Dies, molds and tools	581,533	122,270	(10,765)	(328,579)	229,166	(2,011)	591,614
Vehicles	71,981	8,247	(13,377)	(19,875)	36,439	(662)	82,753
Other equipment	84,568	4,165	(5,336)	(32,346)	27,765	(2,258)	76,558
Construction-in -progress	234,858	743,392	-	-	(562,410)	(7,125)	408,715
	₩ 8,544,885	907,297	(79,698)	(692,097)	-	(116,846)	8,563,541

(d) As of December 31, 2011, KMS has a purchase commitment of EUR 40,472 thousand on property, plant and equipment for plant expansion.

(e) The capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Capitalized borrowing costs	₩ 24,436	2,809
Capitalization interest rate	4.47%	3.05%

10. Investment Property

(a) Details of investment property as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation and impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation and impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation and impairment loss	Carrying amount
Land	₩ 21,995	-	21,995	21,720	-	21,720	22,268	-	22,268
Buildings	37,634	3,529	34,105	35,950	907	35,043	-	-	-
	₩ 59,629	3,529	56,100	57,670	907	56,763	22,268	-	22,268

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(b) Changes in investment property for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

		Beginning balance	Depreciation	Other	Ending balance
Land	₩	21,720	-	275	21,995
Buildings		35,043	(1,105)	167	34,105
	₩	56,763	(1,105)	442	56,100

(c) Changes in investment property for the year ended December 31, 2010 are summarized as follows:

(In millions of won)

		Beginning balance	Depreciation	Reclassification	Other	Ending balance
Land	₩	22,268	-	-	(548)	21,720
Buildings		-	(922)	36,498	(533)	35,043
	₩	22,268	(922)	36,498	(1,081)	56,763

(d) The amount recognized in profit or loss from investment property for the years ended December 31, 2011 and 2010 are summarized as follows.

(In millions of won)

		2011	2010
Rental income	₩	3,779	3,943
Operating expense		1,894	1,977

(e) Land and buildings held for the purpose of earning rentals are classified as investment property. In addition, the fair value of investment property doesn't differ from its book value significantly as of December 31, 2011 and 2010.

11. Goodwill

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

(In millions of won)

		2011	2010
Beginning balance	₩	23,320	24,375
Increase due to business combination		14,045	-
Other increase(decrease)		(1,078)	(1,055)
Ending balance	₩	36,287	23,320

(b) Goodwill is allocated to each CGU(Cash Generating Unit) that is expected to benefit from each operating unit. The Company estimated the recoverable amount of CGU as its value in use calculated by discounting the future cash flows to be generated on the basis of business plan approved by CEO in five years. Cash flows expected to be generated after five years were estimated within the scope of not to exceed long term average growth rate of industry. As of both December 31, 2011 and 2010, the recoverable amount of each CGU is above its carrying amount therefore no impairment loss is recorded for goodwill..

12. Intangible Assets

(a) Details of intangible assets except for goodwill as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011			December 31, 2010			January 1, 2010		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Development costs	₩2,517,198	(1,189,923)	1,327,275	1,830,384	(611,043)	1,219,341	1,627,448	(565,280)	1,062,168
Industrial property rights	69,696	(26,947)	42,749	36,180	(13,471)	22,709	68,367	(45,918)	22,449
Software	144,691	(94,253)	50,438	122,250	(80,421)	41,829	98,402	(69,407)	28,995
Membership (*)	65,080	(6,096)	58,984	58,566	(5,161)	53,405	48,103	(4,778)	43,325
Other	2,745	(1,201)	1,544	2,337	(1,362)	975	177	(176)	1
	₩2,799,410	(1,318,420)	1,480,990	2,049,717	(711,458)	1,338,259	1,842,497	(685,559)	1,156,938

(*) Membership has indefinite useful lives and it has been tested for impairment annually by comparing its recoverable amount to its carrying amount.

(b) Details of changes in intangible assets for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposals	Amortization	Impairment losses	Other	Ending balance
Development costs	₩ 1,219,341	375,459	-	(267,593)	-	68	1,327,275
Industrial property rights	22,709	28,553	-	(9,488)	-	975	42,749
Software	41,829	25,963	(161)	(17,775)	-	582	50,438
Other	54,380	7,517	(353)	(375)	(935)	294	60,528
	₩ 1,338,259	437,492	(514)	(295,231)	(935)	1,919	1,480,990

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For the years ended December 31, 2011and 2010

(c) Details of changes in intangible assets for the year ended December 31, 2010 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposals	Amortization	Impairment losses	Other	Ending balance
Development costs	₩ 1,062,168	375,308	-	(217,898)	-	(237)	1,219,341
Industrial property rights	22,449	7,138	-	(6,626)	-	(252)	22,709
Software	28,995	25,451	(194)	(10,846)	-	(1,577)	41,829
Other	43,326	11,635	(163)	(18)	(383)	(17)	54,380
	₩ 1,156,938	419,532	(357)	(235,388)	(383)	(2,083)	1,338,259

(d) Details of research and development expenses for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Development costs	₩ 375,459	375,308
Test expenses (Manufacturing costs)	156,959	155,101
Test expenses (Selling and administrative expenses)	459,811	336,922
	₩ 992,229	867,331

13. Other Assets

(a) 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	January 1, 2010
OTHER CURRENT ASSETS:			
Accrued income	₩ 63,942	50,509	33,275
Prepaid expenses	62,462	132,584	126,078
Deposits provided	25,595	1,397	6,112
Derivative financial assets	3,520	8,855	18,016
Held-to-maturity investments	446	691	598
Other	1,868	813	4,784
	₩ 157,833	194,849	188,863

	December 31, 2011	December 31, 2010	January 1, 2010
OTHER NON-CURRENT ASSETS:			
Held-to-maturity investments	₩ 16,934	15,173	15,646
Long-term accounts and notes receivable - other	103,854	24,553	11,846
Long-term prepaid expenses	3,962	-	-
	₩ 124,750	39,726	27,492

14. Borrowings

(a) Short-term borrowings

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

(In millions of won)

	Lender	Annual interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Commercial paper loan	Shin-han Bank and others	-	₩ -	-	10,500
Usance bills	Korea Exchange Bank and others	1.08~1.68%	122,418	110,888	35,468
Trade bills	Korea Development Bank and others	0.66~5.50%	1,353,375	1,843,159	3,140,693
General loan and others	Citi Bank Slovakia and others	1.92~2.42%	112,617	202,487	721,208
			₩ 1,588,410	2,156,534	3,907,869

(b) Long-term debt

Long-term debt in local currency as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	Lender	Annual interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Facility loans	Korea Development Bank and others	4.11%	₩ 12,500	169,167	616,144
General loans	Kook-Min Bank	-	-	350,000	350,000
Other	Korea Development Bank and others	2.25~3.00%	6,239	6,993	157,687
			18,739	526,160	1,123,831
Less : current portion of long-term borrowing			(13,246)	(367,420)	(87,568)
			₩ 5,493	158,740	1,036,263

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Long-term debt in foreign currency as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	Lender	Annual interest rate	December 31, 2011	December 31, 2010	January 1, 2010
General loans	Korea Export and Import Bank and others	1.11~3.70%	₩ 528,677	338,819	64,218
Facility loans and others	SC First Bank and others	1.77~3.66%	631,368	1,126,972	1,746,576
			1,160,045	1,465,791	1,810,794
Less : current portion of long-term borrowing			(381,640)	(281,723)	(885,435)
			₩ 778,405	1,184,068	925,359

(c) The Company has pledged its land, buildings, machinery and equipments aggregation ₩ 439,055 million in aggregate as assessed by lenders as collateral for the short-term borrowings and long-term debt in local currency.

(d) Bonds

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

(In millions of won)

	Due	Annual interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Unsecured public debentures	2012.01.19~ 2017.11.24	4.02~8.60%	₩ 1,060,000	1,470,000	1,640,000
Unsecured private debentures	-	-	-	70,000	70,000
Secured private debentures	2012.12.14	5.06%	345,990	341,670	350,877
Unsecured foreign debentures	2014.02.25~ 2016.02.25	2.11~2.41%	518,985	-	502,284
Foreign public debentures	2016.6.14	3.63%	576,650	-	-
Bond with warrants (*)	2012.3.19	1.00%	279,376	279,623	280,042
Redemption premium			40,704	40,740	40,800
Stock warrant adjustments			(134)	(3,950)	(15,711)
			2,821,571	2,198,083	2,868,292
Less : discounts on debentures			(10,259)	(5,911)	(8,832)
Less : current portion of long-term borrowing			(1,115,000)	(779,533)	(871,774)
			₩ 1,696,312	1,412,639	1,987,686

(*) The number of shares issued upon the exercise of stock warrants for the year ended December 31, 2011 is 6,136,033 shares. The accumulated number of shares exercised and the remaining shares to be exercised are 56,760,001 shares and 1,374,465 shares, respectively, as of December 31, 2011.

15. 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	January 1, 2010
OTHER CURRENT LIABILITIES:			
Unearned income	₩ 2,048	16,935	29,262
Unpaid dividends	24	22	15
Guarantee received	2,256	692	-
Derivative financial liabilities	17,402	3,981	-
Others	30,781	9,837	-
	₩ 52,511	31,467	29,277

	December 31, 2011	December 31, 2010	January 1, 2010
OTHER NON-CURRENT LIABILITIES:			
Leasehold deposits received	₩ 18,533	19,639	15,442
Derivative financial liabilities	-	-	7,030
Long-term accounts and notes payable–other	2,076	2,050	2,101
Liability for payment guarantee	118	368	519
	₩ 20,727	22,057	25,092

16. Employee Benefits

(a) Details of defined benefit plan as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
DEFINED BENEFIT PLAN:			
Present value of defined benefit obligations	₩ 948,871	1,037,965	931,860
Fair value of plan assets	(674,271)	(973,230)	(743,018)
Defined benefit obligations	₩ 274,600	64,735	188,842

(b) The components of 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	January 1, 2010
Time deposits and others	₩ 674,271	973,230	743,018

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(c) The components of retirement benefit costs for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Current service costs	₩	191,916	179,870
Interest costs		48,177	51,438
Expected returns on plan assets		(32,685)	(32,565)
	₩	207,408	198,743

(d) The principal actuarial assumptions used as of December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Discount rate	4.86%	5.69%
Rate of inflation	3.00%	3.00%
Rate of expected return on plan assets	3.78%	4.06%
Rate of future salary increases (Including rate of inflation)	4.50%	5.00%

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

(In millions of won)

		2011	2010
Beginning balance	₩	1,037,965	931,860
Current service costs		191,916	179,870
Interest costs		48,177	51,438
Decrease due to transference between affiliates		(6,176)	(2,832)
Benefit paid by the plan		(426,226)	(214,814)
Actuarial losses in other comprehensive income		103,215	92,443
Ending balance	₩	948,871	1,037,965

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

(In millions of won)

	2011	2010
Beginning balance	₩ 973,230	743,018
Expected returns on plan assets	32,685	32,565
Contribution paid into the plan	-	339,642
Increase due to transference between affiliates	-	638
Benefit paid by the plan	(325,597)	(142,591)
Actuarial losses in other comprehensive income	(6,047)	(42)
Ending balance	₩ 674,271	973,230

17. Provisions for Warranties

The Company generally provides warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Also, the Company accrues potential expenses, which may occur due to change of fix component of any product or voluntary recall campaigns pending as of the end of the reporting period. In case the difference between the gross amount and present value of these liabilities is significant, the provision is discounted

Other provision are comprised of provision related to loss on lawsuit.

Changes in provision of warranties for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011			2010		
	Provision of warranty for sale	Other provision	Total	Provision of warranty for sale	Other provision	Total
Beginning balance	₩ 1,261,789	25,620	1,287,409	750,282	3,540	753,822
Increase	1,088,844	12,363	1,101,207	908,528	25,387	933,915
Usage	(708,128)	(5,588)	(713,716)	(431,475)	(2,709)	(434,184)
Increase due to business combination	1,997	-	1,997	-	-	-
Other increase (decrease)	(1,434)	(302)	(1,736)	34,454	(598)	33,856
Ending balance	₩ 1,643,068	32,093	1,675,161	1,261,789	25,620	1,287,409
Thereof non-current	₩ 1,144,463	27,713	1,172,176	782,170	23,336	805,506

18. Commitments and Contingencies

(a) The Company provides guarantees for certain customers' financing relating to long-term installment sales. The oustanding amount for which the Company has provided guarantees to the respective financial institutions is ₩ 9,377 million as of December 31, 2011. However, these guarantees are covered by insurance contracts in which the Company is the beneficiary of the claim amount if the customer defaults.

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(b) As of December 31, 2011, five blank promissory notes have been provided as collateral to financial institutions for the Company's debts.

(c) Claims for alleged damages, which arose in the ordinary course of business, total ₩ 202,358 million as of December 31, 2011. Management is of the opinion that the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows.

(d) In connection with long-term debt guaranteed by Hyundai Motor America, Inc. and Mobis America, Inc., Kia Motors Manufacturing Georgia, Inc. (KMMG) should pay guarantor fees calculated at a rate of 0.15% per annum on the outstanding debt balance of KMMG and paid biannually.

(e) On October 1, 2008, KMMG entered into an agreement with the West Point Development Authority to issue up to USD 1,100,000 thousand of taxable revenue bonds for a term through December 1, 2022, to fund the purchase of building, machinery and equipment. As of December 31, 2011, approximately USD 803,214 thousand of taxable revenue bonds, net of redemptions have been issued and sold to KMMG for these purchases.

(f) The Company acquired 5.23% of Hyundai Construction Co., Ltd.'s shares along with terms of a contract that the Company is prohibited from selling the shares, offering it as collateral or merge or split for two years from April 1, 2011, the date of acquisition. 939,407 shares of the Company, which is approximately 10% of the amount of acquisition, were deposited at escrow account for guarantee that the contract shall be carried out.

19. Derivative Financial Instruments and Hedge Accounting

(a) The Company has entered into derivative instrument contracts including forwards and options to hedge its foreign currency risk exposures. Details of derivative financial instrument contracts as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won and thousands of USD and EUR)

	Contract amounts			Fair value		
Derivative instrument	**December 31, 2011**	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Interest rate swaps	-	KRW 350,000	KRW 350,000	-	(3,767)	(6,805)
Interest rate and currency swaps	-	-	USD 55,000	-	-	11,829
Foreign currency forwards	USD 150,000	USD 210,000	USD 110,000	(7,314)	3,010	4,205
Foreign currency options	USD 810,000	USD 340,000	USD 210,000	(6,941)	1,616	1,757
	EUR 20,000	EUR 24,000	-	373	4,015	-

(b) The Company applied cash flow hedges to transactions expected to occur for the year ended December 31, 2011 and the amount of gain on valuation of derivatives before tax included in accumulated other comprehensive loss expected to be recognized as current income within the twelve months from December 31, 2011 is ₩ 7,314 million.

(c) The Company recognized the net income of ₩ 3,520 million and the net loss of ₩ 10,088 million as other income(loss) for the year ended December 31, 2011 on valuation of the ineffective portion of such instruments.

20. Equity

(a) The number of shares to issue, the number of shares issued and the par value of a share of the Parent Company are 820,000,000 shares, 403,990,456 shares and ₩ 5,000 as of December 31, 2011, respectively. 6,136,033 shares was issued by exercising the stock warrant of BW for the year ended December 31, 2011.

The Parent Company retired 10 million and 12.5 million shares of treasury stock on July 2, 2003 and May 28, 2004, respectively. Due to these stock retirements, the aggregate par value of issued shares differs from the common stock amount.

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

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Gain on valuation of available-for-sale financial assets	₩ 426,551	84,213	12,826
Effective portion of changes in fair value of cash flow hedges	(5,543)	(1,386)	(3,144)
Effective portion of changes resulting from the changes in currency exchange rate of non-derivative financial instrument	-	(6,664)	(59,129)
Change in capital adjustments-increase in gain of equity method accounted investments	170,534	130,721	105,044
Change in capital adjustments-increase in loss of equity method accounted investments	(94,807)	(80,995)	(145,455)
Foreign currency translation difference	(53,481)	(55,538)	-
	₩ 443,254	70,351	(89,858)

(c) Other equity as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Gain on retirement of capital stock	₩ 119,859	119,859	119,859
Other capital surplus	55,907	45,986	11,777
Treasury stock	(24,432)	(14,515)	(2,249)
	₩ 151,334	151,330	129,387

21. Retained Earnings

(a) 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	January 1, 2010
Legal reserve	₩ 72,400	52,500	42,800
Voluntary reserve	4,212,710	2,215,821	1,061,582
Unappropriated retained earnings	4,939,605	3,844,861	2,515,912
	₩ 9,224,715	6,113,182	3,620,294

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(b) Changes in retained earnings for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Beginning balance	₩	6,113,182	3,620,294
Profit attributable to owners of the Parent Company		3,415,577	2,682,119
Dividends		(198,738)	(96,999)
Defined benefit plan actuarial losses		(90,867)	(92,232)
Defined benefit plan actuarial losses of associates		(14,439)	-
Ending balance	₩	9,224,715	6,113,182

22. Earnings per Share

Details of calculating earnings per share for the years ended December 31, 2011 and 2010 are as follows:

(a) Basic earnings per share

(In won, except number of shares)

		2011	2010
Profit attributable to owners of the Parent Company	₩	3,415,577,661,691	2,682,119,787,707
Weighted-average number of common shares outstanding (*)		398,414,044	391,928,327
Earnings per share	₩	8,573	6,843

(*) The weighted-average number of common equivalent shares are calculated by averaging circulation period, and treasury stock is not included in the number of common equivalent shares.

(b) Diluted earnings per share

(In won, except number of shares)

		2011	2010
Profit attributable to owners of the Parent Company	₩	3,415,577,661,691	2,682,119,787,707
Adjustment:Interest expense of bond with warrant		5,700,195,723	7,253,763,336
Adjusted profit for the year		3,421,277,857,414	2,689,373,551,043
Adjusted weighted-average number of common shares outstanding		404,540,467	404,539,156
Diluted earnings per share	₩	8,457	6,648

Diluted earnings per share are calculated by dividing net income, as adjusted assuming all potentially dilutive stock options have been exercised, by the weighted-average number of common shares outstanding and common equivalent shares outstanding. The adjustment represents interest expense if the warrants were exercised, net of tax amount.

23. Dividends

(a) Details of dividends for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won, except shares and par value)

	2011	2010
Number of shares issued	403,990,456	397,854,423
Number of treasury stock	(378,116)	(378,116)
Number of dividend shares	403,612,340	397,476,307
Par value per share	₩ 5,000	5,000
Dividends as a percentage of par value	12%	10%
Dividend amount	₩ 242,167	198,738

(b) Dividends payout ratio for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won, except for ratio)

	2011	2010
Dividend amount	₩ 242,167	198,738
Profit attributable to owners of the Parent Company	3,415,577	2,682,119
Dividend payout ratio	7.09%	7.41%

(c) Dividend yield ratio for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won, except for ratio)

	2011	2010
Dividend per share	₩ 600	500
Market price as of year end	66,700	50,600
Dividend yield ratio	0.90%	0.99%

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

24. Selling, General and Administrative Expense

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

(In millions of won)

	2011	2010
SELLING EXPENSES:		
Advertising	₩ 1,205,120	969,530
Sales promotion	750,540	680,212
Warranty expenses	1,088,844	908,528
Freight	355,701	271,807
Overseas marketing and export expenses	1,051,112	885,843
	4,451,317	3,715,920
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries	579,543	530,353
Bonus	254,948	235,828
Accrual for retirement and severance benefits	60,155	57,162
Accrual for other long-term employee benefits	5,082	4,459
Other employee benefits	125,361	111,504
Travel	41,206	36,352
Communications	14,358	14,672
Utility expenses	12,887	12,376
Taxes and dues	22,597	22,013
Rent	53,568	55,778
Depreciation	62,624	58,315
Amortization	13,947	8,730
Bad debt expenses	1,763	5,911
Repairs and maintenance	18,835	18,492
Insurance premium	15,736	5,208
Entertainment expense	5,230	4,039
Maintenance fee for vehicles	25,158	23,026
Supplies and stationery	12,519	10,873
Information fees	2,002	1,919
Education and training	27,680	22,168
Commissions and fees	272,859	239,133
Test expenses	459,811	336,922
Others	13,707	20,583
	2,101,576	1,835,816
	₩ 6,552,893	5,551,736

25. Other Income and Expense

(a) Other income for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Rent	₩	14,464	12,795
Foreign exchange transaction gain		146,183	184,504
Foreign exchange translation gain		45,409	53,096
Gain on sale of property, plant and equipment		80,681	10,329
Gain on sale of intangible assets		483	-
Reversal of allowance for doubtful accounts		2,454	7,155
Other income		167,704	152,666
	₩	457,378	420,545

(b) Other expense for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Foreign exchange transaction loss	₩	207,511	149,851
Foreign exchange translation loss		65,551	61,106
Loss on disposal of accounts and notes receivable-trade		824	-
Donation		21,063	13,485
Loss on sale of property, plant and equipment		114,511	42,114
Impairment loss of intangible assets		935	383
Impairment loss of inventories		881	4,612
Other expenses		20,044	28,818
	₩	431,320	300,369

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For the years ended December 31, 2011and 2010

26. Finance Income and Finance Expense

Details of finance income and finance expense for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
FINANCE INCOME			
Interest income	₩	113,720	77,406
Foreign exchange transaction gain		55,852	92,471
Foreign exchange translation gain		3,413	18,734
Dividends income		3,597	2,076
Gain on valuation of derivative instrument		3,520	6,864
	₩	180,102	197,551

(In millions of won)

		2011	2010
FINANCE EXPENSE			
Interest expense	₩	192,494	289,752
Foreign exchange transaction loss		72,053	54,595
Foreign exchange translation loss		45,580	1,542
Loss on sale of available-for-sales financial assets		1	77
Impairment loss of available-for-sales financial assets		-	14
Loss on valuation of derivative instrument		10,088	213
	₩	320,216	346,193

27. Income Taxes

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

(In millions of won)

		2011	2010
Current tax expense	₩	539,085	274,626
Origination and reversal of temporary differences		751,881	359,505
Less:income tax recognized in other comprehensive income		(88,552)	(9,414)
Total income tax expense	₩	1,202,414	624,717

(b) Income tax (expense) benefit recognized directly in other comprehensive income for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011		2010
CURRENT TAX:				
Gain on sale of treasury stock	₩	(4,632)		-
Defined benefit plan actuarial gains		29,010		26,013
		24,378		26,013
DEFERRED INCOME TAX:				
Gains on valuation of available-for-sale financial assets		(112,429)		(20,134)
Gains on valuation of derivative instruments		(501)		(15,293)
		(112,930)		(35,427)
Income tax recognized directly in other comprehensive income	₩	(88,552)		(9,414)

Income tax related to gain on sale of treasury stock was recognized directly in other equity and income tax related to defined benefit plan actuarial gains/losses, gains/losses on valuation of available-for-sale financial assets and gains/losses on valuation of derivative instruments were recognized in other comprehensive income.

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

(In millions of won)

		2011	2010
Profit before income taxes	₩	4,721,650	3,323,047
Income tax using the Company's statutory tax rate (*)		1,002,275	612,112
Adjustment for:			
Non-taxable income		(14,452)	(76,279)
Non-deductible expense		30,655	29,471
Tax credits		(132,872)	(66,835)
Tax effect for gains/losses on investment of subsidiaries and associates		290,608	170,062
Others		26,200	(43,814)
Income tax expenses		1,202,414	624,717
Effective tax rate		25.47%	18.80%

(*) Calculated by multiplying each statutory tax rate of nations and profit before income taxes on non-consolidated financial statements.

(d) The Company set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

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For the years ended December 31, 2011and 2010

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

(In millions of won)

		Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩	24,873	(6,020)	-	18,853
Bed debts write-off		54,982	4,898	-	59,880
Accrued expenses		126,997	12,705	-	139,702
Provision of warranty for sale		163,276	128,225	-	291,501
Provision of other long-term employee benefits		37,680	10,066	-	47,746
Annual leaves		16,379	4,119	-	20,498
Revaluated land		(340,370)	(31,849)	-	(372,219)
Depreciation		(65,821)	(259,471)	-	(325,292)
Investment in subsidiaries and associates		(559,432)	(290,608)	-	(850,040)
Gains/Losses on sales of investment assets and others		760	(97,791)	-	(97,031)
Valuation of derivative instruments		2,271	-	(501)	1,770
Valuation of available-for-sale financial assets		(23,752)	-	(112,429)	(136,181)
Operating loss carryforward		68,234	(31,658)	-	36,576
Carryforwards of unused tax credits		296,303	(177,291)	-	119,012
Others		(12,869)	95,724	-	82,855
	₩	(210,489)	(638,951)	(112,930)	(962,370)

(f) Details of changes in deferred tax assets and liabilities for the year ended December 31,2010 are as follows:

(In millions of won)

		Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩	27,875	(3,002)	-	24,873
Bed debts write-off		56,409	(1,427)	-	54,982
Accrued expenses		64,787	62,210	-	126,997
Provision of warranty for sale		144,776	18,500	-	163,276
Provision of other long-term employee benefits		30,399	7,281	-	37,680
Annual leaves		14,261	2,118	-	16,379
Revaluated land		(340,370)	-	-	(340,370)
Depreciation		(122,239)	56,418	-	(65,821)
Investment of subsidiaries and associates		(389,370)	(170,062)	-	(559,432)
Gains/Losses on sales of investment assets and others		760	-	-	760
Valuation of derivative instruments		17,564	-	(15,293)	2,271
Valuation of available-for-sale financial assets		(3,618)	-	(20,134)	(23,752)
Operating loss carryforward		160,584	(92,350)	-	68,234
Carryforward of unused tax credits		372,860	(76,557)	-	296,303
Others		114,338	(127,207)	-	(12,869)
	₩	149,016	(324,078)	(35,427)	(210,489)

(g) As of December 31, 2011 the amount of total temporary differences related to investments of subsidiaries and associates which deferred tax assets and liabilities were not recognized, in the amount of ₩ 910,125 million and ₩ 1,705,693 million, respectively.

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For the years ended December 31, 2011and 2010

28. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Fluctuation of inventories	₩ (678,204)	969,783
Raw material and merchandise consumed	29,119,359	22,845,134
Employee benefits	3,235,328	2,896,824
Other employee benefits	529,119	438,753
Depreciation and amortization	990,800	928,407
Overseas marketing and export expenses	1,075,192	902,565
Sales promotion	750,540	680,212
Warranty expenses	1,088,844	908,528
Commission fees	336,464	337,038
Test expenses	616,770	492,023
Advertising	1,205,120	969,530
Freight	380,901	295,040
Rent	53,568	55,778
Utilities	251,431	209,376
Repairs and maintenance	105,247	79,926
Foreign exchange translation losses	65,551	61,106
Foreign exchange transaction losses	207,511	149,851
Loss on sale of property, plant and equipment	114,511	42,114
Others	675,122	495,484
	₩ 40,123,174	33,757,472

29. Cash Flows

(a) Details of cash flows from operating for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
PROFIT FOR THE YEAR	₩ 3,519,236	2,698,330
ADJUSTMENTS FOR:		
Interest expense	192,494	289,752
Interest income	(113,720)	(77,406)
Dividends income	(3,597)	(2,076)
Income tax expense	1,202,414	624,717
Depreciation	695,569	693,019
Amortization	295,231	235,388
Loss on sale of property, plant and equipment	114,511	42,114
Warranty expenses	1,088,844	908,528
Retirement and severance benefits	207,408	198,743
Other long term employee benefits	26,855	18,084
Employee compensation	19,140	36,244
Loss on foreign currency translations	111,131	62,648
Loss on valuation of derivative instruments	10,088	213
Gain on investment in associates	(1,336,618)	(981,661)
Gain on sale of property, plant and equipment	(80,681)	(10,329)
Gain on foreign currency translations	(48,822)	(71,830)
Gain on valuation of derivative instruments	(3,520)	(6,864)
Others	24,309	(18,428)
	2,401,036	1,940,856

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(In millions of won)

		2011	2010
CHANGES IN ASSETS AND LIABILITIES:			
Accounts and notes receivable-trade	₩	151,942	(243,454)
Accounts and notes receivable-other		304,462	(334,308)
Advance payments		(8,465)	(13,864)
Inventories		(703,739)	1,076,294
Other current assets		60,763	80,624
Other non-current assets		(92,704)	(18,633)
Accounts and notes payable-trade		44,155	1,038,643
Accounts and notes payable-other		(227,772)	596,495
Advances received from customers		(12,722)	(88,143)
Accrued expenses		369,200	(313,210)
Other current liabilities		7,770	815
Long-term advances received from customers		10,175	26,203
Payment of retirement benefits		(426,226)	(214,814)
Transference between affiliates, net		(6,176)	(2,832)
Benefit plan assets		325,597	(197,689)
Payment of long-term employee benefits		(9,606)	(10,298)
Payment of warranty expenses		(708,128)	(431,475)
Other non-current liabilities		(1,330)	(3,035)
		(922,804)	947,319
CASH GENERATED FROM OPERATIONS	₩	4,997,468	5,586,505

(b) Significant non-cash investing and financing activities for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010
Reclassification from investment in associates to available-for-sale financial assets	₩	295,449	6,202
Reclassification from buildings to investment property		-	36,498

30. Finance Risk Management

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (comprised of foreign exchange risk and interest rate risk). The treasury department monitors and manages the financial risk arising from the Company's underlying operations in accordance with the risk management policies and procedures authorized by the board of directors.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has transacted with customers before evaluating on their credit rating and have their collaterals to control customers on default.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management believes the Company maintains adequate sources of liquidity to settle short-term financial liabilities. In addition, based on periodic analysis of expected cash outflows, the Company also considers other alternatives, including seeking additional external financing or disposition of financial instruments for investment purpose, to mitigate liquidity risk.

(c) Market risk

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while manage and control on exposure to market risk within acceptable limits.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from high proportion of export in sales amount, which is denominated in foreign currencies. The Company's primary exposure is to the US dollar and Euro and the Company manages to minimize financial risk on fluctuations in foreign exchange in order to stabilize operating activities. The Company consistently evaluates on various foreign exchange risk according to the Company's own guideline for foreign exchange and transaction policy. If necessarily, the Company may enter into foreign currency forwards contracts to hedge its foreign currency risk and strictly limit on speculative transaction.

(ii) Interest rate risk

The Company's asset and liability is exposed to interest rate risk on deposits and loans. In order to minimize actual Interest cost, the Company continuously monitors current status of market interest rate, make a prediction on market data and reviews on method for borrowing and joining financial instruments on deposit. Also, the Company's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

(d) Management of capital risk

The fundamental goal of capital management is to maintain on financial structure. As for this to be maintained, the Company use debt ratio as indicator of capital management. The debt ratio is calculated as total liability divided by total equity.

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31. Risk Management of Financial Instruments

(a) Credit and counterparty risk

(i) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as of December 31, 2011, 2010 and January 1, 2010 are as follows:

(In millions of won)

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalent (*)	₩ 2,303,819	1,615,598	2,000,832
Accounts and notes receivable-trade	2,178,699	2,278,562	2,077,101
Accounts and notes receivable-other	432,453	748,366	442,292
Short-term financial instrument	1,630,000	1,298,268	489,428
Other current assets	95,371	62,265	62,785
Long-term financial instrument	21,033	4,013	5,065
Long-term available-for-sale financial assets	1,229,673	475,382	380,487
Guarantee deposit	173,156	193,328	156,620
Long-term accounts and notes receivable-trade	2,322	7,597	11,647
Other non-current assets	120,788	39,726	27,492
	₩ 8,187,314	6,723,105	5,653,749

(*) Cash on hand is excluded.

(ii) Loss on impairment

The carrying amount of trade account and notes receivable and other receivable divided by maturity as of December 31, 2011, 2010 and January 1, 2010 are as follows:

(In millions of won)

	December 31, 2011		December 31, 2010		January 1, 2010	
	Accounts and notes receivable-trade	Other receivable (*)	Accounts and notes receivable-trade	Other receivable (*)	Accounts and notes receivable-trade	Other receivable (*)
Not overdue	₩ 1,882,453	736,582	1,888,121	949,461	1,726,751	583,808
Past due less than 3 months	225,649	37,303	341,586	38,768	283,618	38,361
Past due 4 ~ 6 month	48,866	1,128	36,832	1,780	42,849	1,809
Past due 7 ~ 12 month	51,302	25,002	31,202	28,473	41,252	29,046
Past due over 12 month	98,870	24,300	107,278	37,245	103,074	35,003
	₩ 2,307,140	824,315	2,405,019	1,055,727	2,197,544	688,027

(*) Other receivables are comprised of other accounts and notes receivables, long-term other accounts and notes receivables, accrued income and guarantee deposits.

Changes in allowance for doubtful trade accounts and notes receivable and other receivables for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011		2010	
	Accounts and notes receivable-trade	Other receivable	Accounts and notes receivable-trade	Other receivable
BEGINNING BALANCE	₩ 118,860	37,574	108,796	37,882
Bad debt recovery	6,279	-	6,722	-
Recognition of impairment loss	(1,037)	(13,973)	-	-
IMPAIRMENT LOSS	62	1,366	4,852	427
Reversal of impairment loss	(2,454)	-	(3,615)	(3,540)
Others	4,409	348	2,105	2,805
ENDING BALANCE	₩ 126,119	25,315	118,860	37,574

(b) Liquidity risk

(i) Aggregate maturities of the Company's financial liabilities, including estimated interest, as of December 31, 2011 are summarized as follows:

(In millions of won)

	Within 1 year	1~5 year	Over 5 year	Total
Accounts and notes payable-trade	₩ 4,825,992	-	-	4,825,992
Accounts and notes payable-other	1,744,387	-	-	1,744,387
Accrued expenses	799,220	-	-	799,220
Bonds	1,200,122	1,767,182	103,783	3,071,087
Borrowings	2,045,960	622,457	205,749	2,874,166
Financial lease liabilities	6,943	25,044	-	31,987
Other current liabilities	52,511	-	-	52,511
Other non-current liabilities	-	20,727	-	20,727
	₩ 10,675,135	2,435,410	309,532	13,420,077

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(ii) Aggregate maturities of the Company's financial liabilities, including estimated interest, as of December 31, 2010 are summarized as follows:

(In millions of won)

	Within 1 year	1~5 year	Over 5 year	Total
Accounts and notes payable-trade	₩ 4,774,977	-	-	4,774,977
Accounts and notes payable-other	1,971,381	-	-	1,971,381
Accrued expenses	439,283	-	-	439,283
Bonds	866,196	1,487,892	-	2,354,088
Borrowings	2,932,202	1,086,196	314,026	4,332,424
Other current liabilities	31,467	-	-	31,467
Other non-current liabilities	-	22,057	-	22,057
	₩ 11,015,506	2,596,145	314,026	13,925,677

(c) Foreign exchange risk

The Company's capital and income (loss) would have been increased or decreased, if the foreign exchange rate against USD and EUR were higher. The Company assumes that interest rate fluctuates 10% at year ended period. Also, the Company assumes that others variables such as interest rate are not changed by sensitive analysis. The Company analyzed by the same method as used for last period and details for the effect on income before taxes are as follows:

(In millions of won)

	2011		2010	
	10% Up	10% Down	10% Up	10% Down
USD	₩ (86,354)	86,354	8,412	(8,412)
EUR	(31,217)	31,217	(32,203)	32,203

(d) Interest rate risk

Sensitivity analysis of interest expenses and interests income for the year from changes of interests rate for the years ended December 31, 2011 and 2010 are as summarized as follows:

(In millions of won)

	2011		2010	
	100 bps Up	100 bps Down	100 bps Up	100 bps Down
Interest income	₩ 21,183	(21,183)	13,852	(13,852)
Interest expense	16,728	(16,728)	24,905	(24,905)

(e) Fair value

(i) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as of December 31, 2011, 2010 and January 1, 2010 are summarized as follows:

(In millions of won)

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
LOANS AND RECEIVABLES:						
Cash and cash equivalent	₩ 2,304,169	2,304,169	1,615,879	1,615,879	2,001,225	2,001,225
Short-term financial instrument	1,630,000	1,630,000	1,298,268	1,298,268	489,428	489,428
Account and notes receivable-trade	2,178,699	2,178,699	2,278,562	2,278,562	2,077,101	2,077,101
Account and note receivable-other	432,453	432,453	748,366	748,366	442,292	442,292
Long-term account and notes receivable-trade	2,322	2,322	7,597	7,597	11,647	11,647
Other financial assets	389,448	389,448	274,613	274,613	217,702	217,702
	₩ 6,937,091	6,937,091	6,223,285	6,223,285	5,239,395	5,239,395
AVAILABLE-FOR- SALE FINANCIAL ASSETS:						
Long-term available-for-sale financial asset	₩ 1,229,673	1,229,673	475,382	475,382	380,487	380,487
HELD-TO-MATURITY INVESTMENTS:						
Held-to-maturity investments	₩ 17,380	17,380	15,864	15,864	16,244	16,244
DERIVATIVE FINANCIAL ASSETS:						
Currency forward(hedge)	₩ -	-	3,010	3,010	4,214	4,214
Currency option(hedge)	3,520	3,520	5,845	5,845	1,973	1,973
Currency swap	-	-	-	-	11,829	11,829
	₩ 3,520	3,520	8,855	8,855	18,016	18,016
LIABILITIES RECOGNIZED BY AMORTIZED COST:						
Accounts and notes payable-trade	₩ 4,825,992	4,825,992	4,774,977	4,774,977	3,770,207	3,770,207
Accounts and notes payable-other	1,744,387	1,744,387	1,971,381	1,971,381	1,375,593	1,375,593
Bonds	2,811,312	2,840,434	2,192,172	2,235,767	2,859,460	2,918,222
Debt	2,767,194	2,735,268	4,148,485	4,075,121	6,842,494	6,764,968
Financial lease liabilities	28,795	28,795	-	-	83,178	83,178
Other financial liabilities	822,109	822,109	461,686	461,686	808,889	808,889
	₩12,999,789	12,996,985	13,548,701	13,518,932	15,739,821	15,721,057
DERIVATIVE FINANCIAL LIABILITIES:						
Currency forward(hedge)	₩ 7,314	7,314	-	-	9	9
Currency option(hedge)	10,088	10,088	214	214	216	216
Interest rate swap(hedge)	-	-	3,767	3,767	6,805	6,805
	₩ 17,402	17,402	3,981	3,981	7,030	7,030

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

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

	December 31, 2011	December 31, 2010	January 1, 2010
Derivatives	3.22~3.30%	2.28~2.51%	1.98~2.01%
Debts and Bonds	3.41%	4.07%	4.22%

(iii) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as of December 31, 2011 are summarized as follows:

(In millions of won)

	Level 1	Level 2	Level 3	Total
AVAILABLE-FOR-SALE FINANCIAL ASSETS:				
Marketable securities	1,053,692	-	-	1,053,692
DERIVATIVE FINANCIAL ASSETS:				
Currency option	-	3,520	-	3,520
DERIVATIVE FINANCIAL LIABILITIES:				
Currency forward	-	7,314	-	7,314
Currency option	-	10,088	-	10,088

(*) Financial assets and liabilities carried at fair value by each valuation method are 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 or in indirectly
- Level 3: input for the asset or liability that are not based on observable market data

(f) Income and expense by financial instruments category for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011			2010		
	Finance income	Finance expense	Other comprehensive income	Finance income	Finance expense	Other comprehensive income
Loans and receivables	₩ 112,889	-	-	76,600	-	-
Available-for-sale financial assets	3,597	1	342,338	2,076	91	71,387
Held-to-maturity investments	831	-	-	806	-	-
Liabilities recognized by amortized cost	59,265	310,127	-	111,205	345,889	-
Derivative financial instruments	3,520	10,088	2,507	6,864	213	54,223
	₩ 180,102	320,216	344,845	197,551	346,193	125,610

32. Transactions and Balances with Related Companies

(a) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011		2010	
	Sales and others	Purchase and others	Sales and others	Purchase and others
Associates	₩ 1,352,171	9,083,582	913,799	6,775,629
Others	3,933,133	9,947,863	3,371,417	8,018,893
	₩ 5,285,304	19,031,445	4,285,216	14,794,522

(b) Account balances with related companies as of December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011		2010	
	Accounts receivable and others	Accounts payable and others	Accounts receivable and others	Accounts payable and others
Associates	₩ 196,993	1,383,859	142,568	1,261,059
Others	257,297	1,682,812	638,240	1,827,497
	₩ 454,290	3,066,671	780,808	3,088,556

(c) Executive compensation of the Parent Company for each of the following categories for the year ended December 31, 2011 are summarized as follows:

(In millions of won)

	2011
COMPENSATION	
Salaries	₩ 44,644
Provision for retirement and severance benefits	10,904

(d) Details of guarantee which the Company has provided for related companies as of December 31, 2011 are summarized as follows:

(In thousands of foreign currency)

Relative	Company	Type of borrowings	Lender	Period	Amount
Associates	Dongfeng Yueda Kia Motors Co., Ltd	Plant construction loan	Dong-a bank, Beijing and others	2007.2.8 ~ 2012.2.7	RMB 117,930
			Citibank, Shanghai and others	2006.12.27 ~ 2012.2.9	USD 60,000
	Hyundai Card Co., Ltd.	Guarantee	GE Capital Korea	2010.8.4 ~ 2013.8.4	USD 30,000

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(e) Assets pledged as collateral for related companies as of December 31, 2011 are summarized as follows:

(In millions of won)

Assets	Related party		Book value	Lender
Land	Hyundai Powertech Co., Ltd.	₩	60,041	The Korea Development Bank

33. Business Combinations

(a) KMIT

(i) Establishment of subsidiary and business combination

The Company established a 100% owned subsidiary, Kia Motors Company Italy S.r.l (KMIT), during the year ended December 31, 2011. KMIT acquired certain business from the sales department of Koeliker S.P.A.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

(In millions of won)

		2011
Property, plant and equipment	₩	12,415
Inventory		34,706
Trade account and note receivable		97,227
Cash and Cash equivalent		18,226
Other assets		13,827
Trade account and note payable		(36,982)
Borrowing		(105,764)
Provision		(1,997)
Other liabilities		(1,937)
Net assets	₩	29,721

(ii) Goodwill was recognized as a result of the acquisition as follows:

(In millions of won)

		2011
Total consideration transferred	₩	43,766
Fair value of net assets		(29,721)
Goodwill	₩	14,045

(b) KMMG

The Company acquired 50% non-controlling interests of KMMG from Hyundai Motor America(30%) and Mobis America Inc.(20%) for this year and treated it as equity transactions. The acquisition cost over carrying amount of non-controlling interests has been reflected in other capital.

(In millions of won)

		2011
Total consideration transferred	₩	379,362
Carrying amount of non-controlling interest		376,091
Other capital	₩	3,271

34. Transition to Korean International Financial Reporting Standards ("K-IFRS")

As stated in note 2 to the consolidated financial statements, these are the Company's consolidated financial statements prepared by the K-IFRS annual financial statements in accordance with K-IFRS No. 1101, *First-time Adoption of Korean International Financial Reporting Standards.*

The accounting policies in note 3 to the consolidated financial statements have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010 and the preparation of an opening statements of financial position under K-IFRS as of January 1, 2010.

(a) K-IFRS No.1101 permits those companies adopting K-IFRS for the first time certain exemptions from the full requirements of K-IFRS in the transition period. The Company has taken the following key exemptions:

(i) Business combinations prior to the date of transition are not restated.

(ii) The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset after the date of transition to K-IFRS.

(iii) The Company measures land at deemed cost which is the K-GAAP revaluation amount at the date of transition to K-IFRS.

(iv) Investments in associates are measured at deemed costs which are the K-GAAP carrying amount of the investment for unlisted companies and the fair value of the investment for listed companies at the date of transition to K-IFRS.

(v) The Company regards the accumulated translation difference of overseas operating as zero ("0").

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

(b) Reconciliation of equity in accordance with K-GAAP to equity in accordance with K-IFRS

(i) The effect of the change to K-IFRS on the consolidated statements of financial position as of January 1, 2010 is as follows:

(In millions of won)

	Total asset	Total liability	Total equity	Reference
K-GAAP ADJUSTMENT:	₩ 25,962,876	18,658,782	7,304,094	
ADJUSTMENT:				
Investment in associates	35,800	-	35,800	①
Defined benefit obligation	-	(139,038)	139,038	②
Employee benefit	-	202,998	(202,998)	③
Loss on impairment & allowance for doubtful financial assets	11,529	-	11,529	④
Re-classification	(3,323)	(3,323)	-	⑤
Recognition of liabilities for payment guarantees	475	519	(44)	⑥
Derecognition of financial instruments	352,058	345,092	6,966	⑦
Change the method of recognizing provision of warranty	-	(9,921)	9,921	⑧
Changes in scope of consolidation	(2,012,703)	(1,689,335)	(323,368)	
Effect from adoption of K-IFRS of subsidiaries	535,429	-	535,429	
Deferred income tax liabilities	(29,544)	(16,761)	(12,783)	⑨
	(1,110,279)	(1,309,769)	199,490	
K-IFRS	₩ 24,852,597	17,349,013	7,503,584	

(ii) The effect of the change to K-IFRS on the consolidated statements of financial position, net income and comprehensive income as of and for the year ended December 31, 2010 is as follows:

(In millions of won)

	Total asset	Total liability	Total equity	Net income	Comprehensive income	Reference
K-GAAP	₩ 27,593,159	17,387,961	10,205,198	2,842,199	2,916,346	
ADJUSTMENT:						
Investment in associates	52,212	-	52,212	(38,891)	52,212	①
Defined benefit obligation	(767)	(122,839)	122,072	75,520	(42,727)	②
Employee benefit	-	245,722	(245,722)	(16,963)	(16,963)	③
Loss on impairment & allowance for doubtful financial assets	8,684	-	8,684	(2,845)	(2,845)	④
Re-classification	(5,863)	(1,803)	(4,060)	(4,060)	(4,060)	⑤
Recognition of liabilities for payment guarantees	336	368	(32)	10	10	⑥
Derecognition of financial instruments	403,939	373,514	30,425	23,459	23,459	⑦
Change the method of recognizing provision of warranty for sale	-	9,204	(9,204)	(19,255)	(19,255)	⑧
Capitalization of finance costs	2,809	-	2,809	2,809	2,809	
Changes in scope of consolidation	(2,290,018)	(1,826,855)	(463,163)	(163,381)	(167,493)	
Effect from adoption of K-IFRS of subsidiaries	607,777	-	607,777	(29,179)	(10,625)	
Deferred income tax liabilities	(97,124)	(38,245)	(58,879)	28,907	28,907	⑨
	(1,318,015)	(1,360,934)	42,919	(143,869)	(156,571)	
K-IFRS	₩ 26,275,144	16,027,027	10,248,117	2,698,330	2,759,775	

① Investments in associates

In accordance with K-GAAP, investments in associates were accounted for by using the equity method of accounting. In accordance with K-IFRS, these are reclassified as the investments in associates are accounted for under the cost method of accounting.

② Retirement benefit obligations

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current salary rates and length of service when they leave the Company. In accordance with K-GAAP, the Company's estimated liability under the plan which would be payable if all employees left on the end of reporting date is accrued in the statements of financial position. In accordance with K-IFRS, the Company uses the projected unit credit method by way of an actuarial valuation method to determine the present value of its defined benefit obligations.

③ Employee benefits: accumulating compensated absence and bonus

According to the K-IFRS, the Company recognizes the expected cost of short-term employee benefits in the form of compensated absence as a liability, when employees render service that increases their entitlement to future compensated absences.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011and 2010

④ Impairment and uncollectibility of financial assets

In accordance with K-GAAP, allowances for the receivables were influenced by tax requirements and practice. However, in accordance with K-IFRS, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

⑤ Reclassification of guarantee deposits for membership

In accordance with K-GAAP, guarantee deposits for membership recognized as other non-current assets are recorded in intangible assets as rights to facility usage with indefinite useful lives.

⑥ Recognition of liabilities for payment guarantees

The Company recognized the obligations for guarantees for which the contracts requires to compensate the holders' losses due to the debtors inability to repay the debt instruments to holders as financial liabilities in accordance with K-IFRS.

⑦ De-recognition of financial assets and financial liabilities

With regard to trade receivables with customer credit contracts, trade receivables were derecognized at the point of the collection from lenders in accordance with K-GAAP. However, in accordance with K-IFRS, trade receivables with customer credit contracts were derecognized at the point of the collection from debtors.

⑧ Change the method of recognizing liability of warranty for sale

The Company applied the rate used at first recognition when they needed to estimate provision of warranty for sale under K-GAAP, however, in accordance with K-IFRS the Company applies a rate as of the settlement date to estimate it.

⑨ The effect of income tax

In accordance with K-GAAP, it is required that deferred tax assets and liabilities be classified as current or non-current. However, K-IFRS does not specify whether the Company should distinguish current and non-current portions of deferred tax assets and liabilities. In addition, the tax effects of the above adjustments arising from differences between K-GAAP and K-IFRS have been reflected in the financial statements.

(c) Accounts taken into calculating 'Operating Income' are changed upon applying K-IFRS. The amounts of change for the years ended December 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Operating income according to classification of K-GAAP	₩	3,499,088	2,369,852
Adjustment (*)		26,058	120,176
Operating income according to classification of K-IFRS	₩	3,525,146	2,490,028

(*) Gains (losses) on sale of property, plant and equipment, miscellaneous income (loss), which were not part of 'Operating Income' under K-GAAP, are taken into calculating 'Operation Income' under K-IFRS. In addition, foreign exchange translation gains (losses) and foreign exchange transaction gains (losses), which were not part of 'Operating Income' under K-GAAP, are reclassified into 'Other Income (Expense)', which are part of 'Operating Income' under K-IFRS or 'Finance Income (Expense)', which are not, respectively, depending on a nature of incurred events or transactions.

(d) Explanation of material adjustments to the consolidated statements of cash flows

In accordance with K-IFRS, interest paid, interest received, dividends received and income tax paid were shown separately on the consolidated statements of cash flows.

Except for explanation above, there are not other significant differences between cash flow in accordance with K-IFRS and cash flow in accordance with K-GAAP.

PRODUCT LINE-UP



Ray



WINDOW TO YOUR NEW LIFESTYLE

The Ray is a new concept mini CUV with attractive style featuring a unique exterior look and premium interior design. Its B pillar-less structure and sliding doors enable an open and efficient use of space. Moreover, a choice of a 1.0 gasoline or bi-fuel engine ensures customer satisfaction is guaranteed. The Ray transcends the quality of existing mini CUVs with the addition of advanced safety and convenience features such as six airbags and a heated steering wheel.

picanto • morning



ALL IN SMALL

The moment you take the wheel of the Kia Picanto your eyes will widen and your pulse will quicken. From sassy styling to comfort and safety features, Kia has thought of everything. The Picanto is an eye-catcher; a well-dressed, sporty ride that perfectly balances cutting-edge design, technical innovation and the pure, simple joy of driving.

Rio • PRIDE



THE CAR POWERED BY PASSION

The Rio doesn't just stand out from the competition, it stands out – period. Outside, it cuts a jaunty, fun-loving profile. Inside, you are immersed in a private oasis that soothes your senses. The Rio carries you away in its calm embrace, enveloping you in a private world, a personal space. The five-door model is a particularly excellent combination of value, sophistication and practicality, giving it broad market appeal.

cee'd



RESPONDS TO YOUR LIFE

The cee'd is an all around delight; an experience that challenges all preconceptions. Built for the senses, the cee'd springs forward in a lively color palette that commands attention. But once you get behind the wheel, you feel yourself melting into a finely crafted cockpit that removes all stress from the driving experience.

FORTE • CERATO



FULL-FEATURED LINE-UP

The Forte features incredible improvements in power output that resulted from installing a GDI engine and six-speed automatic transmission. The Forte lineup includes a sedan, coupe and hatchback, providing top-level luxury and efficiency for a compact vehicle.

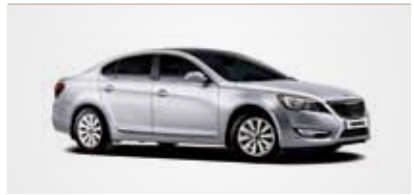
FORTE • CERATO KOUP



IRRESISTIBLE FASCINATION

The Forte Koup is a sporty two-door differentiated from its sedan sister in terms of its dynamic and sporty looks, optimal size befitting a coupe bodystyle, top-notch engine performance and safety, and numerous cutting-edge convenience features. Beauty and the sense of speed come together based on the design concept of the simplicity of the straight line.

CADENZA • K7



ART OF LIGHT AND LINES

As Kia Motors' first product to be released using the company's newly-developed semi large-size platform, the Cadenza is known for its luxurious styling, in which the 'light' and the 'lines' stand boldly out, while its top-end power performance provides an exhilarating driving experience. The 2012 model year features innovations that improve safety and comfort, while reducing road noise.

OPTIMA • K5



SENSIBLE SOLUTION

The dynamic front and rear architecture of the Optima signal the many satisfying changes that Kia has introduced to the mid-size sedan category. A passionate car that loves the road, the Optima is grand when you want it to be, but sporty and fun when you feel like dressing down.

SOUL



THE DEFINITION OF DESIGN

The Soul is the pioneering work of our design-centered management strategy. The recently refreshed version features the addition of stylish touches to its signature look in additional to premium conveniences such as a button-start ignition and electronic mirrors to expand its commercial appeal.

VENGA



THE VERSATILE VENGA

The Venga is a car designed exclusively for the European market. We began with the observation that other companies' MPVs sacrificed too much style with their singular focus on functionality. Our designers applied Kia's signature grille to the front profile, expanded the window coverage and carved out a panoramic sunroof to flood the cabin with natural light. The result is a new-concept city-styled MPV that showcases the innovation and inspiration driving Kia's success.

AMANTI • OPIRUS



EXPERIENCE THE NEW KIA

One look at the Opirus is all it takes. Sleek, well-balanced and equally comfortable in the executive lot or cruising down Main Street on Saturday night. The Opirus' silhouette may be scientifically aerodynamic, but its detailing is old-school class. Coast to coast, Opirus slices through the air like a jet with smooth acceleration, impressive top speed and surprising fuel economy.

SPORTAGE



TRENDSETTER OF URBAN MOBILITY

The Sportage offers you a new start. Part car, part SUV, part MPV and all style, the Sportage was designed for a single purpose: to help you breeze through the challenges of daily life. Whether you need to move people or cargo, the Sportage's versatile features open up new lifestyle possibilities for work and play, taking you effortlessly anywhere your heart desires.

SORENTO



ALL-NEW HIGHLINE CRUISER

The Sorento is built for urban living but created by designers who have drawn on their deep-seated understanding of off-road driving. While it features a dynamic design that enhances city life, the Sorento is a robust, masculine and capable off-road vehicle. Its modern design, comfort factor and sophisticated feel on the road encourage you to look beyond traditional capabilities.

BORREGO • MOHAVE



INSPIRING PERFORMANCE

Inspired by the harsh beauty of the desert, the Mohave has the power to tame nature's furies. Designed in our labs and tested in the wild, the Mohave is for drivers who refuse to stay within the lines. We invite you to push its capabilities to the limit and see why the Mohave has truly earned its name.

RONDO • CARENS



A SPACE ALL YOUR OWN

Completely refurbished with an all-new eye-catching body shell, the Rondo combines the muscle of an SUV with the roominess of an MPV. Outfitted with a robust bumper, elegant side moldings and expansive hood, the Carens' creative adaptation of an MPV face with sporty SUV styling cues is complemented by a larger wheelbase to offer a total package that will stop the competition in its tracks.

SEDONA • CARNIVAL



PLEASURE OF LIFE

Stylish, durable, sophisticated. The Sedona cuts a classy figure as the only MPV that truly finds the right mix between luxury and convenience – and it's also a pure joy to drive. Kia innovation brings you the modern fusion of a high-end sedan and multipurpose utility vehicle.

CORPORATE HISTORY

1940's ~ 1960's

1944. 12 Kyungsung Precision Industries Ltd. founded

1952. 03 Production of Korea's first bicycle ('Samcheonri')

1962. 01 Korea's first truck, the K-360, introduced

1970's ~ 1980's

1973. 06 Sohari Plant opened

08 Launch of Brisa, Korea's first passenger car

1975. 05 First export of completely built cars

1981. 08 Bongo, Korea's first multi-purpose car, introduced

1987. 03 Pride passenger car produced

1989. 07 Hwasung factory completed

1990's ~ 2000

1992. 10 Kia Motors America (KMA) established

1993. 07 World's first compact SUV, Sportage, introduced

1995. 02 Kia Motors Europe (KME) established

1998. 01 Carnival (Sedona), Korea's first minivan, introduced

2006. **10** Ground-breaking ceremony for U.S plant held in Georgia, U.S.A.

2007. **04** Construction of Slovakia plant completed

12 Mass-production commences at Yancheng 2nd Plant, China

2008. **01** Mohave (Borrego) premium SUV introduced

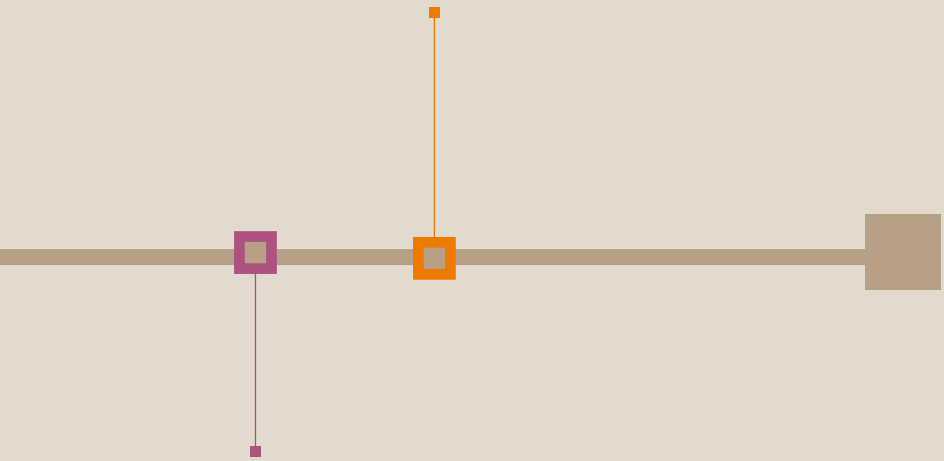
06 Completion of Kia Design Center America

08 Forte (all-new Cerato) compact sedan introduced

09 Soul introduced

11 Design Management Award received from Korean Design Awards

2006 ~ 2011



2000 ~ 2005

2002. **02** Sorento introduced

04 Surpassed 10 million units in cumulative production

11 Tianlima mass-produced at Kia Motors' Chinese plant / Kia's 10 millionth vehicle produced / Sorento introduced in China / Regal introduced / Ceremony to launch mass-production of the first / TianLima sedan with Dong Feng Train Group of China

2003. **03** Sales in the U.S. surpass 10 million units / Opirus (Amanti) premium large-size sedan launched

2004. **08** New Sportage introduced

2005. **03** Kia's 5 millionth vehicle for export produced

04 New Pride (Rio) introduced

07 Grand Carnival (Sedona) introduced

2009. **03** Soul received the Korean auto industry's first red dot Design Award / 'EcoDynamics' green brand announced

04 Sorento R premium CUV introduced

06 Forte Koup introduced

07 Forte Hybrid LPi introduced

11 K7 (Cadenza) semi large-size luxury sedan introduced

12 Venga received iF Design Awards

2010. **02** Construction of Georgia plant in the US completed

03 Venga honored with red dot Design Award

Progressive, urban-style CUV, Sportage R launched / Sponsorship for the Union of European Football Associations (UEFA) extended to 2017

04 K5 (Optima) innovative medium-size sedan introduced

06 Gwangju plant awarded Plant Quality Award from J.D. Power

07 Sportage ranked first in the U.S. in terms of residual value

08 Forte GDI introduced

10 PoP, Kia's eco-friendly electric concept car introduced

12 Optima (K5) and Sportage win the iF Product Design Award

Annual production and sales surpassed 2 million units per year

2011. **01** All-new Morning launched

02 Forte Eco Plus launched

03 Optima (K5) wins the Best of the Best from the red dot Design Award, a first for a Korean automotive company

Cumulative export volume reached over 10 million units

05 Optima (K5) Hybrid launched

06 Soul GDI launched

11 Picanto (Morning) wins the iF Product Design Award

BOARD OF DIRECTORS

Hyoung-Keun Lee	• Currently, Vice Chairman, Kia Motors Corp. • President, Kia Motors Corp.
Sam-ung Lee	• Currently, President, Kia Motors Corp. • Executive Vice President, Kia Motors Corp.
Euisun Chung	• Currently, Vice Chairman, Hyundai Motor Company • President, Kia Motors Corp. • Deputy Head of Hyundai-Kia Planning Division
Han-Woo Park	• Currently, Executive Vice President / CFO, Kia Motors Corp. • Executive Vice President, Hyundai Motor Company
Hyun-Kook Hong	• Currently, Vice Chairman, Gaduk Tax Consulting Associates • Auditor of NTS (National Tax Service) • Director of Regional NTS in Daegu
Dong-Sung Cho	• Currently, Professor of Business Administration, Seoul National University • Dean of the College of Business Administration, Seoul National University • Regional Chairperson of the Academy of International Business
Keon-Soo Shin	• Currently, Attorney at law, KCL (Kim, Choi & Lim) • Chief Prosecutor, Criminal Department, Seoul High Prosecutor's Office • Chief Prosecutor, Public Trial Department, Seoul High Prosecutor's Office
Doo-Hee Lee	• Currently, Professor of Business Administration, Korea University • Currently, Dean of the Institute of International Education, Korea University • Currently, President of APAIE (Asia-Pacific Association for International Education)
Won-Joon Kim	• Currently, Advisor at Kim & Chang Law Firm • Executive Director of Market Oversight at the Fair Trade Commission

(Update as of March 23, 2012)

CONTACT INFORMATION

For more information on Kia Motors, please visit
www.kia.com / www.kmcir.com

GLOBAL NETWORK

OVERSEAS PLANTS

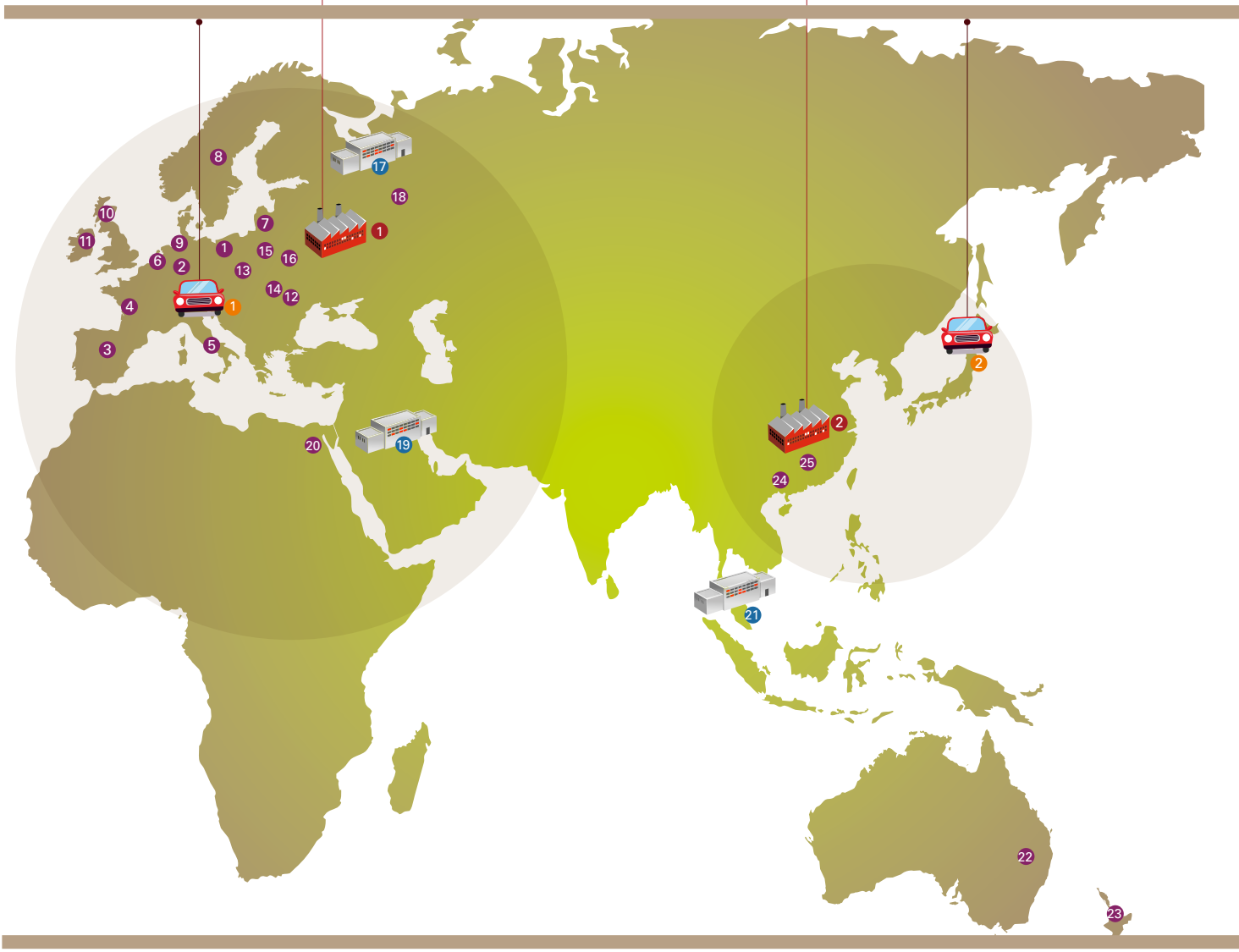
Kia Motors Slovakia
(Europe)

Dongfeng Yueda Kia Motors Corp.
(China)

R&D CENTERS

Europe Technical Center/ Kia Design Center
(Europe)

Japan R&D Center
(Asia/Pacific)



OVERSEAS SALES SUBSIDIARIES & REGIONAL HQs

Europe

1. Kia Motors Europe
2. Germany
3. Spain
4. France
5. Italy
6. Belgium
7. Poland
8. Sweden
9. Netherlands
10. UK
11. Ireland
12. Kia Motors Central Europe
13. Austria
14. Hungary
15. Czech
16. Slovakia
17. Eastern Europe/ CIS Regional HQ
18. Russia

Africa/Middle East

19. Middle East/Africa Regional HQ
20. Egypt Office

Asia Pacific

21. Asia Pacific Regional HQ (Asia Office)
22. Australia
23. New Zealand

China

24. China Completed Car Sales HQ
25. Dongfeng Yueda Kia Motors

North America

26. USA
27. Canada

South America

28. Central & South America Regional HQ
29. Chile Office



OVERSEAS PLANTS

Europe

❶ Kia Motors Slovakia

China

❷ Dongfeng Yueda Kia Motors Corp.

– No. 1 Plant
– No. 2 Plant

North America

❸ Kia Motors Manufacturing Georgia

R&D CENTERS

Europe

❶ Europe Technical Center
Kia Design Center

Asia Pacific

❷ Japan R&D Center

North America

❸ America Technical Center

❹ Kia Design Center America

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