ANNUAL REPORT
2012

KIA MOTORS

CONTENTS

Financial Highlights 04
2012 at a Glance 05
Chairman's Message 06
Vice Chairman's Message 08
Group Core Values 10
Company Vision 11

Our Performance

Domestic Business Performance 14
Overseas Business Performance 16
Global Awards List 20

Our Strengths

Design Management 24
Branding 28
Marketing 30
2012 New Models 32

Our Future

Corporate Social Responsibility 36
Research & Development 38
Global R&D Network 42
Eco-friendly Models & Concept Cars 44

Financial Review 46
Product Line-up 106
Company History 108
Global Network 110
Board of Directors 112

Despite challenging market conditions,
Kia Motors delivered strong operating
performance in 2012, driving to
A Different Beat for the future of mobility.
We have achieved ***Vibrant Growth*** Page 12,
further differentiated ourselves
from our competitors through
Distinctive Creativity Page 22,
and made a ***Reliable Move*** Page 34
toward a better tomorrow.

In the following pages, we report on the year 2012
in more detail, and show how our spirit of
A Different Beat has translated into financial
returns and other tangible results for our stakeholders.

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008
Consolidated Statement of Financial Position* (KRW in millions)					
Total Assets	**32,398,314**	**30,255,179**	**26,275,144**	**25,962,876**	**25,583,550**
Cash Items (Liquidity)	4,270,539	3,934,169	2,914,146	2,792,286	1,408,847
Current Assets	**11,139,430**	**11,075,187**	**9,763,671**	**11,208,990**	**11,709,967**
Total Liabilities	**15,550,252**	**16,745,469**	**16,027,027**	**18,658,782**	**19,763,966**
Short-term Debt	1,404,947	3,104,071	3,585,210	3,752,210	6,751,183
Current Liabilities	**10,000,239**	**11,421,924**	**11,627,539**	**12,910,209**	**13,692,654**
Long-term Debt	2,471,132	2,503,230	2,755,446	6,192,950	5,586,300
Total Debt	3,876,079	5,607,300	6,340,656	9,945,160	12,337,483
Net Debt	(394,460)	1,673,132	3,426,510	7,152,874	10,928,636
Total Stockholders' Equity	**16,848,062**	**13,509,709**	**10,248,117**	**7,304,094**	**5,819,584**
Total Liabilities & Stockholders' Equity	**32,398,314**	**30,255,179**	**26,275,144**	**25,962,876**	**25,583,550**
Liability-to-Equity Ratio	**92.3%**	**124.0%**	**156.4%**	**255.5%**	**339.6%**
Debt-to-Equity Ratio	**23.0%**	**41.5%**	**61.9%**	**136.2%**	**212.0%**
Net Debt-to-Equity Ratio	**(2.3%)**	**12.4%**	**33.4%**	**97.9%**	**187.8%**
Consolidated Statement of Income* (KRW in millions)					
Revenue	**47,242,933**	**43,190,942**	**35,826,955**	**29,257,392**	**22,217,661**
Cost of Sales	**36,536,005**	**33,138,961**	**27,905,367**	**22,769,058**	**17,560,181**
Cost of Sales (%)	77.3%	76.7%	77.9%	77.8%	79.0%
Gross Profit	**10,706,928**	**10,051,981**	**7,921,588**	**6,676,148**	**4,657,480**
Operating Profit	**3,522,251**	**3,499,088**	**2,369,852**	**1,195,206**	**664**
Margin (%)	7.5%	8.1%	6.6%	4.1%	0.0%
Pretax Profit	**5,164,056**	**4,721,650**	**3,323,048**	**1,220,714**	**(297,044)**
Net Profit	**3,864,704**	**3,519,236**	**2,698,331**	**1,020,632**	**(105,966)**
Margin (%)	8.2%	8.1%	7.5%	3.5%	(0.5%)
Consolidated Statement of Cash Flows* (KRW in millions)					
Cash Flows from Operating Activities	4,345,425	4,745,189	5,272,537	4,306,926	(408,449)
Cash Flows from Investing Activities	(2,842,577)	(2,630,548)	(2,296,053)	(1,739,819)	(1,958,906)
Cash Flows from Financing Activities	(1,810,114)	(1,440,956)	(3,343,298)	(1,796,307)	2,494,448
Cash and Cash Equivalents, Beginning of Year	2,304,169	1,615,879	2,001,225	1,268,631	1,036,288
Net Increase (Decrease)	(400,860)	688,290	(385,346)	1,032,510	232,343
Cash and Cash Equivalents, End of Year	1,903,309	2,304,169	1,615,879	2,301,141	1,268,631
Credit Rating					
Korea Ratings	AA+	AA	AA	AA-	AA-
Moody's	Baa1	Baa2	Baa3	Ba1	Baa3
S&P	BBB+	BBB	BBB	BBB-	BBB-

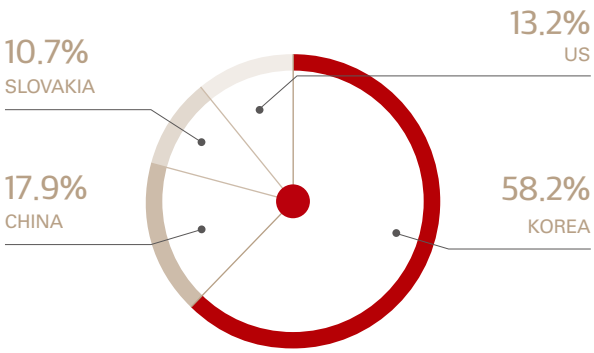
* Consolidated data based on K-GAAP for 2008~2009 and K-IFRS for 2010~2012

2012 AT A GLANCE

	2012	2011	2010	2009	2008
Production (Unit: Thousand units)					
Total	**2,724**	**2,542**	**2,139**	**1,531**	**1,395**
Korea	1,586	1,584	1,417	1,137	1,055
Overseas	1,138	959	722	394	340
Global Retail Sales (Unit: Thousand units)					
Total	**2,709**	**2,478**	**2,088**	**1,651**	**1,375**
Korea	481	492	483	411	315
Overseas	2,228	1,986	1,605	1,239	1,059

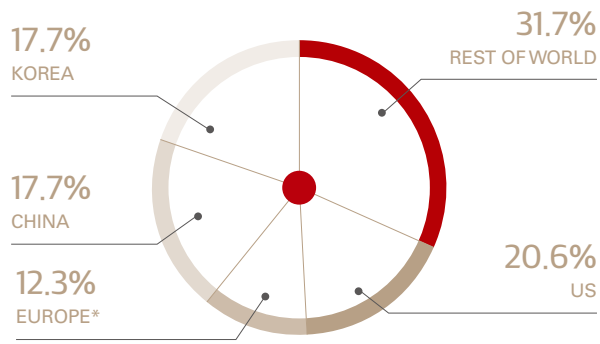
Production Breakdown by Region

(Unit: %)



Retail Sales Breakdown by Region

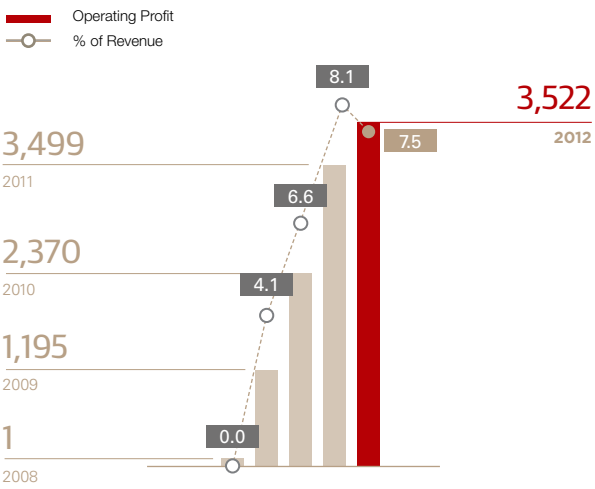
(Unit: %)



* Europe = EU+EFTA countries

Operating Profit*

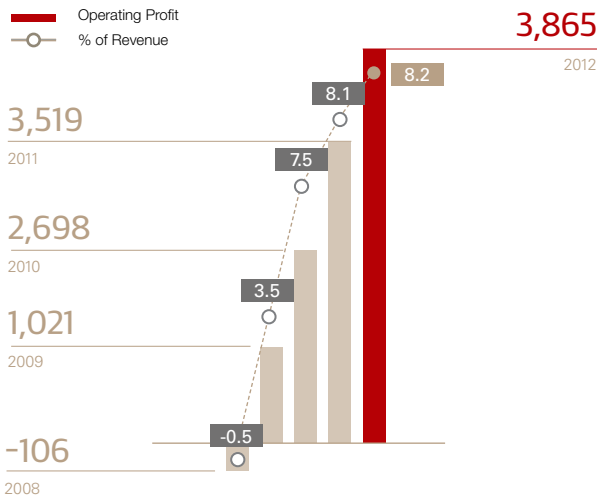
(Unit: KRW in billions)



* Consolidated data based on K-GAAP for 2008~2009 and K-IFRS for 2010~2012

Net Profit*

(Unit: KRW in billions)



* Consolidated data based on K-GAAP for 2008~2009 and K-IFRS for 2010~2012

CHAIRMAN'S MESSAGE

> We will achieve sustainable growth with unyielding commitment and a spirit of challenge.



Despite the challenging business environment in 2012, Kia Motors achieved growth and development at home and abroad. With global sales of 2.72 million units, up about 7% from the previous year, we entered the ranks of the world's top 100 global brands and cemented our presence as a world-class automaker.

In 2013, we expect to face an even more severe environment at home and abroad due to the ongoing European financial crisis and the impact of the global economic slowdown.

To counter these difficult circumstances, we will initiate "quality-driven brand innovation." Quality has been at the center of our business and will continue to be our top priority, as we aim to offer unsurpassed satisfaction to customers and touch their hearts at all points of contact. By doing so, we will imbue a strong sense of confidence and pride in our brand.

In addition, we will secure growth engines for the future and expand our scale of investment. By increasing R&D investment in eco-friendly vehicles and electronic controls, and by intensively fostering a culture of excellence, we will strive to strengthen our competitiveness in advanced technologies.

We will also push ourselves further to increase our brand value in domestic and global markets by continuously expanding our social contribution activities so that we make a real difference in people's lives.

Based on our belief that obstacles can be turned into opportunities, we will exercise unyielding commitment and embrace a spirit of challenge that will lighten our path toward sustainable growth in these difficult times.

Thank you.



Mong-Koo Chung
Chairman

VICE CHAIRMAN'S MESSAGE

> We will make a leap forward as a true global automaker through relentless innovation.



Dear distinguished shareholders,

I would like to extend my heartfelt gratitude to all of our share holders for extending their tireless support and encouragement in 2012.

Having recorded all-time best performance every year since the turnaround in 2008, Kia Motors once again achieved best-ever results in 2012. Thanks to the passion and challenging spirit of all our staff, we achieved excellent performance despite the difficult economic conditions last year. New growth engines for the future were put in place under our mid-to long-term strategy – "Kia Vision 2016" – based on the motto "innovation in customer value."

To this end, we have improved production capacity at all our plants around the world by introducing seamless horizontal exchanges between domestic and overseas factories. In other words, productivity and quality competitiveness have steadily improved through knowledge-sharing between our various operations, while our capability to manage our global network of plants has been strengthened.

Meanwhile, the Kia brand has been enhanced with the launch of the flagship Kia Quoris (K9) luxury sedan, while the new Cerato/Forte (K3) saw a successful landing in the competitive compact car market, thereby continuing the K-series' reputation of excellence. In the domestic market, new programs have been continuously rolled-out to make Kia's sales and service hubs more sophisticated and larger in scale, with 'Smart Q Service' and other programs offered for superior customer convenience. In overseas markets, we are continuing to boost our global reputation through 'K-DEP', a program aimed at improving the competency of overseas Kia dealers.

Moreover, the Rio (Pride) won all of the world's top three design awards – the red dot Design Award, iF Design Award, and IDEA – while the mobile application for the Rio earned the 'Best of the Best' award in the Communication Design category of the red dot Design Award. All these feats have reaffirmed Kia Motor's competitiveness in design, not only in terms of product but also in how we interact with our customers.

Equipped with a new brand identity system in 2012, Kia Motors has unfolded a variety of marketing activities at home and abroad, enhancing communication with customers as well as our corporate prestige. As a result, our brand value reached USD 4.1 billion, up 50% from the previous year. This is a historic achievement for Kia Motors, as we joined the top 100 global brands for the first time in our corporate history.

Driven by these outstanding achievements, we sold a total of 2.72 million units in the domestic and overseas markets, achieving revenues of KRW 47,242.9 billion, operating income of KRW 3,522.3 billion, and net income of KRW 3,864.7 billion.

All the results we achieved last year can be attributed to your encouragement and support, and I sincerely thank you once again.

Distinguished shareholders,

The management environment we confront today is ever-more challenging. We are still not out of the shadow of the global economic slowdown, and global demand for automobiles is expected to remain sluggish as competition among automobile manufacturers is intensifying. Adding to this are protective trade measures in some countries as well as the strong Korean won and weak Japanese yen.

Nevertheless, we will overcome these obstacles with strong commitment to turn them into opportunities for even further growth. To this end, we have earmarked 2013 as the "year to secure global competitiveness through qualitative growth." Accordingly, unsparing efforts will be made to achieve our goals of systematizing customer-centric management, establishing a high-efficiency, high-profit management system, and securing new growth potential for the future.

We will continue to provide Kia's unique customer value through continuous innovation at our sales and production sites. We will strengthen our global competitiveness by developing new customer-centric sales and service programs, conducting consistent marketing activities, and initiating quality innovation at all production sites.

We also plan to secure a firm basis for management to maintain profitability under any circumstances through the sales expansion of the K- and R-series, stronger production cost competitiveness for each car type, and efficient and systematic investment management. Moreover, productivity will be enhanced and a new corporate culture will be established through the successful launch of a two-shift work system this year, which will further contribute to sustainable success.

Meanwhile, new growth engines will be created as we establish strategies to expand sales in new markets with high growth potential, and develop strategic cars accordingly. Moreover, we will solidify our reputation as a global corporate citizen by expanding and developing our worldwide social contribution activities.

Through all of these endeavors, we will achieve our target of producing and selling 2.75 million units this year.

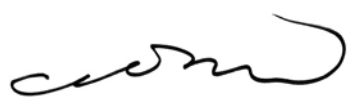
Distinguished shareholders,

2013 will be one of the most significant years for Kia Motors as it will be a starting point to build on our core competencies and become a truly world-class global automaker, producing and selling over three million units annually.

We will do the utmost to return your steadfast support by working tirelessly toward achieving our targets in 2013.

I ask for your continued consideration and encouragement, and wish you and your family good health and happiness.

Thank you.



Hyoung-Keun Lee
Vice Chairman

GROUP CORE VALUES

Core values lie at the forefront of our code of conduct for employees and the organization as a whole. They represent the corporate culture we strive for and the promise we make to ourselves and stakeholders. Guided by our core values, all members of the Hyundai Motor Group strive to achieve our vision of 'together for a better future' in order to offer the highest levels of satisfaction to customers.



Customers

We promote a customer-driven corporate culture by providing the best quality and impeccable service with all values centered on our customers.

Collaboration

We create synergy through a sense of "togetherness" that is fostered by mutual communication and cooperation within the company and with our business partners.

Globality

We respect the diversity of cultures and customs, aspire to be the world's best at what we do, and strive to become a respected global corporate citizen.

Challenge

We refuse to be complacent, embrace every opportunity for greater challenge, and are confident in achieving our goals with unwavering passion and ingenious thinking.

People

We believe the future of our organization lies in the hearts and capabilities of individual members, and will help them develop their potential by creating a corporate culture that respects talent.

All members of the Hyundai Motor Group must follow our 5 core values when carrying out their professional duties and decision-making. The Group's goal is to build a highly-creative corporate culture based on challenge, cooperation, and respect for customers and workers. This goal will only be reached through the sharing and internalization of our core values. We become one by sharing values and applying them consistently in our decision-making. Kia Motors will tackle challenges head on through mutual cooperation and respect while fulfilling our promises and embracing talent and diversity to build a distinct corporate culture.

COMPANY VISION

The overarching goals of our Vision 2016 are to create a distinct Kia identity and to realize value innovation - providing customers with new and innovative value and experiences. To this end, we have been setting forth our objectives and detailed tasks while harnessing our employee experience and knowledge-base.



Enhance Global Competitiveness through Qualitative Growth

Systemize customer-oriented management

- Innovate customer experience
- Improve brand competitiveness
- Secure superior global quality
- Focus on customer satisfaction management

Optimize business structure for high efficiency & profit

- Optimize production/sales to increase profit
- Stabilize daytime double shift at manufacturing sites
- Manage efficient & systematic investment
- Strengthen on-site capabilities

Expand future growth potential

- Create new business opportunities
- Improve organizational capability
- Strengthen corporate social responsibility management
- Develop global human resources

In 2012, Kia Motors established Kia Vision 2016 to meet its mid- to long-term business goals and secure future growth engines. The main goal is to enhance global competitiveness through qualitative growth. In line with this, Kia Motors laid out its 2013 management principles in order to systematize customer-oriented management, optimize business structure for high efficiency and profit, and expand future growth potential. All staff members will practice innovation in customer value and will strengthen their execution capability in strategic tasks, thereby ensuring sustainable growth and realizing our vision.

Vibrant *Growth towards Globality*

Kia Motors has been increasingly recognized at home and abroad as a renowned global player selling over 2.7 million vehicles per year in 168 countries across the globe. We have confirmed our presence as one of the most beloved automakers throughout the world by closely engaging our customers, and we will continue to do so, growing into a leading global player.




KIA
Global
Sales
Volume
2709
(Unit: Thousand units)
CADENZA
V6

DOMESTIC BUSINESS PERFORMANCE

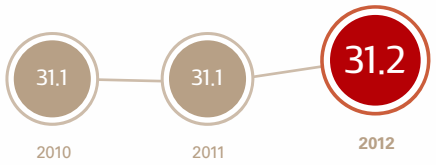
In 2012, we focused on expanding sales with the completion of the K-series and enhancing market competitiveness despite continuing challenges facing the domestic market. We will overcome the current difficulties and will achieve new growth by strengthening our sales competency and implementing fundamentals-oriented management.

Domestic Sales (Unit: Thousand units)

481

2010	483
2011	492
2012	481

Domestic Market Share (Unit: %)





Strong Results despite Challenges

The domestic auto market was unable to shake off the economic slowdown in 2012 despite the reduction of the individual consumption tax. Of particular note, the GDP growth rate hovered around 2.0%, its lowest level since the 1999 Asian financial crisis, thereby restricting consumption growth. As a result, demand for domestic automobiles stood at a mere 481,000 units, down 2.2% from the previous year.

In a bid to overcome this challenging business environment, Kia Motors strived to expand its sales with a focus on new cars including the K3 (Cerato/Forte) and K9 (Kia Quoris), and flagship cars such as the Morning (Picanto), Pride (Rio) and K5 (Optima). The K-series range, consisting of K3, K5, K7 (Cadenza) and K9, covers compact to large-size cars and has shown a consistent upswing in sales. In particular, sales of K3 – a model that has set a new standard for compact cars – reached 3,616 units within 9 days of its launch, confirming its status as a raising star in the market. The K9, a premium luxury large-size sedan launched last May, aggressively competed against imported cars. The debut of the refreshed K7 with superior product quality in November also served to strengthen Kia Motors' premium brand image.





Despite this progress brought about through our unyielding efforts, Kia Motors posted domestic sales of 481,000 units, down 2.2% year-on-year. This decline was primarily due to a drop in domestic demand a result of economic uncertainties at home. Specifically, sales of sedans and RVs stood at 302,680 and 126,856 units, respectively. The volume of sedan sales increased by 5.6% but RVs saw their sales volume decline by 14.6% year-on-year. The popularity of the K-series gained momentum thanks to K5 and K7, with 76,910 and 19,957 units sold, respectively. Meanwhile, 25,842 units of the K3 and 7,516 units of the K9 were sold. Overall, Kia's domestic market share stood at 31.2%, which is slightly up from the previous year.

Turning Obstacles into Opportunities

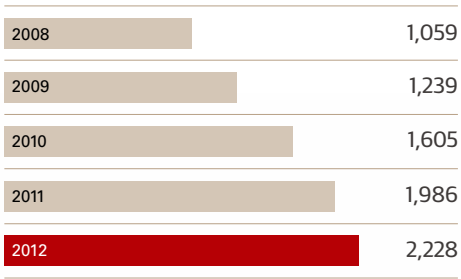
In 2013, the gloomy outlook for the domestic auto market is likely continue with a shrinkage in consumption due to inflation arising from market uncertainty, in addition to the end of the individual consumption tax cuts. Kia Motors, however, will overcome the current difficult environment by continuously intensifying its sales competency and introducing fundamentals-oriented management. To this end, we plan to intensively focus on fostering Kia Motors as a premium brand through distinctive marketing, boosting our corporate image through innovation in customer services, enhancing staff confidence at business sites, and strengthening our competitiveness. This will enable us to gain a 32% share of the domestic market and solidify our presence as a top player.

OVERSEAS BUSINESS PERFORMANCE

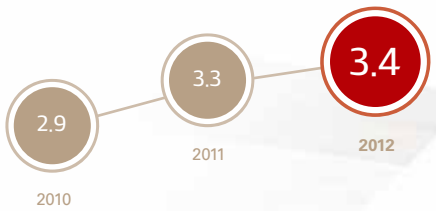
Kia's dash towards success in the global market was not hampered by the many challenges in 2012. Our share of the global auto market is consistently increasing, enabling us to claim the title of a true global player. This success can be attributed to our product quality, design management, and global management with a focus on localization strategies.

Overseas Retail Sales (Unit: Thousand units)

2,228



Overseas Market Share (Unit: %)



Driving Our Global Growth

In 2012, Kia Motors maintained its growth in overseas markets despite the global economic downturn due to the European fiscal crisis, the economic slowdown in advanced countries, and sluggish growth in emerging countries. Brand recognition increased, driven by competitive products and their reliable quality. Profitability also improved thanks to fundamentals-based management with products sold at full price. As a result, overseas sales made up 80% of Kia Motors total sales volume, driving our corporate growth and enabling Kia to achieve KRW 3,522.3 billion in operating income.

Kia Motors' sales volume in 2012 reached 2,709,000 units, up 9.3% year-on-year. By region, we saw sales of 481,000 units in Korea, 558,000 in the U.S., 332,000 in Europe, 481,000 in China and 858,000 in other regions. Global sales by car type can be broken down as follows: 332,000 units for the Optima (K5), 483,000 for the Rio (Pride), 404,000 for the Sportage, and 53,000 for the new Cerato/Forte (K3).

The 558,000 units sold in the U.S. market represents an increase of 14.9% from the previous year thanks to aggressive localized marketing strategies and brand value enhancement. The U.S. recorded the highest sales growth rate among our key markets. Overall, our share of the US market stood at 3.8%. In the European market, despite the ongoing economic turmoil, 332,000 units were sold for an increase of 14.5% year-on-year, reflecting our continued growth momentum.



Our market share in Europe reached 2.6%, up 0.5 percentage point. In China, the K3 garnered high acclaim, and combined with K2 (localized version of Pride/Rio), K5 and Sportage, drove sales to new highs. As a result, our sales volume stood at 481,000 units in 2012, an increase of 11.1% year-on-year, and our market share reached 3.8%, up 0.2 percentage point year-on-year. In other markets, our sales volume recorded 858,000 units, up 10.3% from the previous year.

Working Globally, Acting Locally

The biggest driver of Kia Motors' sustained growth in the global market is our successful localization strategy. We develop strategic models befitting the needs and consumption trends for each region of the world. As of the end of 2012, we sold strategic models in three regions – Europe, Russia and China.

We began the introduction of localized models in 2007 with the launch of the cee'd, a model created specifically to target European consumers. Sales volume for the first generation cee'd manufactured at our plant in Slovakia totaled 708,000 units, driving the performance of Kia Motors in Europe. In 2012, the second generation cee'd with a dynamic and stylish vibe was launched. The original cee'd contributed to promoting Kia Motors' brand recognition, while the new model is likely to enhance sales volume in the region by upgrading our product line-up in Europe.



In China, our marketing focus was on attaching styling favored by Chinese consumers to high performance products befitting of our dynamic brand image. Of particular note, the K3 (Cerato/Forte), a model designed to suit the taste of Chinese consumers with luxurious and dramatic exterior design, has gained popularity. Thanks to its specialized design and localized marketing, Kia's average annual sales volume growth in China for the last four years posted 37%.

Kia Motors seeks localization not only in sales but also in production. Local production systems are in place in the U.S., China and Slovakia, and the monthly sales volume of overseas plants surpassed 100,000 units for the first time in September last year. Kia Motors' Georgia plant in the U.S. produced 272,000 units, up 31.5% year-on-year, while the Slovakia plant manufactured 292,000 units, up 15.8% from the previous year. Our plants in China produced 481,000 units, up 11.1% year-on-year. Furthermore, construction of Kia Motors' third plant in Jiangsu Province, China began last June. This new plant will have an annual production capacity of 300,000 units and will be completed in the first half of 2014. It will bring Kia Motors' total annual production capacity in China to 740,000 units, by adding to the 140,000 units at the first plant and 300,000 units at the second plant.

Kia Motors has equipped itself with the systems required to make prompt responses to market needs through the localization of all areas of the business. From design, R&D, production, sales and services, we have established a robust foundation to grow as a world-class automaker in the world's three major markets – China, Europe and the U.S.

Enhancing Our Corporate Value

In 2012, our strong performance was reaffirmed not only in terms of quantitative growth in sales volume and revenue, but also by winning various awards at home and abroad. In particular, we won the bronze prize in Transportation Design at the 2012 IDEA Award with the Rio (Pride) last July. This was the first IDEA Award in our corporate history. The Rio (Pride) was also awarded the 2012 red dot Design Award along with the Picanto (Morning) last March. In November, the pro_cee'd was designated a winner in Transportation Design of the 2012 iF Design Award. As a result, we won a 'grand slam' of the world's top three design awards – the red dot Design Award, iF Design Award and IDEA Award.







Moreover, the Soul ranked first in the Compact Multi-Purpose Vehicle category of the 2012 Initial Quality Study released by J.D. Power & Associates, a market intelligence agency in the U.S. In Russia, a localized model of the Rio (Pride) won first prize in the compact car field at the Golden Klaxon Award 2011. As all of the above demonstrate, our models are being highly recognized across the world for their outstanding designs and quality.

Advancing Our Global Momentum

At a time when the global economic outlook is uncertain, 2013 will bring greater challenges to the business environment at home and abroad. In particular, the stronger Korean won and other factors are projected to prolong these current setbacks. Nevertheless, we will turn these challenging scenarios into opportunities to fundamentally improve ourselves and strengthen our competitiveness. The current obstacles will be transformed into opportunities to improve our brand recognition, intensify our competency in sales, and provide momentum for our launch of competitive new products. Profitability will continue to be strengthened through fundamentals-oriented management by selling our products at full price.

Furthermore, we will seek continued growth by setting specific sales strategies for each market including the U.S., Europe and China, while targeting emerging markets where our brand recognition is still weak, with the focus on our K-series. This will enable us to become a renowned global automaker driven by a strong market dominance and expansion of sales in emerging markets.

GLOBAL AWARDS LIST

RIO • PRIDE

- **red dot Design Award**
  red dot, Germany, March 2012
- **IDEA Design Award**
  Industrial Design Society of America, USA, July 2012
- **People's Choice Winner**
  carsales.au.com, Australia, November 2012
- **Motoring Car of the Year**
  Independent Newspapers South Africa, South Africa, December 2012
- **Best Small Sedan**
  Middle East Motor Awards, Middle East, December 2012

OPTIMA • K5

- **Sedan of the Year**
  Autobytel, USA, January 2012
- **Drivers' Choice Awards**
  Motor Week, USA, February 2012

SOUL

- **Segment Winner (Initial Quality Study)**
  J.D. Power and Associates, USA, June 2012
- **Highest In Class (APEAL)**
  J.D. Power and Associates, USA, July 2012

CERATO • FORTE

- **Top Cars For College Grads**
  Total Car, USA, May 2012







cee'd

- **Best Exterior Design**
  Automotive Brand Contest, Germany, August 2012
- **Northern Car of the Year**
  Northern Group of Motoring Writers, UK, October 2012
- **Transportation Design Award**
  iF Design Awards, Germany, December 2012

SPORTAGE

- **Best Car of the Year**
  Automail, Russia, March 2012

SORENTO

- **10 Best Family Cars of 2012**
  Kelly Blue Book, USA, February 2012
- **Best SUV over $40,000**
  Drive Magazine, Australia, November 2012

picanto • morning

- **red dot Design Award**
  red dot, Germany, March 2012
- **Five Star ANCAP Safety Rating**
  Australasian New Car Assessment Program, Australia, October 2012







Distinctive
Creativity to the Core

Creativity is the DNA of Kia Motors. For Kia Motors, design is a mindset of change and innovation that identifies who we really are. Backed by our unique and advanced design management, Kia Motors is creating new and pleasant experiences for the world's consumers. And as a result, we proved our 'power to surprise' by being selected as one of top 100 global brands in 2012 by Interbrand.


KIA
Kia Brand Value
4089
(Unit: USD million)

DESIGN MANAGEMENT

Design is our competitive edge, and represents a unique aspect of Kia Motors' culture. Ranging from product design, production and sales, through to communication with customers, we think and act with a design-oriented mindset in order to better promote our design prowess to the world and boost our brand image.







Design Kia, Our Core Strength

Kia Motors set 'design' as the core competency for the future in 2005, and declared design management a priority in 2007, making a commitment to target the global market with Kia's unique and excellent designs. Through our design philosophy, 'the simplicity of the straight line', and by pursuing enterprise-wide design management, we have established an exclusive family look that makes Kia vehicles instantly recognizable with a mere glimpse. We continue to refine this family look by focusing on our premium image through highly sophisticated designs and fine details.

The first new models with our innovative family-look, including the Cerato (Forte) and Soul, helped turn Kia Motors into the world's fastest growing automaker. Following the launch of the Kia Quoris (K9) in the first half of 2012 and the new Cerato/Forte (K3) in the latter half of 2012, a refreshed version of the Cadenza (K7) made its debut. The Cadenza is an improved version of our premium large-size sedan that embodies Kia Motors' new design philosophy and marks the completion of the 'K-series.'





Global Accolades for Design Kia

Kia Motors' models are increasingly recognized for their global design competitiveness after a winning spree of prestigious design awards at home and abroad. In 2009, the Soul was named Honorable Mention in the Product Design category at the red dot Design Award. This was the first time a Korean model received recognition at the red dot Design Award, marking a starting point for global recognition of Kia's design. In 2010, the Venga was selected as a red dot Winner, while the Optima (K5) and the Sportage received Best of the Best and Winner distinctions, respectively, in 2011. The Picanto (Morning) and Rio (Pride) were both Winners of the 2012 red dot Design Award. As such, Kia Motors has had a winning vehicle at the red dot Design Award for four straight years.

After the Venga received an iF Design Award in 2009, the Optima (K5) and Sportage received recognition in 2010, the Picanto (Morning) in 2011, and the pro_cee'd in 2012 – marking a four consecutive-year winning spree at the iF Design Award. Not only that, the Rio (Pride) won the IDEA Design Award in 2012 for the first time in our corporate history. In fact, we have been on a compelling winning streak with 14 awards from the world's top three design awards over the past four years.

Aside from global awards for our product quality and design, we are also being recognized for our innovative marketing activities. The mobile application for the Optima (K5) was selected as the Winner in the Mobile Application category in Communication Design at the 2012 iF Design Award. The mobile application for the Rio (Pride) won the Best of the Best prize in Communication Design at the 2012 red dot Design Award. These accolades have reaffirmed that Kia Motors effectively communicates with customers in today's rapidly changing digital landscape.

'Design Kia' is Our Mindset

The design we have in mind is not limited to product design. We are pursuing design management in order to instill a design-centric mindset within our corporate culture. Thus, while striving to strengthen creativity and capacity building for designers on multiple fronts, we have established a Kia-exclusive culture that nurtures creative thinking by all staff members.

The concept of design at Kia Motors is not just about cars, but about making a difference in culture. We will open a new chapter in design management by continuing to practice this belief in all our management activities.



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



DESIGN AWARDS

DE?IGN 2.0

July 2012

Rio (Pride)
- 2012 IDEA Awards
  Bronze (Transportation)

June 2012

Rio (Pride) iPad App
- 2012 red dot Design Award
  Best of the Best (Communication)

March 2012

Picanto (Morning)
- 2012 red dot Design Award
  Winner (Product Design)

Rio (Pride)
- 2012 red dot Design Award
  Winner (Transportation)

December 2011

Picanto (Morning) E-catalogue
- iF Design Award
  Winner (Communication Design)

November 2011

Picanto (Morning)
- iF Product Design Award
  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 (Exterior Design)

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

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

March 2011

Optima (K5)
- 2011 red dot Design Award
  The first Best of the Best designation for a Korean automotive brand

Sportage
- 2011 red dot Design Award
  Winner in Product Design (Transportation)

December 2010

Sportage
- iF Product Design Award
  Winner (Transportation)

Optima (K5)
- iF Product Design Award
  Winner (Transportation)

Sportage
- 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
- Good Design Award
  Winner (Transportation)

Optima (K5)
- Good Design Award
  Winner (Transportation)

March 2010

Venga
- 2010 red dot Design Award
  Winner (Transportation)

December 2009

Venga
- iF Product Design Award
  Winner (Transportation)

Soul
- Good Design
  Presidential Award

March 2009

Soul
- 2009 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 drives sustainable growth through steady innovation in its brand value, while creating emotional ties with customers. With our new Brand Identity System (BIS) established in 2012, 'A Different Beat' will be offered to more customers across the globe.







Setting a New Direction

For Kia Motors, elevating our brand is a long-term commitment toward ensuring sustainable growth. In line with this, we have remained true to who we are: a young and dynamic brand. We redefined our brand as one that is vibrant, distinctive and reliable, and will continue to provide industry-leading product designs that have played a strategic role in the recent evolution of the Kia brand. We are engaging in distinctive brand activities, such as the Kia Cinema, and collaborations with brands in different industries, all with the goal of giving people a positive impression of the Kia brand.

Thanks to these efforts, Kia successfully completed its mid- to long-term growth plan, entitled 'Kia Vision 2012,' and we have set a new goal of becoming a tier 1 automotive brand by 2016. Our mission is to become the most desirable brand among our target customers by providing a new type of driving experience. Under the philosophy of 'value innovation', we plan to deliver differentiated value to our customers and achieve brand value of USD 6.0 billion by 2016.

New Brand Identity System

In order to build a more concrete brand image on the way to realizing our 'Vision 2016', Kia has established a new Brand Identity System (BIS). It consists of a Brand Essence, the expression of company's values and characteristics; Core Identities which support the Brand Essence and form the foundation of how to work and communicate; and a Brand Slogan which expresses the brand identity to external audiences.

With our brand identity reflected in all areas of the business, Kia will consistently deliver a unique brand image at every customer contact point. For example, in order to promote our brand identity more effectively, Kia has set up a global brand communication strategy and has been carrying out a global brand campaign since 2011.



A Winning Global Reputation

Kia Motors was selected as one of the world's top 100 brands in the 2012 Best Global Brands ranking by Interbrand, the world's top brand consulting company. Coming in 87th place with brand value of USD 4.089 billion, up 50% from 2011, Kia Motors has made its first entry into the world's top 100 brands. Kia Motors is the third Korean brand, following Samsung Electronics and Hyundai Motor Company, to enter this prestigious list of companies.

Kia's brand value stood at a mere USD 1.1 billion in 2007, but since then it has skyrocketed by about 273% over the last five years despite the sluggish performance of other automotive brands. This exponential growth is attributable to our quality and design management, as well as our brand management which we have focused on since 2005 in order to strengthen our brand recognition and corporate image. We will continue to improve our brand value by effectively and consistently implementing the Kia Motors brand identity at all customer contact points throughout the world.

MARKETING

Kia Motors' communication with customers is creative and dynamic through diverse online and offline channels. In particular, we do our utmost to move closer toward global customers and promote the competitiveness of Kia by sponsoring some of the world's most prestigious sporting events.





Sportsmanship and Leadership

Kia Motors promotes its young and dynamic brand to sports lovers across the world through various sports marketing activities. As an official sponsor of premiere sporting organizations and competitions such as FIFA, UEFA and the Australian Open Tennis Championships, we have strengthened our presence as a global player and enhanced our brand image.

Having served as the major sponsor of the Australian Open for 12 years from 2002, Kia Motors signed an agreement to extend our sponsorship for the next five years until 2018. In doing so, Kia Motors has become the longest-running major sponsor in the history of this prestigious event. As a result, Kia Motors can expect to further receive promotional benefits from this sponsorship. In terms of brand exposure in 2012, Kia enjoyed 6,463 hours of television exposure and media value worth USD 355 million, up 54% and 105%, respectively, from 2009.

During the 2013 Australian Open, we conducted various programs along with the official provisioning of Kia cars, including the 'Kia Lucky Drive to Australia' for 53 Kia customers from 26 countries around the world, as well as the 'Kia Amateur Australian Open' and 'Ball Kids Program.' We also promoted the young and dynamic Kia brand to consumers across the globe through diverse online channels such as the official website of the Australian Open, Kia Motors' Facebook fan page and YouTube channel.

As an official FIFA Partner from 2007 to 2022, we are sponsoring many international football competitions organized by FIFA including the 2014 FIFA World Cup Brazil™, the 2018 FIFA World Cup Russia™, and the 2022 World Cup Qatar™.

As an official UEFA EUROTOP Partner from 2006 to 2017, we have conducted various marketing activities, and exposed the Kia brand to the global media. In particular, through the installation of stadium A-boards, we achieved advertising equivalent exposure of KRW 1.57 trillion.

Moreover, through our participation as an official sponsor of the Copa America 2011, the world's longest running soccer tournament, we paved the way to be recognized as a leading global brand in Latin America. The title sponsorship for the Kia World Extreme Games, which began in 2005 and signaled the start of our China-targeted marketing strategy, was recently extended until 2015. Kia Motors is also the exclusive automobile sponsor of the National Basketball Association (NBA) in the U.S. while our subsidiary in the Netherlands sponsors professional speed skaters. As such, our aggressive marketing aligned with popular sports in each region is maximizing our overall marketing impact.

New Ways to Win the Market

Kia's digital marketing is continuously breaking into new territories with diverse digital channels enabling interactions that seek to bring us to closer our customers. We offer consumers distinctive joy and deep engagement through various channels including mobile applications, YouTube and SNS, all the while promoting Kia's young and dynamic brand image. For instance, we strive to communicate with consumers across the globe through our Kia Buzz official blog as well as Twitter and Facebook accounts.

Kia's launches interactive mobile applications when new cars are introduced that reflect specific vehicle features and have garnered favorable consumer feedback and prestigious awards at home and abroad. For instance, the mobile application for the Kia Quoris (K9) won the gold prize in the technology category of the '2012 Korea Mobile Awards' and grand prize in the innovation category of the 'Smart App Awards.' The Rio (Pride) and Picanto (Morning) mobile applications took home the Best of the Best prize at the red dot Design Award and Winner distinction at the iF Design Award, respectively. Moreover, we were the first Korean company to receive the mobile marketing gold prize for our UEFA EURO 2012 activities in the global mobile campaign category of the '2012 SMARTIES™ Award', presented by the world-renowned Mobile Marketing Association.



2012 NEW MODELS

KIA QUORIS • K9



Kia Quoris (K9)

Experience New Luxury

The Kia Quoris (K9) is a state-of-the-art luxury large-size sedan, and is our flagship model. The result of Kia Motors' proven design competency and cutting-edge technology, the Kia Quoris will compete with other prestigious global brands in the growing luxury car segment.
The Kia Quoris was launched after four years and five months of intensive R&D with a development cost of KRW 520 billion. Under the design concept 'Distinctive Modern & Classic', luxurious touches and details reflect Kia Motors' design philosophy – 'the simplicity of the straight line'. Equipped with a rear wheel drive platform and advanced, high-performance technologies, this model has everything expected from a large-size luxury sedan. The V6 3.3 GDI engine touts powerful performance and efficiency that rival its more expensive counterparts.

SORENTO



Sorento

Prestige Reborn

The Sorento mid-size CUV has been drastically upgraded with a new platform, improved fuel efficiency, and state-of-the-art technologies. The model's design places more emphasis on a sophisticated and premium image on top of its existing robustness and dynamism, giving the Sorento the image of a 'world-class premium CUV'. Sorento is now equipped with various new technologies and convenient features including AWS (Advance Warning System) for the first time in a domestic SUV. And with dramatically improved fuel efficiency, it offers distinctive customer value.

CADENZA • K7



Cadenza (K7)

Dynamic Intelligence

The Cadenza (K7), which made a stir in the sub large-size market as the first in the K-series in 2009, was reborn with numerous refinements. The refreshed Cadenza was designed to retain its existing innovativeness and dynamism while adding a more premium image. The Cadenza features AWS, the UVO system for cutting-edge telematics services, around-view monitoring system, and many other new technologies. With design changes inside and out befitting a new model and the addition of many new features, it is sure to be a force to be reckoned with in the premium sedan segment.



New Cerato/Forte (K3)

A Gift of True Innovation

The new Cerato/Forte (K3) is a compact car imbued with the DNA of the K-series. The model implements three distinctive values: style that can effectively express a young spirit; strong performance and fuel efficiency for the joy of driving; and convenience thanks to numerous high-tech features. The exterior styling concept of 'dynamic muscularity' has given new Cerato a sophisticated design and dynamic feel. The balance from its stable proportions offers an elegance that goes beyond your typical compact car. It delivers impressive driving performance thanks to its sporty 1.6 GDI engine. Superb fuel efficiency has been achieved thanks to the rear and center undercovers along with wheel deflectors that control air flow.

FORTE • CERATO



New Carens (Rondo)

The Stylish Family Car for Modern Life

The new Carens (Rondo) is outfitted with better product features to offer differentiated value with dynamic European styling and excellent utilization of space. It was designed to offer sophisticated and sporty appeal thanks to the radiator grille that encapsulates Kia's unique design identity. Its space has been cleverly utilized, offering a vast amount of cabin and storage space. Refined driving performance is guaranteed by the 1.7 VGT diesel engine with greater quietness achieved via measures to reduce the combustion noise, while the 2.0 LPI engine offers outstanding fuel efficiency in these times of high oil prices.

RONDO • ALL-NEW CARENS





Reliable *Mobility for a Better Tomorrow*

At Kia Motors, the concept of sustainability is deeply ingrained in everything we do. We are moving toward our goal to make sustainability a firmly integrated aspect of our business by promoting a strong sense of responsibility toward sustainable operations. As such, we consider CSR to be an integral part of a successful business strategy, as it creates a better place to live and work.



CORPORATE SOCIAL RESPONSIBILITY

The goal of Kia Motors' social contribution activities is to realize the values of mobility and challenging spirit. We will make a happier tomorrow by enabling universal mobility, and through a challenging spirit that offers opportunities for a better life.







Green Light Project

In 2012, Kia Motors launched our representative social contribution activity – the 'Green Light Project'. Through this project, we are actively engaged in charity works in Tanzania and Malawi. Schools and community centers have been built in key areas to act as gathering places, while cars were donated for educational and health programs, and to assist residents with better mobility. Kia Motors supplies food, water and medicine to local residents and children suffering from diseases and malnutrition, and conducts training and education to enhance their self-sufficiency.

We will continue to adopt more programs to help improve the self-sufficiency of communities in need, and will work to increase the number of recipient countries and regions for these charity projects.

Green Trip Program

The number of disabled persons in Korea was approximately 2.68 million in 2011, making up 5.4% of the total population. However, the percentage of welfare budget for the disabled remains at the bottom of OECD countries, recording around 0.12%. Against this backdrop, we have adopted the 'Green Trip' program to narrow the physical and psychological gap between the disabled and others through social awareness, infrastructure improvements, and institutional support.

The 'Green Trip' program was launched in June 2012 and is not a one-time event but an ongoing project whereby the disabled can travel with whomever, and whenever, they desire. If selected, the Grand Carnival Easy Move vehicle is provided. The car is equipped with a hand controller to allow the disabled to operate the vehicle themselves, and an electronic wheelchair lift to allow easy access to the vehicle. Moreover, gas fees and travel expenses are subsidized, and a driver service is offered if self-driving is too challenging. As such, measures for specific assistance are classified according to the types of disability and income level. As a result, we were able to offer unforgettable memories to 1,341 people from 310 families in 2012.

Educational Support Programs

Kia is involved in diverse social contribution projects to assist the communities where Kia's major business sites are located at home and abroad. In the U.S., we selected training support programs based on feedback from local staff as well as a survey of 219 local car dealers. And we donated a million-dollar fund to Donorschoose.org, a U.S. agency that donates educational equipment and materials to help out public schools struggling with budget cuts. In China, we take part in 'Project Hope,' organized by the Chinese government, in order to educate children in impoverished areas, and build elementary schools for them.



Easy Move

Easy Move is Korea's first social enterprise which provides aid and rehabilitation equipment for the disabled. It was established in 2010 by the Hyundai Motor Group to secure mobility for the disabled through new technology. The company develops and produces driving-assistance devices for the disabled and the elderly, while seeking to become an exporting enterprise by tapping into overseas markets. Over two-thirds of the operating income is re-invested in job expansion and technology development.

For the past three years, the Group extended KRW 2.9 billion in support, while doing its utmost for Easy Move to grow as a self-sufficient player by transferring management know-how and forming a purchase alliance. Easy Move operates independently, and it achieved sales of KRW 5 billion in 2012, demonstrating a prosperous future.

Mobility / Challenge Mobility Challenge Mobility

RESEARCH & DEVELOPMENT



Kia Motors not only doubles the joy of driving but has also opened a new chapter in the era of eco-friendly cars that protect our beautiful environment. EcoDynamics is the path toward sustainable mobility, as well as Kia's promise to achieve this goal.

R&D Investment (Unit: KRW in billions)

1,135

2010	1,011
2011	1,440
2012	1,135

Investing in Sustainable Mobility

Determined to maintain its position as a major transport mobility supplier to customers around the world in the years ahead, Kia invests 6% of its annual revenue in research and development. The company operates five international R&D centers which have a combined staff of more than 10,000 individuals, and annual operating budgets of approximately USD 3 billion. In Korea, the Hyundai-Kia Eco-Technology Research Institute near Seoul is a unique establishment dedicated to spearheading the development of cleaner, greener future transportation.

The Way to 'EcoDynamics'

Kia Motors launched its EcoDynamics green brand in 2009. 'Eco', a combined term for ecology and economy, and 'Dynamics', implying the brand identity of Kia Motors, form the term 'EcoDynamics.' The concept adds sustainable mobility to the value of cars, and shows Kia's commitment to contributing to mankind and the earth.









We released the Forte LPi Hybrid, our first hybrid model, in 2009 in conjunction with the launch of EcoDynamics, and produced the Optima (K5) Hybrid and the Ray, a full-electric car on a test basis. Since 2008, we have been running test fleets of the Mohave FCEV, a hydrogen fuel cell vehicle. As such, our path toward sustainable mobility aiming for zero emissions never stops as we continue to develop eco-friendly models and technologies.

HEV (Hybrid Electric Vehicle)

An HEV is a car with two sources of power – one traditional internal combustion engine and one battery-powered electric motor. Its fuel efficiency and power performance are significantly enhanced with lower levels of CO_2 emissions compared to vehicles powered solely by an internal combustion engine. The electric motor operates (EV mode) when starting and during low-speed driving. During acceleration, the electric motor assists the engine, and upon steady-speed driving the car is driven by its combustion engine and/or electric motor. The electricity consumed upon starting and/or during acceleration is recharged using regenerative braking energy that is produced upon speed reduction. When the car stops, the engine is automatically shut off, thus saving unnecessary fuel consumption. As a result, a hybrid car has higher fuel efficiency in city driving where the car is subject to many starts and stops. And thanks to higher fuel efficiency and driving in EV mode, CO_2 emissions are reduced.

Kia Motors launched the Forte LPi Hybrid in 2009 and the Optima (K5) Hybrid in 2011 based on technologies secured through the pilot project for the Rio (Pride) Hybrid conducted with the Ministry of Environment in 2005. Of particular note, we applied an in-house developed 'parallel hard-type' hybrid system to the Optima (K5) Hybrid to make it a truly distinctive model.

EV (Electric Vehicle)

An electric vehicle is powered by an electric motor alone. It can be recharged within six hours with slow charging equipment, and within 25 minutes with fast charging equipment. An EV runs on energy supplied to the motor from high-pressure batteries that store electric energy. Since only electric energy is used, the model has zero emissions as it emits no direct CO_2. However, EVs have some setbacks including the presence of CO_2 within its fuel cycle as most domestic electricity is produced from fossil fuels, long recharging hours compared to internal combustion-powered cars, and a lack of recharging infrastructure.

Driven by consistent investment in order to commercialize electric vehicles, we developed the Besta EV in 1986 and Sportage EV in 1999. We also launched the Ray EV, our first commercialized full-electric vehicle, in 2011 in the Korean market. Guided by the goal of mass producing compact electric vehicles for ordinary customers in 2014, we plan to test 2,500 Ray EVs to verify their performance and establish the basis for an EV market.

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 solution to environmental concerns.

FCEVs are an area of strength for Kia Motors. Since our development of fuel cell technologies in 1998, we have participated in a pilot project for fuel cell cars organized by the Department of Energy in the U.S. since 2004. In 2009, we successfully developed the Mohave FCEV model that provides the world's highest level of propulsion power at 115kW, and is equipped with a Supercapacitor – a next-generation energy storage device. After a single charge, it can be driven up to 690 km at a speed of up to 160km/h. Its durability, technological prowess and practicality were proven by the successful completion of the 'Hydrogen Road Tour 2009', a 2,655 km practical road test from San Diego, U.S. to Vancouver, Canada.

• EcoDynamics Roadmap

- 2014 — Mass-production of compact EVs
- 2012 — Small-scale production of fuel cell electric vehicles
- 2011 — Trial distribution and launch of light CUV electric cars
- 2010 — Launch of Optima Hybrid in North America
- 2009 — Launch of Forte LPi Hybrid

• Acquisition of Green Vehicle Footprint Verification

2009.11	Cadenza (K7)
2010. 06	Optima (K5)
2010. 07	Sportage
2011. 01	Picanto (Moring)
2011. 04	Optima (K5) Hybrid
2011. 12	Ray EV
2013(E)	Optima (K5)





Greener Future with Greater Energy Efficiency

Kia Motors has developed technologies to increase fuel efficiency through continuous R&D and innovation, and applies the results to its line-up. Engines are smaller, transmission performance has been improved, the coefficient of friction of hundreds of moving parts has been decreased, and cars are lighter with the application of composite materials and design technologies. Furthermore, we are putting in place a system to implement better aerodynamic design and have equipped many of our cars with the idle-stop function.

In particular, we have focused on the continuity of multiple gear ratios based on high-efficiency while striving to make vehicle bodies lighter. With multiple gear ratios where the power from engines is transferred to wheels, both fuel efficiency and accelerating power are enhanced along with the comfort factor. As for the clutch-less Continuously Variable Transmission (CVT), the accelerating power and driving feel are weakened, but fuel efficiency is improved and the transmission operation feels softer compared to automatic transmissions. We have completed the development of CVT in 2012 and have applied it to light cars and compact cars where fuel efficiency is most critical. The KAPPA transmission developed in 2012 was equipped in the Picanto (Morning) and Ray, increasing fuel efficiency by 7 to 8% compared to previous models.

To make vehicles lighter we have put in place a mid- to long-term roadmap through cooperation in different research fields including materials, power train and finished vehicles. Our plan is to reduce the vehicle body weight by over 10 kg by increasing the portion of ultra high-strength steel plates to over 50% by 2015. The portion for mid-size cars in 2012 was around 20%. The plates are over twice as strong and 10% lighter than ordinary steel plates, so a higher portion of the plates would reduce total vehicle weight while enhancing durability by over 20%. To this end, we have implemented a joint project with a steel subsidiary within the Hyundai Motor Group to make our car bodies lighter.

Kia Motors also seeks to achieve downsizing of its engines, that is, to reduce or maintain engine size while raising fuel efficiency, reducing emissions and improving performance. Accordingly, in 2012, Kia Motors succeeded in the exclusive development of CVVL technologies, enabling high efficiency with the same engine displacement. As a result, we launched the Optima (K5) equipped with the Nu CVVL engine. By downsizing from 4-cylinder to 3-cylinder engines for compact cars like the Picanto (Morning) and Ray, fuel efficiency has been dramatically improved with reduced CO_2 emissions.

Catering to market needs, the Idle Stop and Go (ISG) system has been applied to our flagship models in Europe. These include the cee'd, Venga, Picanto (Morning) and Sportage. In the domestic market, ISG systems for the automatic transmission and CVT were first applied to the Cerato (Forte) in 2011. They are currently applied to the Picanto (Morning), Ray, Rio (Pride), Soul, Cerato (K3) and Optima (K5), as well.

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 capabilities.

- 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



05 Japan R&D Center



03 Hyundai·Kia Motors 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

Eco-friendly Models

16.8 km/ℓ



Optima Hybrid / K5 Hybrid

The Optima (K5) Hybrid is Kia's first gasoline hybrid mid-size sedan. Its fuel efficiency is as outstanding as a sub-compact car, and it also guarantees a sophisticated and distinctive style, with excellent acceleration and quietness, as well as top-notch eco-friendliness. Its fuel efficiency is maximized thanks to the 'parallel hard type hybrid system' exclusively developed by Kia Motors. Fuel efficiency is further improved and driving dynamics are guaranteed by applying a 6-speed transmission exclusive for hybrid cars, while the electronic components are 100% domestically produced. As such, we have laid the foundation for continued technological development and stronger competitiveness of our partner companies.

- 16.8km/l, 100g/km (Grade 1 according to 2.0 HEV standard)

5.0 km/kWh



Ray Electric Vehicle

Ray EV is an urban-style vehicle that has zero emissions through the use of batteries and electric motors alone. Starting with the Besta EV in 1986, we launched the Ray EV in 2011 after 20 years of research. The Ray EV secures maximum distance per recharge with its regenerative braking system – a system to recharge batteries by converting the kinetic energy that occurs during braking or deceleration into electric energy.

This technology was selected as one of the top ten technologies of excellence in the green energy field at the 'Top Ten Green Awards' organized by the Ministry of Knowledge Economy and the Korea Institute of Energy Technology Evaluation and Planning in June 2012. It won the Green Innovation Award, a Minister of the Environment Award, at the '3rd Green Car Awards' organized by the Asia Economic Daily in January 2013. The Ray EV is currently mainly supplied to public agencies. A total of 2,500 Ray EVs will be evaluated in 2013 to verify their performance as we pave the way to fully establish an EV market.

- Driving distance of 139km per recharge
- Energy consumption efficiency of 5.0km/kWh

Concept Cars

Track'ster Concept Car

Unveiled at the 2012 Chicago Auto Show, Kia Track'ster concept is a performance-oriented three-door coupé based on the all-new Soul. Track'ster is a bold interpretation of the Soul with a bold attitude, such as the eye-catching Whiteout and Inferno Orange paint scheme. Kia's signature grille features an air intake slit and is trimmed in lightweight carbon fiber. Most striking, up front is the Track'ster's lower intake grille. Flanked by immense LED driving lights with billet aluminum surrounds, the Track'ster is capable of devouring prodigious amounts of air to keep the engine running cool even under the most grueling conditions. The lower valance, trimmed in carbon fiber and accented with Inferno Orange, rides just inches off the ground and lends to the car's menacing stance.



Track'ster features not only distinctive design but also excellent performance. A 2.0-litre turbocharged in-line-four engine puts 250 horsepower to the road, a 66% increase over that of the production Soul. Power is routed to all four wheels via an electronically controlled four-wheel-drive system. The short-throw six-speed manual transmission is capped with a stubby spherical shift lever. The Track'ster rides on a lowered sport suspension tuned for track performance.

Kia GT Concept

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.



Financial Review

47
Independent Auditors' Report

48
Consolidated Statements of Financial Position

50
Consolidated Statements of Income

51
Consolidated Statements of Comprehensive Income

52
Consolidated Statements of Changes in Equity

54
Consolidated Statements of Cash Flows

55
Notes to the Consolidated Financial Statements

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, 2012 and 2011, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the years than ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our 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, 2012 and 2011, and its financial performance and its cash flows for the years than ended, in accordance with Korean International Financial Reporting Standards.

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

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
February 26, 2013

This report is effective as of February 26, 2013, 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

KIA MOTORS CORPORATION AND SUBSIDIARIES

As of December 31, 2012 and 2011

(In millions of won)

	Note		2012	2011
ASSETS				
Cash and cash equivalents	5, 31	₩	1,903,309	2,304,169
Short-term financial instruments	5, 31		2,367,230	1,630,000
Accounts and notes receivable - trade	31, 32		1,801,731	2,178,699
Accounts and notes receivable - other	31		562,767	432,453
Advance payments			67,542	54,493
Prepaid income taxes			5,444	14,675
Inventories	6		4,222,950	4,302,865
Other current assets	13, 31		208,457	157,833
Total current assets			11,139,430	11,075,187
Long-term financial instruments	5, 31		58,990	21,033
Long-term available-for-sale financial assets	7, 31		1,606,358	1,229,673
Long-term accounts and notes receivable - trade	31		2,675	2,322
Investments in associates	8, 18		7,876,179	6,809,391
Property, plant and equipment, net	4, 9, 14, 32		9,721,198	9,184,385
Intangible assets, net	4, 11, 12		1,524,001	1,517,277
Investment property	4, 10		51,434	56,100
Guarantee deposits	31		166,463	173,156
Deferred tax assets	27		123,622	61,905
Other non-current assets	13, 31		127,964	124,750
Total non-current assets			21,258,884	19,179,992
Total assets		₩	32,398,314	30,255,179

See accompanying notes to the consolidated financial statements.

(In millions of won)

	Note		2012	2011
LIABILITIES				
Accounts and notes payable - trade	31, 32	₩	4,998,445	4,825,992
Short-term borrowings	14, 31		1,109,825	1,588,410
Accounts and notes payable - other	31		1,713,988	1,744,387
Advances received			240,015	148,243
Accrued expenses	31		921,097	799,220
Income taxes payable			144,767	244,515
Current portion of long-term debt and bonds	14, 31		289,412	1,509,886
Provisions - current	17		531,838	502,985
Finance lease liabilities - current	31		5,710	5,775
Other current liabilities	15, 31		45,142	52,511
Total current liabilities			10,000,239	11,421,924
Bonds	14, 31		1,520,811	1,696,312
Long-term debt	14, 18, 31		934,160	783,898
Finance lease liabilities	31		16,161	23,020
Long-term advances received			41,447	128,950
Defined benefit liabilities	16		21,451	274,600
Provision for other long-term employee benefits			224,864	199,587
Provisions	17		1,302,510	1,172,176
Deferred tax liabilities	27		1,380,163	1,024,275
Other non-current liabilities	15, 31		108,446	20,727
Total non-current liabilities			5,550,013	5,323,545
Total liabilities			15,550,252	16,745,469
EQUITY				
Common stock	20		2,139,317	2,132,452
Capital surplus			1,560,650	1,557,966
Retained earnings	21		12,663,024	9,224,715
Accumulated other comprehensive income	20		334,031	443,254
Other	20		151,040	151,334
Total equity attributable to owners of the Company			16,848,062	13,509,721
Non-controlling interests			-	(11)
Total equity			16,848,062	13,509,710
Total liabilities and equity		₩	32,398,314	30,255,179

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

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

	Note		2012	2011
Sales	4, 32	₩	47,242,933	43,190,942
Cost of sales	28, 32		(36,536,005)	(33,138,961)
GROSS PROFIT			10,706,928	10,051,981
Selling expenses	24, 28		(4,845,860)	(4,451,317)
General and administrative expenses	24, 28		(2,338,817)	(2,101,576)
OPERATING INCOME	2		3,522,251	3,499,088
Share of profits of associates and, gain on disposal, and impairment loss	8		1,414,080	1,336,618
Finance income	25, 31		402,795	180,102
Finance expenses	25, 31		(211,145)	(320,216)
Other income	2, 26		417,339	457,378
Other expenses	2, 26		(381,264)	(431,320)
PROFIT BEFORE INCOME TAXES			5,164,056	4,721,650
Income tax expense	27		(1,299,352)	(1,202,414)
PROFIT FOR THE YEAR		₩	3,864,704	3,519,236
Profit attributable to owners of the Parent Company			3,864,687	3,415,577
Profit attributable to non-controlling interests			17	103,659
EARNINGS PER SHARE				
Basic earnings per share in won	22	₩	9,546	8,573
Diluted earnings per share in won	22	₩	9,545	8,457

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(In millions of won)

		2012	2011
Profit for the year	₩	3,864,704	3,519,236
Other comprehensive income (net of tax):			
Change in fair unrealized value of available-for-sale financial assets		179,405	342,338
Change in fair value of available-for-sale financial assets reclassified to profits or loss		(52,363)	-
Effective portion of changes in fair value of cash flow hedges		5,543	(4,157)
Effective portion of changes resulting from the changes in currency exchange rate of non-derivative financial instrument		-	6,664
Change in capital adjustments - increase (decrease) in gain of equity method accounted investments		(50,526)	39,813
Change in capital adjustments - increase in loss of equity method accounted investments		(41,224)	(13,812)
Defined benefit plan actuarial losses		(155,817)	(90,867)
Change in defined benefit plan actuarial losses of associates		(28,394)	(14,439)
Foreign currency translation difference		(150,058)	9,599
	₩	(293,434)	275,139
Total comprehensive income for the year	₩	3,571,270	3,794,375
Income attributable to owners of the Parent Company		3,571,253	3,683,174
Income attributable to non-controlling interests		17	111,201

See accompanying notes to the consolidated financial statements.

Consolidated Consolidated Statements of Changes in Equity

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(In millions of won)

	Attributable to owners of Parent Company						
	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)
Defined benefit plan actuarial losses	-	-	(90,867)	-	-	-	(90,867)
Change in defined benefit plan actuarial losses of associates	-	-	(14,439)	-	-	-	(14,439)
Foreign currency translation difference	-	-	-	2,057	-	7,542	9,599
Total comprehensive income (net of tax)	-	-	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)

	Attributable to owners of Parent Company						
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Other	Non-controlling interests	Total
Balance at January 1, 2012	₩ 2,132,452	1,557,966	9,224,715	443,254	151,334	(11)	13,509,710
Comprehensive income (net of tax):							
Profit for the year	-	-	3,864,687	-	-	17	3,864,704
Change in fair value of available-for-sale financial assets	-	-	-	179,405	-	-	179,405
Change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(52,363)	-	-	(52,363)
Effective portion of changes in fair value of cash flow hedges	-	-	-	5,543	-	-	5,543
Change in capital adjustments - decrease in gain of equity method accounted investments	-	-	-	(50,526)	-	-	(50,526)
Change in capital adjustments - increase in loss of equity method accounted investments	-	-	-	(41,224)	-	-	(41,224)
Defined benefit plan actuarial losses	-	-	(155,817)	-	-	-	(155,817)
Change in defined benefit plan actuarial losses of associates	-	-	(28,394)	-	-	-	(28,394)
Foreign currency translation difference	-	-	-	(150,058)	-	-	(150,058)
Total comprehensive income (net of tax)	-	-	3,680,476	(109,223)	-	17	3,571,270
Transactions with owners and other, recorded directly in equity:							
Dividends	-	-	(242,167)	-	-	-	(242,167)
Exercise of stock warrants	6,865	2,684	-	-	(294)	-	9,255
Acquisition of non-controlling interests	-	-	-	-	-	(6)	(6)
Total transactions with owners and other, recorded directly in equity	6,865	2,684	(242,167)	-	(294)	(6)	(232,918)
Balance at December 31, 2012	₩ 2,139,317	1,560,650	12,663,024	334,031	151,040	-	16,848,062

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(In millions of won)

	Note		2012	2011
Cash flows from operating activities				
Cash generated from operations	29	₩	5,153,910	4,997,468
Interest received			136,171	118,136
Interest paid			(156,640)	(185,779)
Dividends received			377,337	306,261
Income tax paid			(1,165,353)	(490,897)
Net cash provided by operating activities			4,345,425	4,745,189
Cash flows from investing activities				
Proceeds from sale of investments in associates			-	254,939
Proceeds from sale of long-term available-for-sale financial assets			123,397	652
Proceeds from sale of property, plant and equipment			122,050	120,936
Proceeds from sale of intangible assets			2,877	997
Purchase of short-term financial instruments, net			(737,230)	(331,732)
Acquisition of investments in associates			(147,299)	(755,243)
Cash paid for business combination, net of cash acquired			-	(25,540)
Acquisition of long-term available-for-sale financial assets			(273,669)	(4,728)
Acquisition of property, plant and equipment			(1,574,649)	(1,433,806)
Acquisition of intangible assets			(326,768)	(435,744)
Purchase of long-term financial instruments			(37,957)	(17,020)
Cash flows from other investing activities			6,671	(4,259)
Net cash used in investing activities			(2,842,577)	(2,630,548)
Cash flows from financing activities				
Proceeds from issuance of bonds			-	1,340,699
Paid-in-capital increase			9,407	42,075
Dividends paid			(242,167)	(198,735)
Repayment of short-term borrowings and long-term debt, net			(464,822)	(1,483,561)
Repayment of bonds			(1,108,143)	(779,807)
Acquisition of treasury stock			-	(178,789)
Proceeds from sales of treasury stock			-	168,873
Proceeds from financial lease liabilities			-	28,795
Repayment of current portion of financial lease liabilities			(5,546)	-
Acquisition of non-controlling interests			(6)	(379,362)
Cash flows from other financing activities			1,163	(1,144)
Net cash used in financing activities			(1,810,114)	(1,440,956)
Impact on foreign currency exchange rates on cash and cash equivalents			(93,594)	14,605
Net increase (decrease) in cash and cash equivalents			(400,860)	688,290
Cash and cash equivalents at January 1			2,304,169	1,615,879
Cash and cash equivalents at December 31		₩	1,903,309	2,304,169

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

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 Hwasung factory and the Kwangju factory.

The shares of the Parent Company have been listed on the Korea Exchange since 1973. As of December 31, 2012, the Parent Company's largest shareholder is Hyundai Motor Company, which holds 33.88 percent of the Parent Company's stock.

The consolidated financial statements 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, 2012 are summarized as follows:

Subsidiary	Location	Business	Reporting of ownership
Kia Motors America, Inc. (KMA)	U.S.A.	Exclusive importer and distributor of motor vehicles and parts	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%
Kia Motors Deutschland GmbH (KMD)	Germany	〃	
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	100.00%
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 Pty Ltd. (KMNZ)(*6)	New Zealand	〃	100.00%
Kia Motors Company Italy S.r.l (KMIT)(*4)	Italy	〃	100.00%

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(*1) 100.00% owned by KMA
(*2) 17.47% owned by KMA
(*3) 100.00% owned by KMD, additional 0.40% of ownership acquired during 2012
(*4) 100.00% owned by KME
(*5) 80.00% owned by KME and 20.00% owned by KMD
(*6) 100.00% 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, 2012 and 2011 are summarized as follows:

(i) Financial information as of and for the year ended December 31, 2012

(In millions of won)

Company		Total assets	Total liabilities	Sales	Net income
KMA	₩	2,847,423	2,275,194	12,699,059	386,712
KMMG		2,077,148	1,345,709	7,771,212	206,090
KMS		2,636,049	1,591,732	5,675,685	225,141
KMR		815,037	310,153	4,268,189	295,920

(ii) 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

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") as prescribed in *the Act on External Audit of Corporations in the Republic of Korea*.

(b) Basis of measurement

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

The 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

(e) Changes in accounting policies

(i) Changes in accounting policies

① Financial Instruments: Disclosures

The Company has applied the amendments to K-IFRS No.1107, 'Financial Instruments: Disclosures' since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

② Presentation of financial statements

The Company adopted the amendments to K-IFRS No. 1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Company's operating profit is calculated as revenue less: (1) cost of goods sold, and (2) selling, general and administrative expenses, and is presented separately in the consolidated statement of income.

(ii) Impact of change in accounting policy

The Company retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

(In millions of won)

		2012	2011
Operating profit before adoption of the amendments	₩	3,558,326	3,525,146
Changes :			
Other income (Note 26)		(417,339)	(457,378)
Other expense (Note 26)		381,264	431,320
Operating profit after adoption of the amendments	₩	3,522,251	3,499,088

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

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 except those as disclosed in note 2(e).

(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.

CHANGES IN THE COMPANY'S OWNERSHIP INTEREST IN A SUBSIDIARY Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Company.

(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.

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*
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 *Employee Benefits*

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.*

GOODWILL Goodwill derived from business combinations occurred 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.

Acquisition of non-controlling interests is accounted for intercompany transaction, and related goodwill is not recognized.

(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.

When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in same period as the related revenue. 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.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(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, with 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.

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 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.

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

The 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.

(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.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

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, 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 is 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 is 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 is 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.

Subsequent to initial recognition, an item of property, plant and equipment is 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 costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over 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.

	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 intented 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.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(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"). The recoverable amount of an asset or a 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 a 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.

(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 reduction to depreciation expense.

Other government grants which are intended to compensate the Company for expenses incurred are deducted from related costs 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, which is discounted to its present value, less 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 KMA are eligible to participate, upon meeting certain service requirement, in the profit sharing retirement plan and defined benefit pension plan under the Internal Revenue Code 401(k) in the United States. KMA and employees of KMA paid each contributions during the period in which the employees render the related service.

(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 is 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.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on 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. Also, foreign currency differences arising on settlement of Monetary assets and liabilities are recognized in profit or loss.

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.

The Company accounts for sales of goods and services under Q Point Program as transactions multiple revenue generation activities or deliverables. 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 taxes

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

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 potential dilutive ordinary shares.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(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.

(z) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2012, and the Company has not early adopted them. Management believes the impact of the amendments on the Company's consolidated financial statements is not significant.

(i) K-IFRS No.1110, 'Consolidated Financial Statements'

The standard introduces a single control model to determine whether an investee should be consolidated. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(ii) K-IFRS No.1111, 'Joint Arrangements'

The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(iii) K-IFRS No.1112, 'Disclosure of Interests in Other Entities'

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(iv) Amendments to K-IFRS No. 1019, 'Employee Benefits'

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Company's annual periods beginning on or after January 1, 2013.

(vi) Amendments to K-IFRS No. 1001, 'Presentation of Financial Statements'

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

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.

(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, 2012:

(In millions of won)

	Domestic	North America	Europe	Other region	Consolidation adjustment	Consolidation amount
Net sales	₩ 17,734,873	16,799,524	11,797,175	911,361	-	47,242,933
Property, plant and equipment, intangible asset and other	8,745,685	1,297,834	1,214,199	6,362	32,553	11,296,633

(b) The following tables provide information of sales by geographic locations 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	Consolidation adjustment	Consolidation amount
Net sales	₩ 17,678,511	13,754,969	11,026,858	730,604	-	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

5. Cash, Cash Equivalents and Restricted Financial Instrument

(a) Cash and cash equivalents as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Cash on hand	₩	321	350
Deposits with financial institutions		1,902,988	2,303,819
	₩	1,903,309	2,304,169

(b) Financial instruments which are restricted in use for as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Win-Win cooperation deposits	₩	27,000	16,000
Guarantee deposits		13	13
Green mold fund		20,000	-
Other deposits		3,384	18,899
	₩	50,397	34,912

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

6. Inventories

Inventories as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Finished goods	₩ 2,744,556	2,912,829
Merchandise	190,924	176,226
Semi-finished goods	468,067	430,417
Work-in-process	161,086	165,939
Raw materials	441,756	446,756
Supplies	105,165	89,938
Materials-in-transit	111,396	80,760
	₩ 4,222,950	4,302,865

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

(a) Long-term available-for-sales financial assets as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

Company	Percentage of ownership	Acquisition Cost	2012	2011
Marketable securities				
Hyundai WIA Corporation	14.20%	₩ 237,510	632,143	647,716
Hyundai Hysco Co., Ltd.	15.65%	224,319	570,610	392,087
HMC Investment Securities Co., Ltd.	3.68%	25,939	15,319	13,809
SeAH Besteel Corp.	0.00%	20	50	80
		487,788	1,218,122	1,053,692
Non-marketable securities(*)				
WIA Automotive Engine (Shang-dong) Company	18.00%	47,332	47,332	35,382
Hyundai Capital America	15.00%	321,330	321,330	115,330
Other		19,574	19,574	25,269
		388,236	388,236	175,981
		₩ 876,024	1,606,358	1,229,673

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

(b) Changes in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Balance at January 1	₩ 562,732	107,965
Changes in unrealized gain	236,683	454,767
Realized in profit or loss upon disposal	(69,081)	-
Balance at December 31 before taxes	730,334	562,732
Income tax effect	(176,741)	(136,181)
Balance at December 31	₩ 553,593	426,551

(c) The Company has provided 1,500 units (carrying amount: ₩ 569 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, 2012 and 2011 are summarized as follows:

(In millions of won)

Company	Percentage of ownership	2012		2011	
		Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Hyundai Mobis Co., Ltd.(*1)	16.88%	₩ 215,012	2,775,505	215,012	2,286,137
Hyundai Steel Company	21.29%	245,153	2,092,416	245,153	1,940,532
Hyundai Engineering & Construction Co., Ltd.(*1)	5.23%	746,234	755,953	746,234	752,578
Hyundai Powertech Co., Ltd.	37.58%	172,576	310,230	172,576	266,352
Hyundai Card Co., Ltd.(*1)	11.48%	147,960	251,943	147,960	224,501
Hyundai Dymos Inc.	45.37%	89,438	225,631	89,438	188,148
EUKOR Car Carriers Inc.(*1)	8.00%	19,565	85,178	19,565	74,208
Hyundai AMCO Co., Ltd.(*1)	19.99%	10,067	112,375	10,067	88,023
Hyundai Partecs Co., Ltd.	31.00%	12,400	19,952	12,400	18,714
Hyundai Autoever Systems Co., Ltd.	20.00%	1,000	37,134	1,000	31,582
Donghee Auto Co., Ltd.	35.10%	10,530	12,950	10,530	11,674
TRW Steering Co., Ltd.	29.00%	8,952	2,215	8,952	3,213
Kia Tigers Co., Ltd(*2)	100.00%	20,300	-	20,300	-
Hyundai NGV Co., Ltd.	24.39%	250	250	250	250
Haevichi Hotel & Resort	40.00%	8,520	19,852	8,520	2,868
Hyundai Autron Co., Ltd.	20.00%	20,116	18,690	-	-
Beijing Dymos Transmission Co., Ltd.	24.08%	22,790	58,334	22,790	64,575
China Millennium Corporations	30.30%	27,185	19,505	27,185	18,921
Hyundai Motor Group China Ltd.	30.00%	9,211	60,391	9,211	84,248

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(In millions of won)

Company	Percentage of ownership	2012		2011	
		Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Yanji Kia Motors A/S and Repair(*2)	100.00%	₩ 1,792	1,792	1,792	1,792
Hyundai Powertech (Shangdong) Co., Ltd.	25.00%	28,894	29,179	17,935	19,552
Dongfeng Yueda Kia Motors Co., Ltd.(*3)	50.00%	274,134	751,146	161,372	546,535
Hyundai Motor Manufacturing Russia LLC	30.00%	129,229	208,581	129,229	133,293
Kia Japan Co., Ltd.(*2)	100.00%	33,197	7,831	33,197	34,128
Innocean Worldwide Americas, LLC	30.00%	557	5,619	557	4,278
Hyundai Information System North America	30.00%	1,911	2,476	1,911	2,521
Sewon America, Inc.	40.00%	15,090	8,985	15,090	10,768
Hyundai Capital Services UK Ltd(*3).	10.00%	3,462	2,066	-	-
		₩ 2,275,525	7,876,179	2,128,226	6,809,391

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

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

(*3) Dongfeng Yueda Kia motors Co., Ltd. And Hyundai Capital Services UK Ltd. are jointly controlled entities established by contractual agreement.

(b) Fair value of marketable securities of associates companies as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Hyundai Mobis Co., Ltd.	₩ 4,730,997	4,796,706
Hyundai Steel Company	1,594,406	1,737,866
Hyundai Engineering & Construction Co., Ltd.	₩ 408,230	410,562

(c) Changes in investment in associates for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

Company	Beginning balance	Acquisition	Equity profit or loss on investment	Other capital movement	Dividends received	Other Increase (decrease)	Ending balance
Hyundai Mobis Co., Ltd.	₩ 2,286,137	-	562,022	(43,907)	(28,747)	-	2,775,505
Hyundai Steel Company	1,940,532	-	169,888	(8,924)	(9,080)	-	2,092,416
Hyundai Engineering & Construction Co., Ltd.	752,578	-	11,696	(5,405)	(2,916)	-	755,953
Hyundai Powertech Co., Ltd.	266,352	-	46,538	(2,660)	-	-	310,230
Hyundai Card Co., Ltd.	224,501	-	27,291	151	-	-	251,943
Hyundai Dymos Inc.	188,148	-	40,359	(2,876)	-	-	225,631

(In millions of won)

Company		Beginning balance	Acquisition	Equity profit or loss on investment	Other capital movement	Dividends received	Other Increase (decrease)	Ending balance
EUKOR Car Carriers Inc.	₩	74,208	-	21,360	(5,000)	(5,390)	-	85,178
Hyundai AMCO Co., Ltd.		88,023	-	32,537	1,809	(9,994)	-	112,375
Hyundai Partecs Co., Ltd.		18,714	-	1,238	-	-	-	19,952
Hyundai Autoever Systems Co., Ltd.		31,582	-	8,613	(1,061)	(2,000)	-	37,134
Donghee Auto Co., Ltd.		11,674	-	1,276	-	-	-	12,950
TRW Steering Co., Ltd.		3,213	-	(1,006)	8	-	-	2,215
Kia Tigers Co., Ltd(*1)		-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.(*2)		250	-	-	-	-	-	250
Haevichi Resort Co., Ltd.		2,868	-	16,976	8	-	-	19,852
Hyundai Autron Co., Ltd.		-	20,116	(1,109)	(317)	-	-	18,690
Beijing Dymos Transmission Co., Ltd.		64,575	-	8,260	(3,233)	(11,268)	-	58,334
China Millennium Corporations		18,921	-	1,768	(1,184)	-	-	19,505
Hyundai Motor Group China Ltd.		84,248	-	27,051	(2,963)	(47,945)	-	60,391
Yanji Kia Motors A/S and Repair(*2)		1,792	-	-	-	-	-	1,792
Hyundai Powertech (Shangdong) Co., Ltd.		19,552	10,959	238	(1,570)	-	-	29,179
Dongfeng Yueda Kia Motors Co., Ltd.		546,535	112,762	381,169	(36,056)	(253,264)	-	751,146
Hyundai Motor Manufacturing Russia LLC		133,293	-	79,556	(4,268)	-	-	208,581
Kia Japan Co., Ltd.(*3)		34,128	-	(2,652)	(2,694)	-	(20,951)	7,831
Innocean Worldwide Americas, LLC		4,278	-	2,456	-	(688)	(427)	5,619
Hyundai Information System North America		2,521	-	574	(2)	(411)	(206)	2,476
Sewon America, Inc.		10,768	-	(1,068)	-	-	(715)	8,985
Hyundai Capital Services UK Ltd.		-	3,462	-	-	-	(1,396)	2,066
	₩	6,809,391	147,299	1,435,031	(120,144)	(371,703)	(23,695)	7,876,179

(*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 as of December 31, 2012.

(*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 recognized impairment loss of investment in Kia Japan Co., Ltd., amounting to ₩ 20,951 million for the year ended December 31, 2012.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(d) 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 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(*1)		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.		-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.		250	-	-	-	-	-	250
Haevichi Resort Co., Ltd.		-	-	2,868	-	-	-	2,868
Beijing Dymos 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		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 disposed of a portion of its investment in Hyundai WIA Corporation in 2011, 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.

(e) Financial information of associates as of and for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Hyundai Mobis Co., Ltd. ₩	30,046,996	13,007,282	30,789,019	3,542,013
Hyundai Steel Company	22,951,387	13,120,460	14,146,369	796,397
Hyundai Engineering & Construction Co.,Ltd.	12,734,943	7,989,596	13,324,821	556,372
Hyundai Powertech Co., Ltd.	2,018,579	1,192,978	2,954,852	122,786
Hyundai Card Co., Ltd.	11,254,564	9,060,022	2,477,968	208,125
Hyundai Dymos Inc.	1,173,305	675,284	1,403,474	75,162
EUKOR Car Carriers Inc.	2,497,136	1,432,406	2,867,224	323,517
Hyundai AMCO Co., Ltd.	1,885,523	1,322,056	3,346,079	164,566
Hyundai Partecs Co., Ltd.	115,893	51,531	51,464	5,174
Hyundai Autoever Systems Co., Ltd.	447,411	261,499	921,057	43,391
Donghee Auto Co., Ltd.	155,055	118,161	203,066	3,397
TRW Steering Co., Ltd.	42,585	34,944	97,431	(2,901)
Kia Tigers Co., Ltd	4,048	4,618	27,522	118
Haevichi Resort Co., Ltd.	344,943	295,313	59,814	9,617
Hyundai Autron Co., Ltd	159,428	66,073	234,608	(5,695)
Beijing Dymos Transmission Co., Ltd.	389,012	146,763	402,184	34,301
China Millennium Corporations	90,745	26,373	2,175	5,837
Hyundai Motor Group China Ltd.	466,286	243,563	2,083,624	103,914
Hyundai Powertech (Shangdong) Co., Ltd.	511,393	390,329	474,358	3,018
Dongfeng Yueda Kia Motors Co., Ltd.	3,336,008	1,836,893	7,832,537	720,158
Hyundai Motor Manufacturing Russia LLC	1,438,402	799,564	2,854,941	263,066
Kia Japan Co., Ltd.	7,951	120	125	(23,643)
Innocean Worldwide Americas, LLC	149,330	126,600	233,213	13,927
Hyundai Information System North America	34,269	24,489	144,422	2,818
Sewon America, Inc.	302,898	280,474	326,763	(2,670)
Hyundai Capital Services UK Ltd.	596,671	576,006	11,639	(14,393)

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(f) 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 Engineering & 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 Resort Co., Ltd.		328,196	321,025	59,940	11,305
Beijing Dymos 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)

9. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩ 2,873,184	-	2,873,184	2,907,187	-	2,907,187
Buildings	2,446,751	(656,698)	1,790,053	2,341,508	(577,601)	1,763,907
Structures	554,877	(278,734)	276,143	525,280	(260,379)	264,901
Machinery and equipment	5,554,954	(2,403,385)	3,151,569	4,908,105	(2,106,272)	2,801,833
Dies, molds and tools	2,808,557	(2,128,296)	680,261	2,616,691	(2,069,016)	547,675
Vehicles	147,822	(43,322)	104,500	127,399	(43,085)	84,314
Other equipment	378,456	(226,693)	151,763	311,255	(195,804)	115,451
Construction-in-progress	693,725	-	693,725	699,117	-	699,117
	₩ 15,458,326	(5,737,128)	9,721,198	14,436,542	(5,252,157)	9,184,385

(b) Details of changes in property, plant and equipment for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposal (*1)	Depreciation	Reclassification	Other	Ending balance (*2)
Land	₩ 2,907,187	-	(77,257)	-	54,465	(11,211)	2,873,184
Buildings	1,763,907	17,889	(10,284)	(86,499)	148,058	(43,018)	1,790,053
Structures	264,901	3,011	(468)	(24,451)	36,662	(3,512)	276,143
Machinery and equipment (*3)	2,801,833	48,875	(21,136)	(356,188)	733,569	(55,384)	3,151,569
Dies, molds and tools	547,675	86,192	(344)	(215,373)	289,851	(27,740)	680,261
Vehicles	84,314	17,721	(26,243)	(26,120)	56,997	(2,169)	104,500
Other equipment	115,451	42,792	(3,013)	(42,366)	44,913	(6,014)	151,763
Construction-in-progress	699,117	1,365,596	-	-	(1,364,515)	(6,473)	693,725
	₩ 9,184,385	1,582,076	(138,745)	(750,997)	-	(155,521)	9,721,198

(*1) TThe net amount of loss on sale of property, plant and equipment is ₩ 16,695 million for the year ended December 31, 2012.

(*2) The Company cumulatively received ₩ 232,477 million government grants as of December 31, 2012 through investment agreement with Slovakia government. The grants are deducted in calculating the carrying amount of the asset.

(*3) Capital lease assets are included.

(c) 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	Disposal	Depreciation	Reclassification	Other	Ending balance
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	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

(d) As of December 31, 2012, KMS has a purchase commitment for plant expansion in connection of which, KMS acquired property, plant, and equipment amounting EUR 9,474 for the year ended December 31, 2012.

(e) The capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Capitalized borrowing costs	₩ 8,820	24,436
Capitalization interest rate	1.44%	4.47%

10. Investment Property

(a) Details of investment property as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Accumulated depreciation and impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation and impairment loss	Carrying amount
Land	₩ 20,828	-	20,828	21,995	-	21,995
Buildings	34,951	(4,345)	30,606	37,634	3,529	34,105
	₩ 55,779	(4,345)	51,434	59,629	3,529	56,100

(b) Changes in investment property for the year ended December 31, 2012 are summarized as follows:

(In millions of won)

	Beginning balance	Depreciation	Other	Ending balance
Land	₩ 21,995	-	(1,167)	20,828
Buildings	34,105	(1,123)	(2,376)	30,606
	₩ 56,100	(1,123)	(3,543)	51,434

(c) 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

(d) The amount recognized in profit or loss from investment property for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Rental income	₩ 5,770	3,779
Operating expense	1,930	1,894

(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, 2012.

11. Goodwill

(a) Changes in goodwill for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Balance at January 1	₩ 36,287	23,320
Increase due to business combination	-	14,045
Other decrease	(99)	(1,078)
Balance at December 31	₩ 36,188	36,287

(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.

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

12. Intangible Assets

(a) Details of intangible assets except for goodwill as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Development costs	₩ 2,523,333	(1,179,776)	1,343,557	2,517,198	(1,189,923)	1,327,275
Industrial property rights	68,582	(38,558)	30,024	69,696	(26,947)	42,749
Software	167,305	(113,439)	53,866	144,691	(94,253)	50,438
Membership(*)	64,127	(8,322)	55,805	65,080	(6,096)	58,984
Other	5,980	(1,419)	4,561	2,745	(1,201)	1,544
	₩ 2,829,327	(1,341,514)	1,487,813	2,799,410	(1,318,420)	1,480,990

(*) 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, 2012 are summarized as follows:

(In millions of won)

	Beginning balance	Acquisition	Disposals	Amortization	Impairment losses	Other	Ending balance
Development costs	₩ 1,327,275	293,340	-	(276,414)	-	(644)	1,343,557
Industrial property rights	42,749	2,412	-	(13,117)	-	(2,020)	30,024
Software	50,438	27,312	(188)	(21,857)	-	(1,839)	53,866
Other	60,528	5,097	(2,812)	(336)	(2,910)	799	60,366
	₩ 1,480,990	328,161	(3,000)	(311,724)	(2,910)	(3,704)	1,487,813

The net amount of loss on sale of intangible assets is ₩ 123 million for the year ended December 31, 2012.

(c) 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

(d) Details of research and development expenses expenditures for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Capitalized development costs	₩	293,340	375,459
Test expenses (manufacturing costs)		173,689	156,959
Test expenses (selling and administrative expenses)		560,070	459,811
	₩	1,027,099	992,229

13. Other Assets

Other assets as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Other current assets:			
Accrued income	₩	100,636	63,942
Prepaid expenses		56,367	62,462
Deposits provided		6,275	25,595
Short-term loans		43,311	715
Derivative financial assets		-	3,520
Held-to-maturity investments		1,706	446
Other		162	1,153
	₩	208,457	157,833
Other non-current assets:			
Held-to-maturity investments	₩	17,049	16,934
Long-term accounts and notes receivable - other		105,887	103,854
Long-term prepaid expenses		2,657	3,962
Long-term advanced payments		2,371	-
	₩	127,964	124,750

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

14. Borrowings

(a) Short-term borrowings

Short-term borrowings as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	Lender	Annual interest rate		2012	2011
Usance bills	Korea Exchange Bank and others	0.68~2.63%		166,900	122,418
Trade bills(*)	Korea Development Bank and others	0.45~3.95%		942,925	1,353,375
General loan and others	Citi Bank Slovakia and others	-		-	112,617
			₩	1,109,825	1,588,410

(*) The Company didn't derecognize outstanding trade accounts and notes receivable transferred to the financial institutions and recognized the cash received from financial institution as borrowings.

(b) Long-term debt

Long-term debt in local currency as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	Lender	Annual interest rate		2012	2011
Facility loans	Korea Development Bank and others	4.09~4.23%	₩	200,000	12,500
Other	Korea Development Bank and others	-		-	6,239
				200,000	18,739
Less : current portion of long-term borrowing				-	(13,246)
			₩	200,000	5,493

Long-term debt in foreign currency as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	Lender	Annual interest rate		2012	2011
General loans	Korea Export and Import Bank and others	1.11~2.75%	₩	369,884	528,677
Facility loans and others	Deutsche Bank Slovakia and others	0.47~3.57%		357,260	631,368
	Citi Bank Korea	2.24~2.36%		196,532	-
				923,676	1,160,045
Less : current portion of long-term borrowing				(189,516)	(381,640)
			₩	734,160	778,405

(c) The Company has pledged its land, buildings, machinery and equipments in the amount of ₩ 427,119 million in aggregate as of December 31, 2012 as assessed by lenders as collateral for long-term debt in local currency.

(d) Bonds

Bonds as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	Due	Annual interest rate		2012	2011
Unsecured public debentures	2013.8.24~ 2017.11.24	4.02~6.80%	₩	610,000	1,060,000
Secured private debentures	-	-		-	345,990
Unsecured foreign debentures	2014.2.25~ 2016.2.25	1.91~2.21%		481,995	518,985
Foreign public debentures	2016.6.14	3.63%		535,550	576,650
Bond with warrants (*)	-	-		-	279,376
Redemption premium				-	40,704
Stock warrant adjustments				-	(134)
				1,627,545	2,821,571
Less : discounts on debentures				(6,838)	(10,259)
Less : current portion of long-term borrowing				(99,896)	(1,115,000)
			₩	1,520,811	1,696,312

(*) The number of shares issued upon the exercise of stock warrants for the year ended December 31, 2012 is 1,372,891 shares.

15. Other Liabilities

Other liabilities as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Other current liabilities:			
Unearned income	₩	7,482	2,048
Dividends payable		24	24
Guarantee received		3,113	2,256
Derivative financial liabilities		-	17,402
Others		34,523	30,781
	₩	45,142	52,511
Other non-current liabilities:			
Leasehold deposits received	₩	19,693	18,533
Long-term accounts and notes payable - other		1,928	2,076
Liability for payment guarantee		124	118
Long-term accrued expenses		86,701	-
	₩	108,446	20,727

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

16. Employee Benefits

(a) Details of defined benefit plan as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Defined benefit plan:			
Present value of defined benefit obligations	₩	961,535	948,871
Fair value of plan assets		(940,084)	(674,271)
Defined benefit liabilities	₩	21,451	274,600

(b) The components of plan assets as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Time deposits and others	₩	940,084	674,271

(c) The components of retirement benefit costs for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Current service costs	₩	201,105	191,916
Interest costs		37,737	48,177
Expected returns on plan assets		(26,516)	(32,685)
	₩	212,326	207,408

(d) The principal actuarial assumptions used as of December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Discount rate	3.94%	4.86%
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)	5.00%	4.50%

(*) The rate of expected return on plan assets is determined based on historical experience of returns on plan assets.

(e) Changes in present value of defined benefit obligations for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Balance at January 1	₩	948,871	1,037,965
Current service costs		201,105	191,916
Interest costs		37,737	48,177
Increase (decrease) due to transference between affiliates		214	(6,176)
Benefit paid by the plan		(423,445)	(426,226)
Actuarial losses in other comprehensive income		197,053	103,215
Balance at December 31	₩	961,535	948,871

(f) Changes in fair value of plan assets for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Balance at January 1	₩	674,271	973,230
Expected returns on plan assets		26,516	32,685
Contribution paid into the plan		470,000	-
Transference between affiliates, net		129	-
Benefit paid by the plan		(231,132)	(325,597)
Actuarial losses in other comprehensive income		300	(6,047)
Balance at December 31	₩	940,084	674,271

17. Provisions

The Company provides general 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 recalls pending as of the end of the reporting period.

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

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

Changes in provisions for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Provision of warranty for sale	Other provision	Total	Provision of warranty for sale	Other provision	Total
Balance at January 1	₩ 1,643,068	32,093	1,675,161	1,261,789	25,620	1,287,409
Increase	1,040,461	4,029	1,044,490	1,088,844	12,363	1,101,207
Usage	(830,845)	(3,907)	(834,752)	(708,128)	(5,588)	(713,716)
Increase due to business combination	-	-	-	1,997	-	1,997
Other decrease	(49,701)	(850)	(50,551)	(1,434)	(302)	(1,736)
Balance at December 31	₩ 1,802,983	31,365	1,834,348	1,643,068	32,093	1,675,161
Thereof non-current	₩ 1,274,578	27,932	1,302,510	1,144,463	27,713	1,172,176

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 ₩ 9,345 million as of December 31, 2012. These guarantees are covered by insurance contracts in which the Company is the beneficiary of the claim amount if the customer defaults.

(b) As of December 31, 2012, one blank promissory note have been provided as collateral to Korea Defense Industry Association ("KDIA") for a performance guarantee on a contract.

(c) The Company is involved in several claims, litigations for alleged damages and product liabilities, which arose in the ordinary course of business, as of December 31, 2012. Management is of the opinion that foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position and results of operations since the incurrence is not probable nor amounts can be reasonably estimated.

(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 which should be 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, 2012, approximately USD 757,216 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 Engineering & 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 split for two years from April 1, 2011, the date of acquisition. 939,407 shares of the Company, which is approximately 10% of the share acquired, were deposited at escrow account for execution of the contract.

19. Derivative Financial Instruments and Hedge Accounting

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, 2012 and 2011 are summarized as follows:

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

	Contract amounts		Fair value	
Derivative instrument	2012	2011	2012	2011
Foreign currency forwards	-	USD 150,000	-	(7,314)
Foreign currency options	-	USD 810,000	-	(6,941)
	-	EUR 20,000	-	373

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, 405,363,347 shares and ₩ 5,000 as of December 31, 2012, respectively. 1,372,891 shares was issued by exercising the stock warrant of bond with warrant for the year ended December 31, 2012.

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, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Gain on valuation of available-for-sale financial assets	₩	553,593	426,551
Effective portion of changes in fair value of cash flow hedges		-	(5,543)
Change in capital adjustments - increase in gain of equity method accounted investments		120,008	170,534
Change in capital adjustments - increase in loss of equity method accounted investments		(136,031)	(94,807)
Foreign currency translation difference		(203,539)	(53,481)
	₩	334,031	443,254

(c) Other equity as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Gain on retirement of capital stock	₩	119,859	119,859
Other capital surplus		55,613	55,907
Treasury stock		(24,432)	(24,432)
	₩	151,040	151,334

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

21. Retained Earnings

(a) Retained Earnings as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Legal reserve	₩	97,400	72,400
Voluntary reserve		8,351,171	4,212,710
Unappropriated retained earnings		4,214,453	4,939,605
	₩	12,663,024	9,224,715

(b) Changes in retained earnings for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Balance at January 1	₩	9,224,715	6,113,182
Profit attributable to owners of the Parent Company		3,864,687	3,415,577
Dividends		(242,167)	(198,738)
Defined benefit plan actuarial losses		(155,817)	(90,867)
Defined benefit plan actuarial losses of associates		(28,394)	(14,439)
Balance at December 31	₩	12,663,024	9,224,715

22. Earnings per Share

Details of calculating earnings per share for the years ended December 31, 2012 and 2011 are as follows:

(a) Basic earnings per share

(In won, except number of shares)

		2012	2011
Profit attributable to owners of the Parent Company	₩	3,864,686,750,500	3,415,577,661,691
Weighted-average number of common shares outstanding(*)		404,838,423	398,414,044
Earnings per share	₩	9,546	8,573

(*) 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 shares.

(b) Diluted earnings per share

(In won, except number of shares)

	2012	2011
Profit attributable to owners of the Parent Company	₩ 3,864,686,750,500	3,415,577,661,691
Adjustment: Interest expense of bond with warrant	808,737,528	5,700,195,723
Adjusted profit for the year	₩ 3,865,495,488,028	3,421,277,857,414
Adjusted weighted-average number of common shares outstanding	404,985,231	404,540,467
Diluted earnings per share	₩ 9,545	8,457

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, 2012 and 2011 are summarized as follows:

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

	2012	2011
Number of shares issued	405,363,347	403,990,456
Number of treasury stock	(378,116)	(378,116)
Number of dividend shares	404,985,231	403,612,340
Par value per share	₩ 5,000	5,000
Dividends as a percentage of par value	13%	12%
Dividend amount	₩ 263,240	242,167

(b) Dividends payout ratio for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won, except for ratio)

	2012	2011
Dividend amount	₩ 263,240	242,167
Profit attributable to owners of the Parent Company	3,864,687	3,415,577
Dividend payout ratio	6.81%	7.09%

(c) Dividend yield ratio for the years ended December 31, 2012 and 2011 are summarized as follows:

(In won, except for ratio)

	2012	2011
Dividend per share	₩ 650	600
Market price as of year end	56,500	66,700
Dividend yield ratio	1.15%	0.90%

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

24. Selling, General and Administrative Expense

Details of selling, general and administrative expenses for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Selling expenses:			
Advertising	₩	1,282,854	1,205,120
Sales promotion		1,009,858	750,540
Warranty expenses		1,040,461	1,088,844
Freight		416,369	355,701
Overseas marketing and export expenses		1,096,318	1,051,112
		4,845,860	4,451,317
General and administrative expenses:			
Salaries		617,928	579,543
Bonus		289,985	254,948
Retirement and severance benefits cost		61,590	60,155
Accrual for other long-term employee benefits		7,675	5,082
Other employee benefits		141,878	125,361
Travel		44,636	41,206
Communications		15,799	14,358
Utilities		15,898	12,887
Taxes and dues		25,057	22,597
Rent		55,290	53,568
Depreciation		72,424	62,624
Amortization		18,626	13,947
Bad debt expenses		846	1,763
Repairs and maintenance		22,040	18,835
Insurance premium		13,093	15,736
Entertainment expense		5,735	5,230
Maintenance fee for vehicles		27,845	25,158
Supplies and stationery		11,695	12,519
Information fees		2,498	2,002
Education and training		28,164	27,680
Commissions and fees		282,713	272,859
Test expenses		560,070	459,811
Others		17,332	13,707
		2,338,817	2,101,576
	₩	7,184,677	6,552,893

25. Finance Income and Finance Expense

Details of finance income and finance expense for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Finance income			
Interest income	₩	168,957	113,720
Gain on foreign currency transaction		74,266	55,852
Gain on foreign currency translation		94,925	3,413
Dividends income		5,634	3,597
Gain on sale of available-for-sale financial assets (*)		59,013	-
Gain on valuation of derivative instrument		-	3,520
	₩	402,795	180,102

(In millions of won)

		2012	2011
Finance expense			
Interest expense	₩	156,808	192,494
Loss on foreign currency transaction		51,083	72,053
Loss on foreign currency translation		3,052	45,580
Loss on sale of available-for-sale financial assets		202	1
Loss on valuation of derivative instrument		-	10,088
	₩	211,145	320,216

(*) The Company disposed of a portion of its investment in Hyundai WIA Corporation and recognized gain on sale of available-for-sale financial assets for the year ended December 31, 2012.

26. Other Income and Expense

(a) Other income for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Rent	₩	13,394	14,464
Foreign exchange transaction gain		205,674	146,183
Foreign exchange translation gain		20,770	45,409
Gain on sale of property, plant and equipment		17,501	80,681
Gain on sale of intangible assets		180	483
Reversal of allowance for doubtful accounts		337	2,454
Other income		159,483	167,704
	₩	417,339	457,378

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(b) Other expense for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

		2012	2011
Foreign exchange transaction loss	₩	203,764	207,511
Foreign exchange translation loss		17,666	65,551
Loss on disposal of accounts and notes receivable - trade		769	824
Donation		22,092	21,063
Loss on sale of property, plant and equipment		34,196	114,511
Loss on sale of intangible assets		303	-
Impairment loss of intangible assets		2,910	935
Loss on inventory scrap		23,568	881
Other expenses		75,996	20,044
	₩	381,264	431,320

27. Income Taxes

(a) The component of income tax expense for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Current tax expense	₩	997,765	539,085
Origination and reversal of temporary differences		294,171	751,881
Less: income tax recognized in other comprehensive income		7,416	(88,552)
Total income tax expense	₩	1,299,352	1,202,414

(b) Income tax (expense) benefit recognized directly in other equity and other comprehensive income for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Current tax:			
Gain on sale of treasury stock	₩	-	(4,632)
Defined benefit plan actuarial losses		49,746	29,010
		49,746	24,378
Deferred income tax:			
Gain on valuation of available-for-sale financial assets		(40,560)	(112,429)
Gain on valuation of derivative instruments		(1,770)	(501)
		(42,330)	(112,930)
Income tax recognized directly in other comprehensive income	₩	7,416	(88,552)

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, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Profit before income taxes	₩	5,164,056	4,721,650
Income tax using the Company's statutory tax rate(*)		1,208,553	1,002,275
Adjustment for:			
Non-taxable income		(70,899)	(14,452)
Non-deductible expense		55,487	30,655
Tax credits		(248,451)	(132,872)
Tax effect for gains/losses on investment in subsidiaries and associates		346,312	290,608
Others		8,350	26,200
Income tax expenses	₩	1,299,352	1,202,414
Effective tax rate		25.16%	25.47%

(*) Calculated by multiplying each nation's statutory tax rate of nations and profit before income taxes on each separated 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.

(e) Details of changes in deferred tax assets and liabilities for the year ended December 31, 2012 are as follows:

(In millions of won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩ 18,853	1,332	-	20,185
Bad debts write-off	59,880	-	-	59,880
Accrued expenses	139,702	105,491	-	245,193
Provision of warranty for sale	291,501	30,269	-	321,770
Provision of other long-term employee benefits	47,746	6,096	-	53,842
Annual leaves	20,498	2,288	-	22,786
Revaluated land	(372,219)	5,351	-	(366,868)
Depreciation	(325,292)	53,450	-	(271,842)
Investment in subsidiaries and associates	(850,040)	(346,312)	-	(1,196,352)
Gains/Losses on sales of investment assets and others	(97,031)	20,188	-	(76,843)

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(In millions of won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Valuation of derivative instruments	1,770	-	(1,770)	-
Valuation of available-for-sale financial assets	(136,181)	-	(40,560)	(176,741)
Operating loss carryforward	36,576	(34,186)	-	2,390
Carryforwards of unused tax credits	119,012	(119,012)	-	-
Others	82,855	23,204	-	106,059
₩	(962,370)	(251,841)	(42,330)	(1,256,541)

(f) 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
Bad 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)

(g) As of December 31, 2012 the amounts of total temporary differences related to investments of subsidiaries and associates which deferred tax assets and liabilities were not recognized, in are ₩ 599,530 million and ₩ 1,620,319 million, respectively.

28. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Fluctuation of inventories	₩ 110,551	(678,204)
Raw material and merchandise consumed	31,114,554	29,119,359
Employee benefits	3,635,792	3,235,328
Other employee benefits	609,717	529,119
Depreciation and amortization	1,063,844	990,800
Overseas marketing and export expenses	1,113,871	1,075,192
Sales promotion	1,010,506	750,540
Warranty expenses	1,040,461	1,088,844
Commissions and fees	709,494	631,570
Test expenses	733,759	616,770
Advertising	1,282,854	1,205,120
Freight	442,634	380,901
Rent	57,547	53,568
Utilities	291,391	251,431
Repairs and maintenance	126,126	105,247
Others	377,581	336,269
	₩ 43,720,682	39,691,854

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

29. Cash Flows

(a) Details of cash flows from operating for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Profit for the year	₩ 3,864,704	3,519,236
Adjustments for:		
Depreciation	752,120	695,569
Amortization	311,724	295,231
Other long term employee benefits	28,812	26,855
Retirement and severance benefits	212,326	207,408
Employee compensation	-	19,140
Warranty expenses	1,040,461	1,088,844
Loss on foreign currency translations	20,718	111,131
Interest expense	156,808	192,494
Loss on valuation of derivative instruments	-	10,088
Loss on sale of property, plant and equipment	34,196	114,511
Income tax expense	1,299,352	1,202,414
Loss on inventory scrap	23,568	881
Gain on foreign currency translations	(115,695)	(48,822)
Interest income	(168,957)	(113,720)
Dividends income	(5,634)	(3,597)
Gain on sale of property, plant and equipment	(17,501)	(80,681)
Gain on investment in associates, net	(1,414,080)	(1,336,618)
Gain on sale of available-for-sale financial assets	(59,013)	-
Gain on valuation of derivative instruments	-	(3,520)
Others	10,179	23,428
	2,109,384	2,401,036

(In millions of won)

		2012	2011
Changes in assets and liabilities:			
Accounts and notes receivable - trade	₩	365,104	151,942
Accounts and notes receivable - other		(59,962)	304,462
Advance payments		(13,049)	(8,465)
Inventories		50,682	(703,739)
Other current assets		(17,841)	60,763
Other non-current assets		4,874	(92,704)
Accounts and notes payable - trade		173,558	44,155
Accounts and notes payable - other		(28,407)	(227,772)
Advances received		4,416	(12,722)
Accrued expenses		119,511	369,200
Payment of warranty expenses		(830,845)	(708,128)
Payment of long-term employee benefits		(12,344)	(9,606)
Payment of retirement benefits		(423,445)	(426,226)
Other current liabilities		(1,218)	7,770
Transfer of retirement benefit		214	(6,176)
Benefit plan assets		(238,997)	325,597
Other non-current liabilities		87,571	8,845
		(820,178)	(922,804)
Cash generated from operations	₩	5,153,910	4,997,468

(b) Significant non-cash investing and financing activities for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Reclassification from investment in associates to available-for-sale financial assets	₩	-	295,449

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

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.

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, 2012 and 2011 are as follows:

(In millions of won)

	2012	2011
Cash and cash equivalents (*)	₩ 1,902,988	2,303,819
Short-term financial instruments	2,367,230	1,630,000
Accounts and notes receivable - trade	1,801,731	2,178,699
Accounts and notes receivable - other	485,696	432,453
Other current assets	152,090	95,371
Long-term financial instruments	58,990	21,033
Long-term available-for-sale financial assets	1,606,358	1,229,673
Long-term accounts and notes receivable - trade	2,675	2,322
Guarantee deposits	166,463	173,156
Other non-current assets	122,936	120,788
	₩ 8,667,157	8,187,314

(*) 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, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Accounts and notes receivable - trade	Other receivable (*)	Accounts and notes receivable - trade	Other receivable (*)
Not overdue	₩ 1,500,279	806,588	1,882,453	736,582
Past due less than 3 month	260,421	80,463	225,649	37,303
Past due 4~ 6 month	19,123	6,471	48,866	1,128
Past due 7~12 month	43,142	17,481	51,302	25,002
Past due over 12 month	100,836	21,868	98,870	24,300
	₩ 1,923,801	932,871	2,307,140	824,315

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

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

Changes in allowance for doubtful trade accounts and notes receivable and other receivables for the years ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Accounts and notes receivable - trade	Other receivable	Accounts and notes receivable - trade	Other receivable
Balance at January 1	₩ 126,119	25,315	118,860	37,574
Collection of written-off amount	163	7,055	6,279	-
Write-off	(852)	(8,052)	(1,037)	(13,973)
Impairment loss	846	-	62	1,366
Reversal of allowance for doubtful accounts	(167)	(172)	(2,454)	-
Others	(6,714)	457	4,409	348
Balance at December 31	₩ 119,395	24,603	126,119	25,315

(b) Liquidity risk

(i) Aggregate maturities of the Company's financial liabilities, including estimated interest, as of December 31, 2012 are summarized as follows:

(In millions of won)

	Within 1 year	1~5 years	Over 5 years	Total
Accounts and notes payable - trade	₩ 4,998,445	-	-	4,998,445
Accounts and notes payable - other	1,713,988	-	-	1,713,988
Accrued expenses	921,097	-	-	921,097
Bonds	156,263	1,628,081	-	1,784,344
Borrowings	1,345,932	927,726	343,875	2,617,533
Financial lease liabilities	6,581	17,208	-	23,789
Other current liabilities	3,137	-	-	3,137
Other non-current liabilities	-	108,446	-	108,446
	₩ 9,145,443	2,681,461	343,875	12,170,779

(ii) 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 years	Over 5 years	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

(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 summarized as follows:

(In millions of won)

		2012		2011	
		10% Up	10% Down	10% Up	10% Down
USD	₩	(154,569)	154,569	(86,354)	86,354
EUR		983	(983)	(31,217)	31,217

(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, 2012 and 2011 are as summarized as follows:

(In millions of won)

		2012		2011	
		100 bps Up	100 bps Down	100 bps Up	100 bps Down
Interest income	₩	19,023	(19,023)	21,183	(21,183)
Interest expense		11,756	(11,756)	16,728	(16,728)

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(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, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables:				
Cash and cash equivalents	₩ 1,903,309	1,903,309	2,304,169	2,304,169
Short-term financial instruments	2,367,230	2,367,230	1,630,000	1,630,000
Account and notes receivable - trade	1,801,731	1,801,731	2,178,699	2,178,699
Account and note receivable - other	485,696	485,696	432,453	432,453
Long-term account and notes receivable - trade	2,675	2,675	2,322	2,322
Other financial assets	481,724	481,724	389,448	389,448
	₩ 7,042,365	7,042,365	6,937,091	6,937,091
Available-for-sale financial assets:				
Long-term available-for-sale financial assets	₩ 1,606,358	1,606,358	1,229,673	1,229,673
Held-to-maturity investments:				
Held-to-maturity investments	₩ 18,755	18,755	17,380	17,380
Derivative financial assets:				
Currency option (hedge)	₩ -	-	3,520	3,520
Liabilities recognized by amortized cost:				
Accounts and notes payable - trade	₩ 4,998,445	4,998,445	4,825,992	4,825,992
Accounts and notes payable - other	1,713,988	1,713,988	1,744,387	1,744,387
Bonds	1,620,707	1,652,202	2,811,312	2,840,434
Debt	2,233,501	2,228,179	2,767,194	2,735,268
Financial lease liabilities	21,871	21,871	28,795	28,795
Other financial liabilities	1,032,556	1,032,556	822,109	822,109
	₩ 11,621,068	11,647,241	12,999,789	12,996,985

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial liabilities:				
Currency forward (hedge)	₩ -	-	7,314	7,314
Currency option (hedge)	-	-	10,088	10,088
	₩ -	-	17,402	17,402

The Company measured the fair value of financial instruments as follows:

- The fair value of available-for-sale financial assets traded within the market is measured at the closing bid price quoted at the end of the reporting period.
- The fair value of the derivatives is the present value of the difference between contractual forward price and future forward price discounted during the remaining period of the contract, from present to contractual maturity.

The fair value of current receivables is close to their carrying amounts. In addition, the fair value of other financial instruments is determined as the present value of estimated future cash flows discounted at the current market interest rate. As of December 31, 2012, there isn't any significant business climate and economic environment changes affecting the fair value of financial assets and liabilities.

(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, 2012 and 2011 are summarized as follows:

	2012	2011
Derivatives	-	3.22~3.30%
Debts and Bonds	3.08%	3.41%

Notes to Consolidated Financial Statements

KIA MOTORS CORPORATION AND SUBSIDIARIES

For the years ended December 31, 2012 and 2011

(iii) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as of December 31, 2012 are summarized as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Marketable securities	₩	1,218,122	-	-	1,218,122

(*) 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, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Finance income	Finance expense	Other comprehensive income	Finance income	Finance expense	Other comprehensive income
Loans and receivables	₩ 197,688	46,142	-	146,644	49,780	-
Available-for-sale financial assets	64,647	202	127,042	3,597	1	342,338
Held-to-maturity investments	895	-	-	831	-	-
Liabilities recognized by amortized cost	139,565	164,801	-	25,510	260,347	-
Derivative financia instruments	-	-	5,543	3,520	10,088	2,507
	₩ 402,795	211,145	132,585	180,102	320,216	344,845

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, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Sales and others	Purchase and others	Sales and others	Purchase and others
Associates	₩ 1,097,815	11,417,266	1,352,171	9,083,582
Others	3,486,801	8,897,832	3,819,206	9,833,936
	₩ 4,584,616	20,315,098	5,171,377	18,917,518

(b) Account balances with related companies as of December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Accounts receivable and others	Accounts payable and others	Accounts receivable and others	Accounts payable and others
Associates	₩ 134,496	1,691,388	196,993	1,383,859
Others	423,642	1,658,227	257,297	1,682,812
	₩ 558,138	3,349,615	454,290	3,066,671

The Company has financial instruments managed by HMC investment securities Co., Ltd. amounting W 160,000 million, which is one of the other related company

(c) Executive compensation of the Parent Company for each of the following categories for the year ended December 31, 2012 and 2011 are summarized as follows:

(In millions of won)

	2012	2011
Compensation		
Salaries	₩ 52,425	44,644
Retirement and severance benefits	10,731	10,904

(d) Details of guarantee which the Company has provided for related companies as of December 31, 2012 are summarized as follows:

(In thousands of foreign currency)

Relative	Company	Type of borrowings	Lender	Period	Amount
Associates	Hyundai Card Co., Ltd.	Guarantee	GE Capital	2012.9.24 ~ 2015.1.9	USD 30,000

33. Date of Authorization for issue

The consolidated financial statements were authorized for issue on January 25, 2013, at the Board of Directors meeting, and it is going to be authorized on March 22, 2013, at the general meeting of stockholders.

PRODUCT LINE-UP

KIA QUORIS • K9



EXPERIENCE NEW LUXURY

The Kia Quoris is a premium RWD luxury sedan with state-of-the-art features that enhance overall product quality. A sense of 'modern classic' dignity has been added while maintaining Kia's young and dynamic design identity. Innovative side mirror puddle lamps illuminate the ground for better visibility when approaching and exiting the vehicle at night while convenient door handle pocket lights aid vehicle access in the dark It offers a comfortable and pleasant ride, while touting a thrilling maximum output of 334 ps and the maximum torque of 40.3 kg·m thanks to the V6 3.8 GDI Engine and 8-speed automatic transmission.

SEDONA • CARNIVAL



RELIABLE MULTI-PLAYER

Stylish, durable, sophisticated. The Carnival 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 multi-purpose utility vehicle.

SORENTO



PRESTIGE REBORN

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 all-new 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.

FORTE • CERATO KOUP



IRRESISTIBLE FASCINATION

The Cerato (Forte) Koup is a sporty two-door differentiated from its sister sedan 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. A sense of beauty and speed come together based on the concept of 'simplicity of the straight line'.

FORTE • CERATO



A GIFT OF TRUE INNOVATION

The new Cerato is a next-generation compact sedan with diverse cutting-edge features complementing its sophisticated and dynamic design. Redefining the very best in automobile design, its bold, coupé-like proportions and eye catching lines and curves exude brisk acceleration and effortless fluidity of motion. With its beautiful exterior styling, the new Cerato features superb performance and power along with a smooth and stable ride as well as uncompromised safety.

SOUL



FREE YOUR MIND

We take extra care with each revision of the Soul because it defines what we have achieved as a design-centered company. The latest Soul features the addition of ambient touches to its signature look and luxurious convenience features, such as a button-start smart key and electronic mirrors to expand Soul's commercial appeal.

OPTIMA • K5



HONE YOUR COMPETITIVE EDGE

Innovation, a sporty stance, and style with confident individuality are the characteristics of Optima, a Kia's most popular sedan. A passionate mid-size car that loves the road, Optima is grandiose when you want it to be, but sporty and fun when you feel like dressing down.



CADENZA • K7



DYNAMIC INTELLIGENCE

This was the first Kia Motors product to be released utilizing the company's newly-developed large-sedan platform. The Cadenza is best known for its luxurious styling, in which 'light' and 'lines' stand boldly out, while its top-end power performance provides an exhilarating driving experience. The current model sports innovations such as improved safety and comfort features with reduced road noise.

RONDO • ALL-NEW CARENS



THE STYLISH FAMILY CAR FOR MODERN LIFE

Completely refurbished with an all-new eye-catching body shell, the Carens combines the muscle of an SUV with the roominess of an MPV. Outfitted with a robust bumper, elegant side moldings and expansive hood, 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.

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, 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.

VENGA



THE VERSATILE VENGA

The Venga is 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. We 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.

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. 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



A TALENTED COMPACT

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

cee'd



LIVE MORE LIFE

cee'd is an all around delight – an experience that challenges all preconceptions. Built for the senses, 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.

COMPANY 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

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

2006 ~ 2008

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

2009 ~ 2011

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) s emi 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

2012

2012. **01** Kia launches USD 13 million 'Green Light Project' to improve social mobility of needy children

02 Kia Motors wins awards in four areas in the 5-Year Cost to Own Award of Kelley Blue Book

03 Kia Picanto (Morning) and Rio (Pride) win red dot 'Product Design' awards

All-new Kia cee'd premiers at Geneva Motor Show

05 All-new elegant and luxury flagship sedan Kia Quoris (K9) is launched

06 Construction begins for third China plant with a 300,000-unit annual capacity

Kia Motors is selected as the 'Best Car Manufacturer' in the U.K.

07 Kia Motors wins the grand slam with prizes from the world's top three design awards – red dot Design Award, if Design Award, IDEA Award

08 New Kia cee'd acclaimed for exterior and interior design at Automotive Brand Awards

09 World premiere of all-new Kia Rondo (Carens) compact MPV at Paris Motor Show

10 Kia Motors enters the ranks of Interbrand's 'Top 100 Best Global Brands'

11 All-new third-generation Kia Cerato (Forte) premieres at Los Angeles Motor Show

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

Overseas Sales Subsidiaries & Reginal HQ

Overseas Plants

R&D Center

BOARD OF DIRECTORS

Hyoung-Keun Lee	• Currently, Vice Chairman, Kia Motors Corp. • (Former) President, Kia Motors Corp.
Sam-ung Lee	• Currently, President, Kia Motors Corp. • (Former) Executive Vice President, Kia Motors Corp.
Euisun Chung	• Currently, Vice Chairman, Hyundai Motor Corp. • (Former) President, Kia Motors Corp.
Han-Woo Park	• Currently, Executive Vice President / CFO, Kia Motors Corp. • (Former) Executive Vice President, Hyundai Motor Company
Sang Koo Nam	• Currently, Chair Professor of Business Administration at Gachon University • (Former) President of Korea Corporate Governance Service
Hyun-Kook Hong	• Currently, Vice Chairman, Gaduk Tax Consulting Associates • (Former) Auditor of NTS (National Tax Service) • (Former) Director of Regional NTS in Daegu
Keon-Soo Shin	• Currently, Attorney at law, KCL (Kim, Choi & Lim) • (Former) Chief Prosecutor, Criminal Department, Seoul High Prosecutor's Office
Won-Joon Kim	• Currently, Advisor at Kim & Chang Law Firm • (Former) Executive Director of Market Oversight at the Fair Trade Commission
Doo-Hee Lee	• Currently, Professor of Business Administration at Korea University • Currently, President of APAIE (Asia-Pacific Association for International Education) • (Former) President of Korean Marketing Association

As of March 31st, 2013

CONTACT INFORMATION

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