

# **HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED  
SEPTEMBER 30, 2017 AND 2016**

**ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**HYUNDAI MOTOR COMPANY**

# **Contents**

<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT -----</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>    CONSOLIDATED STATEMENTS OF FINANCIAL POSITION -----</b>	<b>4</b>
<b>    CONSOLIDATED STATEMENTS OF INCOME -----</b>	<b>6</b>
<b>    CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME -----</b>	<b>7</b>
<b>    CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY -----</b>	<b>8</b>
<b>    CONSOLIDATED STATEMENTS OF CASH FLOWS -----</b>	<b>10</b>
<b>    NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -----</b>	<b>12</b>

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of Independent Accountants' Review Report Originally Issued in Korean on November 14, 2017

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

We have reviewed the accompanying condensed consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The condensed consolidated financial statements consist of the condensed consolidated statement of financial position as of September 30, 2017, the related condensed consolidated statements of income and comprehensive income for the three months and nine months ended September 30, 2017 and 2016, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016, respectively, all expressed in Korean Won, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Independent Accountants' Responsibility**

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements based on our reviews.

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

### **Review Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with K-IFRS 1034, *Interim Financial Reporting*.

## **Others**

We audited the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2016 (not presented in the accompanying consolidated financial statements), in accordance with Korean Standards on Auditing (“KSAs”). We expressed an unqualified opinion in our independent auditors’ report dated on March 2, 2017. The condensed consolidated statement of financial position as of December 31, 2016, presented as a comparative purpose in the accompanying consolidated financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2016.

*Deloitte Anjin LLC*

November 14, 2017

## Notice to Readers

This report is effective as of November 14, 2017, the independent accountants’ review report date. Certain subsequent events or circumstances may have occurred between the independent accountants’ review report date and the time the independent accountants’ review report is read. Such events or circumstances could significantly affect the accompanying condensed consolidated financial statements and may result in modifications to the independent accountants’ review report.

**HYUNDAI MOTOR COMPANY (the “Company”)  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS  
ENDED SEPTEMBER 30, 2017 AND 2016**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

**Lee, Won Hee**  
**Chief Executive Officer**  
**HYUNDAI MOTOR COMPANY**

Main Office Address: (Road Name Address) 12, Heolleung-ro, Seocho-gu, Seoul  
(Phone Number) 02-3464-1114

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

ASSETS	NOTES	September 30, 2017	December 31, 2016
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	19	₩ 9,072,586	₩ 7,890,089
Short-term financial instruments	19	7,103,858	7,361,735
Other financial assets	5,19	12,224,113	12,723,993
Trade notes and accounts receivable	3,19	4,073,358	4,437,552
Other receivables	4,19	3,058,670	3,181,030
Inventories	6	11,557,662	10,523,812
Current tax assets		66,982	46,924
Financial services receivables	13,19	25,094,719	24,865,594
Non-current assets classified as held for sale	8	29,068	29,068
Other assets	7,19	1,642,691	1,389,803
Total current assets		73,923,707	72,449,600
Non-current assets:			
Long-term financial instruments	19	338,623	99,484
Other financial assets	5,19	2,600,599	2,560,550
Long-term trade notes and accounts receivable	3,19	147,471	138,105
Other receivables	4,19	1,208,912	1,301,059
Property, plant and equipment	9	29,737,097	29,405,716
Investment property	10	203,569	211,671
Intangible assets	11	4,611,054	4,586,172
Investments in joint ventures and associates	12	17,806,341	18,070,121
Deferred tax assets		1,364,778	1,116,774
Financial services receivables	13,19	26,989,067	26,918,009
Operating lease assets	14	21,838,956	21,317,260
Other assets	7,19	717,658	661,407
Total non-current assets		107,564,125	106,386,328
Total assets		₩ 181,487,832	₩ 178,835,928

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	September 30, 2017	December 31, 2016
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,585,531	₩ 6,985,942
Other payables	19	3,955,324	4,946,723
Short-term borrowings	15,19	10,041,472	8,760,678
Current portion of long-term debt and debentures	15,19	12,458,631	14,836,967
Income tax payable		471,522	540,909
Provisions	16	2,063,554	1,925,562
Other financial liabilities	17,19	22,385	138,106
Other liabilities	18,19	6,609,962	5,474,906
Total current liabilities		42,208,381	43,609,793
Non-current liabilities:			
Long-term other payables	19	21,669	22,586
Debentures	15,19	40,126,511	36,456,392
Long-term debt	15,19	11,477,955	13,389,983
Net defined benefit liabilities	33	675,759	492,173
Provisions	16	4,959,876	5,047,078
Other financial liabilities	17,19	108,103	23,454
Deferred tax liabilities		4,463,327	4,622,226
Other liabilities	18,19	2,847,886	2,827,665
Total non-current liabilities		64,681,086	62,881,557
Total liabilities		106,889,467	106,491,350
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,201,214	4,202,597
Other capital items	22	(1,640,096)	(1,640,096)
Accumulated other comprehensive loss	23	(1,184,149)	(1,223,244)
Retained earnings	24	66,274,468	64,361,408
Equity attributable to the owners of the Company		69,140,430	67,189,658
Non-controlling interests		5,457,935	5,154,920
Total equity		74,598,365	72,344,578
Total liabilities and equity		₩ 181,487,832	₩ 178,835,928

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	NOTES	2017		2016	
		Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won, except per share amounts)					
Sales	25,38	₩ 24,201,273	₩ 71,875,234	₩ 22,083,670	₩ 69,111,020
Cost of sales	30	19,861,622	58,515,444	18,189,695	55,954,518
Gross profit		4,339,651	13,359,790	3,893,975	13,156,502
Selling and administrative expenses	26,30	3,135,444	9,560,352	2,825,871	8,984,168
Operating income		1,204,207	3,799,438	1,068,104	4,172,334
Gain (loss) on investments in joint ventures and associates, net	27	(31,515)	514,267	396,372	1,468,767
Finance income	28	209,049	697,303	265,617	895,890
Finance expenses	28	298,944	921,748	164,395	459,862
Other income	29	368,048	825,121	320,308	815,264
Other expenses	29,30	350,450	891,963	391,340	852,709
Income before income tax		1,100,395	4,022,418	1,494,666	6,039,684
Income tax expense	32	161,213	763,916	375,902	1,388,867
Profit for the period		₩ 939,182	₩ 3,258,502	₩ 1,118,764	₩ 4,650,817
Profit attributable to:					
Owners of the Company		852,371	2,999,814	1,061,440	4,406,429
Non-controlling interests		86,811	258,688	57,324	244,388
Earnings per share attributable to the owners of the Company:	31				
Basic earnings per share:					
Common stock		₩ 3,168	₩ 11,152	₩ 3,946	₩ 16,397
1 <sup>st</sup> preferred stock		₩ 3,181	₩ 11,190	₩ 3,959	₩ 16,426
Diluted earnings per share:					
Common stock		₩ 3,168	₩ 11,152	₩ 3,946	₩ 16,397
1 <sup>st</sup> preferred stock		₩ 3,181	₩ 11,190	₩ 3,959	₩ 16,426

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Profit for the period	₩ 939,182	₩ 3,258,502	₩ 1,118,764	₩ 4,650,817
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	3,306	326	(11,285)	(31,151)
Changes in retained earnings of equity-accounted investees, net	(2,853)	(6,639)	(8,033)	(84,752)
	<u>453</u>	<u>(6,313)</u>	<u>(19,318)</u>	<u>(115,903)</u>
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on available-for-sale ("AFS") financial assets, net	(100,553)	246,385	124,168	(153,374)
Gain (loss) on valuation of cash flow hedge derivatives, net	(16,138)	(7,191)	70,600	79,103
Changes in share of earnings of equity-accounted investees, net	116,555	(28,256)	(300,643)	(414,648)
Gain (loss) on foreign operations translation, net	223,986	(178,706)	(683,382)	(551,881)
	<u>223,850</u>	<u>32,232</u>	<u>(789,257)</u>	<u>(1,040,800)</u>
Total other comprehensive income (loss)	<u>224,303</u>	<u>25,919</u>	<u>(808,575)</u>	<u>(1,156,703)</u>
Total comprehensive income	<u>₩ 1,163,485</u>	<u>₩ 3,284,421</u>	<u>₩ 310,189</u>	<u>₩ 3,494,114</u>
Comprehensive income attributable to:				
Owners of the Company	1,052,389	3,031,664	302,177	3,303,983
Non-controlling interests	111,096	252,757	8,012	190,131
Total comprehensive income	<u>₩ 1,163,485</u>	<u>₩ 3,284,421</u>	<u>₩ 310,189</u>	<u>₩ 3,494,114</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2016	₩ 1,488,993	₩ 3,520,395	₩ (1,588,697)	₩ (1,431,821)	₩ 60,035,088	₩ 62,023,958	₩ 4,857,443	₩ 66,881,401
Comprehensive income:								
Profit for the period	-	-	-	-	4,406,429	4,406,429	244,388	4,650,817
Loss on AFS financial assets, net	-	-	-	(153,024)	-	(153,024)	(350)	(153,374)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	72,861	-	72,861	6,242	79,103
Changes in valuation of equity-accounted investees, net	-	-	-	(401,910)	(84,752)	(486,662)	(12,738)	(499,400)
Remeasurements of defined benefit plans	-	-	-	-	(24,092)	(24,092)	(7,059)	(31,151)
Loss on foreign operations translation, net	-	-	-	(511,529)	-	(511,529)	(40,352)	(551,881)
Total comprehensive income (loss)	-	-	-	(993,602)	4,297,585	3,303,983	190,131	3,494,114
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,079,544)	(1,079,544)	(5,002)	(1,084,546)
Increase in subsidiaries' stock	-	-	-	-	-	-	25,319	25,319
Purchases of subsidiaries' stock	-	15,664	-	-	-	15,664	(111,868)	(96,204)
Disposals of subsidiaries' stock	-	1,438	-	-	-	1,438	27,285	28,723
Purchases of treasury stock	-	-	(174,820)	-	-	(174,820)	-	(174,820)
Disposals of treasury stock	-	35,108	138,129	-	-	173,237	-	173,237
Others	-	-	-	-	60	60	-	60
Total transactions with owners, recorded directly in equity	-	52,210	(36,691)	-	(1,079,484)	(1,063,965)	(64,266)	(1,128,231)
Balance at September 30, 2016	₩ 1,488,993	₩ 3,572,605	₩ (1,625,388)	₩ (2,425,423)	₩ 63,253,189	₩ 64,263,976	₩ 4,983,308	₩ 69,247,284

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained Earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2017	₩ 1,488,993	₩ 4,202,597	₩ (1,640,096)	₩ (1,223,244)	₩ 64,361,408	₩ 67,189,658	₩ 5,154,920	₩ 72,344,578
Comprehensive income:								
Profit for the period	-	-	-	-	2,999,814	2,999,814	258,688	3,258,502
Gain on AFS financial assets, net	-	-	-	244,943	-	244,943	1,442	246,385
Gain (loss) on valuation of cash flow hedge derivatives, net	-	-	-	(15,911)	-	(15,911)	8,720	(7,191)
Changes in valuation of equity-accounted investees, net	-	-	-	(28,843)	(6,639)	(35,482)	587	(34,895)
Remeasurements of defined benefit plans	-	-	-	-	(606)	(606)	932	326
Loss on foreign operations translation, net	-	-	-	(161,094)	-	(161,094)	(17,612)	(178,706)
Total comprehensive income	-	-	-	39,095	2,992,569	3,031,664	252,757	3,284,421
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,079,505)	(1,079,505)	(59,166)	(1,138,671)
Increase in subsidiaries' stock	-	(1,383)	-	-	-	(1,383)	76,832	75,449
Purchases of subsidiaries' stock	-	-	-	-	-	-	32,609	32,609
Disposals of subsidiaries' stock	-	-	-	-	-	-	(17)	(17)
Others	-	-	-	-	(4)	(4)	-	(4)
Total transactions with owners, recorded directly in equity	-	(1,383)	-	-	(1,079,509)	(1,080,892)	50,258	(1,030,634)
Balance at September 30, 2017	₩ 1,488,993	₩ 4,201,214	₩ (1,640,096)	₩ (1,184,149)	₩ 66,274,468	₩ 69,140,430	₩ 5,457,935	₩ 74,598,365

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	NOTES	Nine months ended September 30,	
		2017	2016
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 3,258,502	₩ 4,650,817
Adjustments		10,178,612	7,913,863
Changes in operating assets and liabilities		(9,737,418)	(10,097,473)
		3,699,696	2,467,207
Interest received		356,132	354,706
Interest paid		(1,354,514)	(1,286,792)
Dividend received		851,641	921,524
Income tax paid		(1,239,842)	(1,972,006)
Net cash provided by operating activities		2,313,113	484,639
Cash flows from investing activities:			
Proceeds from disposals of short-term financial instruments, net		273,257	976,544
Proceeds from disposals (purchases) of other financial assets (current), net		655,269	(1,192,330)
Proceeds from disposals of other financial assets (non-current)		33,025	575,933
Receipts from other receivables		176,987	101,582
Disposals of long-term financial instruments		25	26
Proceeds from disposals of property, plant and equipment		93,532	64,670
Proceeds from disposals of intangible assets		638	10,113
Proceeds from disposals of investments in joint ventures and associates		-	578
Acquisitions of other financial assets (non-current)		(120,289)	(216,282)
Increases in other receivables		(175,520)	(115,520)
Purchases of long-term financial instruments		(237,253)	(7,686)
Acquisitions of property, plant and equipment		(2,173,031)	(2,073,927)
Acquisitions of intangible assets		(937,547)	(906,100)
Cash outflows from business combinations		(13,086)	(2,370)
Acquisitions of investments in joint ventures and associates		(80,144)	(430,448)
Other cash receipts (payments) from investing activities, net		45,211	(2,116)
Net cash used in investing activities		(2,458,926)	(3,217,333)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (CONTINUED)

	NOTES	Nine months ended September 30,	
		2017	2016
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	862,276	₩ (992,486)
Proceeds from long-term debt and debentures		22,714,044	21,702,876
Paid-in capital increase of subsidiaries		75,449	25,536
Purchases of subsidiaries' stock		-	(96,204)
Disposals of subsidiaries' stock		-	34,206
Repayment of long-term debt and debentures		(21,184,368)	(16,164,603)
Purchases of treasury stock		-	(174,820)
Dividends paid		(1,115,033)	(1,084,546)
Other cash payments from financing activities, net		(4,479)	(30,332)
Net cash provided by financing activities		<u>1,347,889</u>	<u>3,219,627</u>
Effect of exchange rate changes on cash and cash equivalents		(19,579)	(239,968)
Net increase in cash and cash equivalents		1,182,497	246,965
Cash and cash equivalents, beginning of the period		<u>7,890,089</u>	<u>7,331,463</u>
Cash and cash equivalents, end of the period	₩	<u><u>9,072,586</u></u>	₩ <u><u>7,578,428</u></u>

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

**1. GENERAL:**

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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

As of September 30, 2017, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 20.78%) and Chung, Mong Koo (11,395,859 shares, 5.17%).

(1) The Company’s consolidated subsidiaries as of September 30, 2017, are as follows:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	59.68%	
Hyundai Card Co., Ltd. (*1)	"	"	36.96%	
Hyundai Rotem Company (Hyundai Rotem) (*1)	Manufacturing	"	43.36%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	"	"	100.00%	
Green Air Co., Ltd.	"	"	51.00%	Hyundai Rotem 51.00%
Hyundai Auto Electronics Company Ltd.	R&D	"	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	"	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	"	53.66%	
Maintrans Company	Services	"	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football club	"	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	"	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	"	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	"	"	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	"	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	"	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	"	100.00%	
Hyundai Rotem USA Corporation	Manufacturing	"	100.00%	Hyundai Rotem 100.00%
Hyundai Rio Vista, Inc.	Real estate development	"	100.00%	HT 100.00%
Hyundai Auto Canada Corp. (HACC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	"	100.00%	"
Hyundai Capital Canada Inc. (HCCA)	Financing	"	70.00%	Hyundai Capital Services 20.00%
Hyundai Capital Lease Inc. (HCLI)	"	"	100.00%	HCCA 100.00%
HK Lease Funding LP	"	"	100.00%	HCLI 99.99%, HCCA Funding Inc. 0.01%
HCCA Funding Inc.	"	"	100.00%	HCLI 100.00%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	"	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	"	100.00%	Hyundai Capital Services 100.00%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	"	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Beijing Xinhua Xiaiqiyetong Motor Chain Co., Ltd.	"	"	100.00%	"
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	"	99.00%	CMEs 99.00%
Rotem equipments (Beijing) Co., Ltd.	Sales	"	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	Manufacturing	"	100.00%	Hyundai KEFICO 100.00%
KEFICO Automotive Systems (Chongqing) Co., Ltd.	"	"	90.00%	Hyundai KEFICO 90.00%
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	Hyundai KEFICO 100.00%
HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV) (*1)	"	"	50.00%	
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Capital Australia Pty Limited	Financing	"	100.00%	Hyundai Capital Services 100.00%
HR Mechanical Services Limited	Services	New Zealand	100.00%	Hyundai Rotem 100.00%
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	"	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	"	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	"	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	"	100.00%	HME 100.00%
Hyundai Capital Europe GmbH	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Capital Bank Europe GmbH	"	"	85.00%	Hyundai Capital Services 65.00%
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.40%
Hyundai Motor Netherlands B.V. (HMNL)	Sales	"	100.00%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	"	100.00%	HMCIS B.V 100.00%
Hyundai Capital Services Limited Liability Company	Financing	"	100.00%	Hyundai Capital Europe 100.00%
Hyundai Truck And Bus Rus LLC (HTBR)	Sales	"	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	70.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	"	100.00%	Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai Rotem Company – Hyundai EURotem Mahmutbey Projesi ORTAK GIRISIMI	"	"	100.00%	Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00%
Hyundai Motor UK Limited (HMUK)	"	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo. O (HMP)	"	Poland	100.00%	

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	Sales	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
HYUNDAI KEFICO MEXICO S DE RL DE CV	"	"	100.00%	Hyundai KEFICO 100.00%
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	"	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.	Manufacturing	"	100.00%	Hyundai Rotem 100.00%
HMB Holding Participacoes Financeiras Ltda.	Holding company	"	99.99%	HMB 99.99%
China Millennium Corporations (CMEs)	"	Cayman Islands	59.60%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	Investment	Korea	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.36 (*2)	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
Autopia Fifty-First ~ Fifty-Second Asset Securitization Specialty Company (*1)	Financing	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Sixty-Third Asset Securitization Specialty Company (*1)	"	"	0.50%	"
Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*1)	"	"	0.50%	Hyundai Card 0.50%
Super Series First ~ Fourth Securitization Specialty Co., Ltd. (*1)	"	"	0.50%	"
Bluewalnut Co., Ltd.	"	"	100.00%	Hyundai Card 100.00%
Hyundai CHA Funding, LLC	"	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	"	"	100.00%	"
Hyundai HK Funding, LLC	"	"	100.00%	"
Hyundai HK Funding Two, LLC	"	"	100.00%	"
Hyundai HK Funding Three, LLC	"	"	100.00%	"
Hyundai HK Funding Four, LLC	"	"	100.00%	"
Hyundai ABS Funding, LLC	"	"	100.00%	"
HK Real Properties, LLC	"	"	100.00%	"
Hyundai Auto Lease Offering, LLC	"	"	100.00%	"
Hyundai HK Lease, LLC	"	"	100.00%	"
Extended Term Amortizing Program, LLC	"	"	100.00%	"
Hyundai Asset Backed Lease, LLC	"	"	100.00%	"
Hyundai Protection Plan, Inc.	Insurance	"	100.00%	"
Hyundai Protection Plan Florida, Inc.	"	"	100.00%	"
Hyundai Capital Insurance Services, LLC	"	"	100.00%	"
Hyundai Capital Insurance Company	"	"	100.00%	"
Power Protect Extended Services, Inc.	"	"	100.00%	"
Power Protect Extended Services Florida, Inc.	"	"	100.00%	"

(\*1) The Group is considered to have substantial control over the entities by virtue of an agreement with other investors or relationship with structured entities.

(\*2) Name of company has been changed due to change of fund management company for the nine months ended September 30, 2017.

- (2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2017 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
(In millions of Korean Won)				
Hyundai Capital Services, Inc. (*)	₩ 27,412,720	₩ 23,413,556	₩ 2,282,880	₩ 226,805
Hyundai Card Co., Ltd. (*)	15,390,365	12,544,361	2,213,827	181,926
Hyundai Rotem Company (*)	3,981,081	2,499,417	1,973,080	17,446
Hyundai KEFICO Corporation (*)	1,562,110	939,416	1,282,330	35,409
HCA (*)	41,470,519	38,230,082	6,867,652	68,090
HMA	8,392,947	6,227,760	12,556,533	(353,578)
HMMA	4,616,128	1,965,681	5,729,928	78,500
HMMC	3,926,945	1,734,786	5,008,753	331,191
HMI (*)	3,260,138	1,495,182	4,644,785	237,546
HAOSVT	1,671,772	1,325,754	2,291,656	(4,695)
HME (*)	1,395,217	1,368,598	6,474,095	8,635
HMMR	1,363,058	848,325	2,120,752	105,033
HMB	1,320,310	889,476	1,729,361	39,667
HACC (*)	1,231,972	779,546	2,158,092	(76,224)
HMCA	722,253	540,308	1,515,137	(25)

(\*) Based on the subsidiary's consolidated financial statements.

Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2016 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
(In millions of Korean Won)				
Hyundai Capital Services, Inc. (*)	₩ 24,908,840	₩ 21,176,571	₩ 2,328,545	₩ 277,146
Hyundai Card Co., Ltd. (*)	13,939,453	11,286,412	2,068,907	153,584
Hyundai Rotem Company (*)	4,354,649	2,914,786	2,129,101	7,677
Hyundai KEFICO Corporation (*)	1,277,343	681,845	1,401,238	88,890
HCA (*)	38,562,552	35,761,253	6,556,572	76,326
HMA	7,590,827	5,321,315	13,247,430	(290,373)
HMMA	3,997,411	1,587,187	6,377,487	243,608
HMMC	3,029,240	1,441,881	5,150,786	300,588
HMI (*)	2,544,741	1,198,041	4,390,679	241,622
HAOSVT	1,461,248	1,141,652	2,394,047	17,237
HME (*)	1,315,371	1,300,293	6,275,965	5,446
HMMR	1,134,594	826,886	1,410,827	30,134
HMB	987,635	604,205	1,149,989	(13,865)
HACC (*)	1,019,559	588,632	2,146,727	(26,933)
HMCA	624,223	436,055	1,431,770	(26,673)

(\*) Based on the subsidiary's consolidated financial statements.

- (3) The financial statements of all subsidiaries, which are used in the preparation of the consolidated financial statements, are prepared for the same reporting periods as the Company's.

- (4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group for the nine months ended September 30, 2017 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ (1,623,935)	₩ 56,424	₩ 45,436
Cash flows from investing activities	(72,116)	(50,633)	20,875
Cash flows from financing activities	2,138,121	701,887	(411,948)
Effect of exchange rate changes on cash and cash equivalents	-	-	(802)
Net increase (decrease) in cash and cash equivalents	₩ 442,070	₩ 707,678	₩ (346,439)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the nine months ended September 30, 2016 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ (132,427)	₩ 13,278	₩ 443,124
Cash flows from investing activities	(320,308)	(45,697)	10,384
Cash flows from financing activities	534,668	414,210	(461,611)
Effect of exchange rate changes on cash and cash equivalents	(3)	-	2,598
Net increase (decrease) in cash and cash equivalents	₩ 81,930	₩ 381,791	₩ (5,505)

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of September 30, 2017 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,612,269	₩ 1,794,227	₩ 909,011
Profit attributable to non-controlling interests	90,454	114,693	2,267
Dividends paid to non-controlling interests	33,438	23,571	2,110

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2016 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,530,795	₩ 1,698,277	₩ 909,309
Profit attributable to non-controlling interests	117,348	119,762	21,782
Dividends paid to non-controlling interests	-	-	4,955

(6) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the nine months ended September 30, 2017 are as follows:

Changes	Name of subsidiaries	Description
Included	HR Mechanical Services Limited	Acquisition
"	Super Series Fourth Securitization Specialty Co., Ltd.	"
"	Hyundai HK Funding Four, LLC	"
"	Hyundai Asset Backed Lease, LLC	"
"	HMB Holding Participacoes Financeiras Ltda.	"
"	HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV)	"
Excluded	Autopia Forty-Sixth Asset Securitization Specialty Company	Liquidation
"	Autopia Forty-Ninth Asset Securitization Specialty Company	"
"	Autopia Fiftieth Asset Securitization Specialty Company	"
"	Hyundai Rotem First Co., Ltd.	"

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the nine months ended September 30, 2017 and 2016, respectively, are prepared in accordance with K-IFRS 1034, Interim Financial Reporting. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with K-IFRS.

The significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements for the year ended December 31, 2016, except for the adoption effect of the new and revised accounting standards and interpretations described below.

1) New and revised standards that have been applied from the period beginning on January 1, 2017 are as follows:

- K-IFRS 1007 (Amendment): 'Statement of Cash Flows'

The amendments require that changes in liabilities arising from financial activities are disclosed.

- K-IFRS 1012 (Amendment): 'Income Taxes'

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profits may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences.

The above mentioned changes in accounting policies did not have any significant effect on the Group's interim consolidated financial statements.

- 2) New and revised standards that have been issued but are not yet effective as of September 30, 2017, and that have not been applied earlier by the Group are as follows:

- K-IFRS 1109 (Enactment): ‘Financial Instruments’

The enactments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The enactments are effective for annual periods beginning on or after January 1, 2018.

The general impact of the new standard on the consolidated financial statement is as follows:

A. Classification and measurement of financial assets

When the Group adopts new standard of K-IFRS 1109, the Group classifies financial assets as seen in the table below based on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). If the host contract is determined in a hybrid contract, the Group may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract.

Business model	Contractual cash flow characteristic	
	Solely payments of principal and interest	Otherwise
Objective is to hold financial assets in order to collect contractual cash flows	Measured at amortised cost (*1)	
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	FVOCI (*1)	FVTPL (*2)
Objective is to sell financial assets and others	FVTPL	

(\*1) The Group may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).

(\*2) The Group may designate as FVOCI for investments in equity instruments that are not held for trading (irrevocable).

The Group has loans and receivables of ₩76,417,085 million, AFS financial assets of ₩2,341,491 million and financial assets at FVTPL of ₩12,262,654 million in the consolidated statements of financial position as of September 30, 2017.

B. Classification and measurement of financial liabilities.

For financial liabilities designated as at FVTPL using the fair value option, K-IFRS 1109 requires the effects of changes in fair value attributable to the Group’s credit risk to be recognised in other comprehensive income. The amounts presented in other comprehensive income are not subsequently transferred to profit or loss unless this treatment of the credit risk component creates or enlarges a measurement mismatch.

As of September 30, 2017, the Group has financial liabilities measured at amortised cost of ₩88,451,870 million and financial liabilities with changes in fair value recognised in profit or loss of ₩12,135 million.

C. Impairment: Financial assets and contract assets

Under K-IFRS 1039, the impairment is recognised only when there is an objective evidence of impairment based on incurred loss model, but under K-IFRS 1109, impairment is recognised based on expected credit loss model for debt instrument, lease receivables, contract assets, loan contracts and financial guarantee contracts that are measured at amortised cost or fair value through other comprehensive income.

In K-IFRS 1109, financial assets are classified into three stages depending on the extent of increase in the credit risk on financial instruments since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit losses or the lifetime expected credit losses and therefore credit losses will be recognised earlier than under the incurred loss model of K-IFRS 1039.

	Case	The loss allowance
Stage 1	Non-significant increase in credit risk since initial recognition	12-month expected credit losses : The expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

Under K-IFRS 1109, the Group shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

As of September 30, 2017, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩1,209,844 million.

#### D. Hedge Accounting

The new standard, K-IFRS 1109, retains the mechanics of hedge accounting in K-IFRS 1039. Under the new model, it is possible for the Group to reflect its risk management activities on the financial statements by focusing on principle-based hedge effectiveness assessment instead of simply complying with a rule-based approach under the K-IFRS 1039. The new model introduced greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and overhauling the quantitative hedge effectiveness (80 – 125%) test.

In accordance with the transition requirements, the Group with initial application may continue to retain the existing requirements under K-IFRS 1039 as their accounting policy.

As of September 30, 2017, the Group applies hedge accounting and has a deferred net loss of ₩12,189 million in accumulated other comprehensive loss in relation to cash flow hedging instruments.

With the introduction of K-IFRS 1109, necessary implementation procedures include preparation of the financial impact analysis, establishment of accounting policies and system and its stabilization. The financial statements of the year of adoption is affected not only by the accounting policies judgements set-forth by the management, but also by the economic conditions of the Group during the period.

The Group is assessing preliminary financial impact of adoption of K-IFRS 1109 on other financial assets, trade notes, accounts receivable and financial services receivables on the consolidated financial statements.

#### - K-IFRS 1115 (Enactment): ‘Revenue from Contracts with Customers’

The core principle under K-IFRS 1115 is that the Group should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the Group satisfies a performance obligation. This standard will supersede K-IFRS 1011 – ‘Construction Contracts’, K-IFRS 1018 – ‘Revenue’, K-IFRS 2113 – ‘Customer Loyalty Programmes’, K-IFRS 2115 – ‘Agreements for the Construction of Real Estate’, K-IFRS 2118 – ‘Transfers of Assets from Customers’, and K-IFRS 2031 – ‘Revenue-Barter Transactions Involving Advertising Services’. The enactments are effective for annual periods beginning on or after January 1, 2018.

The general impact of the new standard on the consolidated financial statements is as follows:

A. Identify the performance obligations in the contract

The Group manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains. For the nine months ended September 30 2017, sales of vehicle segment is ₩55,833,705 million which is approximately 78% of the Group's total sales.

Upon application of K-IFRS 1115, the Group identifies the performance obligation in the contract with customers which are (1) Vehicle sales, (2) Additional service, (3) Additional warranty and (4) Other services. Timing of the revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time.

B. Allocation of the transaction price

Upon application of K-IFRS 1115, the Group allocates the transaction price of multiple performance obligation identified in one contract based on relative standalone selling price. The Group plans to use an expected cost plus margin approach by estimating the expected costs for each transaction and adding an appropriate profit margin.

C. Variable consideration

Upon application of K-IFRS 1115, the Group estimates the amount of consideration depending on which method the Group expects to better predict the amount of consideration to which it will be entitled – the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is probable or highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods

As of September 30, 2017, the Group has set up a preliminary analysis team in preparation of the adoption of K-IFRS 1115. Based on the information available at the end of the current period, the Group is currently evaluating the potential impact of the K-IFRS 1115 on the financial statements, and specifically, on sales and warranty provision. The Group is planning to disclose the financial impact of the adoption of the standard on the financial statements for the year ended December 31, 2017.

- K-IFRS 1102 (Amendment): 'Share-based Payment'

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payments, 2) share-based payment transaction in which the Group settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet its minimum statutory tax withholding requirements would be classified as equity-settled in its entirety, if the entire award would otherwise be classified as equity settled without the net settlement feature, 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

- K-IFRS 2122 (Enactment): 'Foreign Currency Transactions and Advance Consideration'

The enactments clarify that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which the Group initially recognizes the payment or receipt of advance consideration in a foreign currency. The enactments are effective for annual periods beginning on or after January 1, 2018.

- Annual Improvements to K-IFRS 2014-2016 cycle

The Annual Improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1028 'Investments in Associates and Joint Ventures' for when an investment in the Group that is a venture capital organisation, the Group may elect to measure that investment at fair value through profit or loss in accordance separately for each associate or joint venture. Other amendments in the Annual Improvements include K-IFRS 1101 'First-time Adoption of International Financial Reporting Standards'. The amendments are effective for annual periods beginning on or after January 1, 2018.

The Group is currently evaluating the impacts of above mentioned enactments and amendments on the Group's consolidated financial statements.

(2) Significant accounting estimates and key sources of estimation uncertainties

In the preparation of the Group's interim consolidated financial statements, management is required to apply accounting policies and make judgements, estimation and assumptions affecting the carrying amounts of assets and liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgements about the application of the Group's accounting policies and the main resources of the uncertainty are consistent with those of the annual consolidated financial statements for the year ended December 31, 2016.

**3. TRADE NOTES AND ACCOUNTS RECEIVABLE:**

(1) Trade notes and accounts receivable as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,127,378	₩ 154,815	₩ 4,487,352	₩ 146,262
Allowance for doubtful accounts	(54,020)	-	(49,800)	-
Present value discount accounts	-	(7,344)	-	(8,157)
	<u>₩ 4,073,358</u>	<u>₩ 147,471</u>	<u>₩ 4,437,552</u>	<u>₩ 138,105</u>

(2) Aging analysis of trade notes and accounts receivable

As of September 30, 2017 and December 31, 2016, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩247,828 million and ₩335,516 million, respectively; of which ₩179,557 million and ₩298,775 million, respectively, are past due less than 90 days, but not impaired. As of September 30, 2017 and December 31, 2016, the impaired trade notes and accounts receivable amount to ₩54,020 million and ₩49,800 million, respectively.

(3) The changes in allowance for doubtful accounts for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 49,800	₩ 59,530
Impairment loss (gain)	3,984	(5,971)
Write-off	(96)	(2,734)
Effect of foreign exchange differences	332	(368)
End of the period	<u>₩ 54,020</u>	<u>₩ 50,457</u>

#### 4. OTHER RECEIVABLES:

Other receivables as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 1,921,491	₩ 840,735	₩ 1,939,269	₩ 925,524
Due from customers for contract work	1,112,844	-	1,220,582	-
Lease and rental deposits	29,176	333,420	27,957	336,425
Deposits	3,356	35,199	3,366	35,770
Others	2,581	-	557	3,895
Allowance for doubtful accounts	(10,778)	-	(10,701)	-
Present value discount accounts	-	(442)	-	(555)
	<u>₩ 3,058,670</u>	<u>₩ 1,208,912</u>	<u>₩ 3,181,030</u>	<u>₩ 1,301,059</u>

#### 5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial assets at fair value through profit or loss (“FVTPL”)	₩ 12,092,866	₩ 169,788	₩ 12,454,530	₩ 104,499
Derivative assets that are effective hedging instruments	49,248	93,745	185,114	142,107
AFS financial assets	10,689	2,330,802	3,911	2,308,822
Loans	71,310	6,264	80,438	5,122
	<u>₩ 12,224,113</u>	<u>₩ 2,600,599</u>	<u>₩ 12,723,993</u>	<u>₩ 2,560,550</u>

(2) AFS financial assets that are measured at fair value as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	Acquisition cost	Book value	Book value	
	(In millions of Korean Won)			
Debt instruments	₩ 329,850	₩ 331,101	₩ 266,800	
Equity instruments	1,698,082	2,010,390	2,045,933	
	<u>₩ 2,027,932</u>	<u>₩ 2,341,491</u>	<u>₩ 2,312,733</u>	

- (3) Equity instruments classified into AFS financial assets as of September 30, 2017 and December 31, 2016 consist of the following:

Name of the company	Ownership percentage (%)	September 30, 2017		December 31, 2016
		Acquisition Cost	Book value	Book value
(In millions of Korean Won)				
Hyundai Steel Company (*1)	6.87	₩ 1,110,704	₩ 739,981	₩ 798,843
Hyundai Glovis Co., Ltd.	4.88	210,688	270,979	282,880
Hyundai Heavy Industries Co., Ltd. (*2)	2.88	42,443	236,765	318,645
Korea Aerospace Industries, Ltd. (*3)	-	73,331	206,746	316,979
Hyundai Robotics Co., Ltd. (*2)	2.13	9,018	147,802	-
Hyundai Oilbank Co., Ltd.	4.35	53,734	143,957	143,957
Hyundai Construction Equipment Co., Ltd. (*2)	2.88	2,684	38,680	-
Hyundai Green Food Co., Ltd.	2.36	15,005	35,769	35,539
Hyundai Electric & Energy Systems Co., Ltd. (*2)	2.88	2,779	24,672	-
Hyundai Development Company	0.60	9,025	16,065	20,228
Hyundai M Partners Co., Ltd.	9.29	9,888	11,922	11,470
NICE Information Service Co., Ltd.	2.25	3,312	11,269	9,466
NICE Holdings Co., Ltd.	1.30	3,491	8,554	8,653
KT Corporation	0.09	8,655	6,999	7,059
Hyundai Asan Corporation	1.88	22,500	2,117	2,117
Hyundai Merchant Marine Company	0.05	9,161	817	669
Others		111,664	107,296	89,428
		<u>₩ 1,698,082</u>	<u>₩ 2,010,390</u>	<u>₩ 2,045,933</u>

- (\*1) The Group entered into a total return swap agreement to transfer 5,745,741 shares out of total 14,919,336 shares to a third party and partial shares have been disposed of for the year ended December 31, 2016.
- (\*2) Hyundai Heavy Industries Co., Ltd. was spun off into Hyundai Heavy Industries Co., Ltd., Hyundai Robotics Co., Ltd., Hyundai Construction Equipment Co., Ltd., and Hyundai Electric & Energy Systems Co., Ltd. for the nine months ended September 30, 2017.
- (\*3) The Group entered into a total return swap agreement to transfer total shares to a third party for the year ended December 31, 2016.

## 6. INVENTORIES:

Inventories as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	(In millions of Korean Won)			
Finished goods	₩	7,227,837	₩	6,692,155
Merchandise		75,542		52,133
Semifinished goods		546,148		401,279
Work in progress		379,096		350,295
Raw materials		1,417,416		1,300,218
Supplies		291,348		267,073
Materials in transit		687,637		613,134
Others		932,638		847,525
Total (*)	₩	11,557,662	₩	10,523,812

(\*) As of September 30, 2017 and December 31, 2016, the Group recognized a valuation allowance in amount of ₩113,828 million and ₩135,789 million, respectively.

## 7. OTHER ASSETS:

Other assets as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 361,858	₩ 3,233	₩ 315,132	₩ 4,798
Advanced payments	491,862	-	444,872	566
Prepaid expenses	481,673	683,679	402,565	641,132
Prepaid value-added tax and others	307,298	30,746	227,234	14,911
	₩ 1,642,691	₩ 717,658	₩ 1,389,803	₩ 661,407

## 8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE:

Non-current assets classified as held for sale as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016	
	(In millions of Korean Won)			
Vehicles	₩	29,068	₩	29,068

The Group has committed to a plan to sell vehicles that were classified as held for sale as of September 30, 2017 and has initiated active programs to complete the plan. The assets will be disposed within 12 months.

## 9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment (“PP&E”) for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 29,405,716	₩ 28,698,927
Acquisitions	2,202,539	1,743,630
Disposals	(241,445)	(75,341)
Depreciation	(1,657,711)	(1,583,360)
Others (*)	27,998	(197,219)
End of the period	₩ 29,737,097	₩ 28,586,637

- (\*) Others include the effect of foreign exchange differences, transfers from or to other accounts and acquisitions due to business combination.

## 10. INVESTMENT PROPERTY:

- (1) The changes in investment property for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 211,671	₩ 291,424
Transfers	300	(66,181)
Depreciation	(8,110)	(8,750)
Effect of foreign exchange differences	(292)	(2,997)
End of the period	₩ 203,569	₩ 213,496

- (2) Income and expenses related to investment property for the three months and nine months ended September 30, 2017 and 2016 are as follows:

Description	2017		2016	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Rental income	₩ 11,225	₩ 34,331	₩ 11,849	₩ 38,490
Operating and maintenance expenses	4,015	11,683	3,407	10,660

## 11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 4,586,172	₩ 4,298,088
Internal developments and separate acquisitions	892,680	882,289
Disposals	(734)	(13,010)
Amortization	(933,531)	(860,655)
Impairment loss	(7,289)	-
Others (*)	73,756	43,369
End of the period	₩ 4,611,054	₩ 4,350,081

(\*) Others include the effect of foreign exchange differences, transfers from or to other accounts and acquisitions due to business combination.

(2) Research and development expenditures for the three months and nine months ended September 30, 2017 and 2016 are as follows:

Description	2017		2016	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 297,436	₩ 800,743	₩ 247,098	₩ 783,894
Research and development (manufacturing cost and administrative expenses)	285,709	777,682	271,922	740,650
Total (*)	₩ 583,145	₩ 1,578,425	₩ 519,020	₩ 1,524,544

(\*) Amortization of development costs is not included.

(3) Impairment test of goodwill

The recoverable amount of the Group's cash-generating unit ("CGU") is being measured at its value in use based on cash flow projections of financial budgets for the next five years approved by management. Cash flows projection beyond the next five-year period is extrapolated by using the estimated growth rate, which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. The Group performs an impairment test of goodwill annually and whenever events or changes in circumstances indicate that the goodwill may be impaired.

## 12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

- (1) Investments in joint ventures and associates as of September 30, 2017 and December 31, 2016 consist of the following:

Name of the company	Nature of business	Location	Ownership percentage (%)	September 30, 2017		December 31, 2016	
				Book value (In millions of Korean Won)		Book value	
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩	1,490,379	₩	2,225,824
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00		495,469		445,735
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00		183,146		186,929
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00		132,534		86,669
Hyundai Powertech (Shandong) Co., Ltd. (PTS)	Manufacturing	China	30.00		125,658		111,997
Kia Motors Corporation	Manufacturing	Korea	33.88		8,936,652		8,811,840
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95		3,279,101		3,267,243
Hyundai WIA Corporation	Manufacturing	Korea	25.35		826,188		821,861
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58		551,718		502,891
Hyundai Dymos Inc.	Manufacturing	Korea	47.27		403,109		371,499
Hyundai Commercial Inc.	Financing	Korea	50.00		394,781		256,078
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49		254,393		245,501
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00		168,714		174,100
Hyundai Autoever Corp.	IT Service	Korea	28.96		115,324		107,382
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90		107,335		108,082
Others					341,840		346,490
				₩	17,806,341	₩	18,070,121

- (\*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.
- (\*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
- (\*3) As of September 30, 2017, the entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

- (2) The changes in investments in joint ventures and associates for the nine months ended September 30, 2017 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of			End of the period
			profits (losses) for the period	Dividends	Others (*)	
(In millions of Korean Won)						
BHMC	₩ 2,225,824	₩ -	₩ (101,238)	₩ (592,318)	₩ (41,889)	₩ 1,490,379
BHAF	445,735	-	54,020	(3,492)	(794)	495,469
WAE	186,929	4,721	(2,186)	(5,268)	(1,050)	183,146
HMGC	86,669	56,330	(12,462)	-	1,997	132,534
PTS	111,997	18,023	15,050	(18,930)	(482)	125,658
Kia Motors Corporation	8,811,840	-	277,180	(151,050)	(1,318)	8,936,652
Hyundai Engineering & Construction Co., Ltd.	3,267,243	-	26,435	(11,664)	(2,913)	3,279,101
Hyundai WIA Corporation	821,861	-	14,375	(7,583)	(2,465)	826,188
Hyundai Powertech Co., Ltd.	502,891	-	51,362	-	(2,535)	551,718
Hyundai Dymos Inc.	371,499	-	28,714	-	2,896	403,109
Hyundai Commercial Inc.	256,078	-	130,563	(15,000)	23,140	394,781
HMC Investment Securities Co., Ltd.	245,501	-	12,684	(3,226)	(566)	254,393
Eukor Car Carriers Inc.	174,100	-	4,356	-	(9,742)	168,714
Hyundai Autoever Corp.	107,382	-	12,240	(4,126)	(172)	115,324
Haevichi Hotels & Resorts Co., Ltd.	108,082	-	(673)	-	(74)	107,335
Others	346,490	1,070	3,847	(9,128)	(439)	341,840
	<u>₩ 18,070,121</u>	<u>₩ 80,144</u>	<u>₩ 514,267</u>	<u>₩ (821,785)</u>	<u>₩ (36,406)</u>	<u>₩ 17,806,341</u>

(\*) Others consist of changes in accumulated other comprehensive income and others.

The changes in investments in joint ventures and associates for the nine months ended September 30, 2016 are as follows:

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of			End of the period
			profits (losses) for the period	Dividends	Others (*)	
(In millions of Korean Won)						
BHMC	₩ 2,189,321	₩ 242,434	₩ 413,834	₩ (666,208)	₩ (216,974)	₩ 1,962,407
BHAF	220,475	188,014	43,640	-	(37,184)	414,945
WAE	184,255	-	10,522	-	(15,727)	179,050
HMGC	135,000	-	(333)	-	(11,280)	123,387
PTS	93,998	-	18,458	-	(8,926)	103,530
Kia Motors Corporation	8,047,548	-	810,549	(151,050)	(199,427)	8,507,620
Hyundai Engineering & Construction Co., Ltd.	3,180,493	-	44,297	(11,664)	(16,926)	3,196,200
Hyundai WIA Corporation	814,413	-	11,440	(7,583)	(12,324)	805,946
Hyundai Powertech Co., Ltd.	433,088	-	58,669	-	(5,264)	486,493
Hyundai Dymos Inc.	326,439	-	19,786	-	(7,848)	338,377
Hyundai Commercial Inc.	242,507	-	31,977	(8,950)	11,349	276,883
HMC Investment Securities Co., Ltd.	238,001	-	11,558	(3,630)	24,700	270,629
Eukor Car Carriers Inc.	191,468	-	3,706	(14,520)	(7,849)	172,805
Haevichi Hotels & Resorts Co., Ltd.	110,312	-	(1,146)	-	-	109,166
Others	502,625	(877)	(7,891)	(13,634)	(25,935)	454,288
	<u>₩ 16,909,943</u>	<u>₩ 429,571</u>	<u>₩ 1,469,066</u>	<u>₩ (877,239)</u>	<u>₩ (529,615)</u>	<u>₩ 17,401,726</u>

(\*) Others consist of changes in accumulated other comprehensive income and others.

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2017 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,384,454	₩ 4,281,532	₩ 4,682,487	₩ 835,057
BHAF (*)	5,268,396	-	4,333,549	-
WAE	766,031	826,519	258,469	501,600
HMGC	276,510	508,029	341,258	170,536
PTS	687,319	215,588	390,672	93,373
Kia Motors Corporation	24,293,632	30,270,433	18,211,921	9,352,261
Hyundai Engineering & Construction Co., Ltd.	13,720,420	5,026,376	7,551,294	2,789,014
Hyundai WIA Corporation	3,970,321	3,326,185	1,622,331	2,398,274
Hyundai Powertech Co., Ltd.	1,281,554	1,644,905	1,117,258	336,752
Hyundai Dymos Inc.	1,496,843	1,036,062	1,094,589	574,165
Hyundai Commercial Inc. (*)	7,376,165	-	6,486,068	-
HMC Investment Securities Co., Ltd. (*)	7,902,209	-	7,058,118	-
Eukor Car Carriers Inc.	530,710	2,746,351	463,184	1,410,111
Hyundai Autoever Corp.	663,597	102,530	350,927	13,276
Haevichi Hotels & Resorts Co., Ltd.	31,311	427,471	194,705	88,818

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)				
BHMC	₩ 7,572,533	₩ (200,823)	₩ -	₩ (200,823)
BHAF (*)	232,165	101,924	-	101,924
WAE	730,455	(9,938)	(4,618)	(14,556)
HMGC	266,999	(28,308)	-	(28,308)
PTS	954,484	50,168	-	50,168
Kia Motors Corporation	40,530,031	863,209	(1,332)	861,877
Hyundai Engineering & Construction Co., Ltd.	12,590,617	370,510	29,966	400,476
Hyundai WIA Corporation	5,610,164	55,659	(9,130)	46,529
Hyundai Powertech Co., Ltd.	2,455,755	139,263	(6,748)	132,515
Hyundai Dymos Inc.	3,036,285	60,698	(4,433)	56,265
Hyundai Commercial Inc. (*)	320,726	262,778	4,712	267,490
HMC Investment Securities Co., Ltd. (*)	400,438	45,855	(6,238)	39,617
Eukor Car Carriers Inc.	1,332,197	31,666	(74,050)	(42,384)
Hyundai Autoever Corp.	1,053,549	43,176	-	43,176
Haevichi Hotels & Resorts Co., Ltd.	91,875	3,252	31	3,283

(\*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

Summarized financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2016 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
	(In millions of Korean Won)			
BHMC	₩ 4,748,635	₩ 3,617,289	₩ 4,285,734	₩ 53,406
BHAF (*)	4,170,125	-	3,387,209	-
WAE	730,828	866,397	266,275	517,087
HMGC	408,114	446,899	372,847	221,773
PTS	707,260	221,783	468,354	115,588
Kia Motors Corporation	18,634,952	29,248,262	13,861,789	8,438,477
Hyundai Engineering & Construction Co., Ltd.	14,329,578	4,862,846	8,199,048	3,265,066
Hyundai WIA Corporation	3,568,010	3,146,671	1,527,260	1,993,890
Hyundai Powertech Co., Ltd.	1,237,034	1,452,493	838,017	553,273
Hyundai Dymos Inc.	1,365,549	979,072	1,088,337	527,067
Hyundai Commercial Inc. (*)	5,891,716	-	5,236,592	-
HMC Investment Securities Co., Ltd. (*)	7,599,798	-	6,761,116	-
Eukor Car Carriers Inc.	321,755	2,795,976	241,353	1,438,516
Haevichi Hotels & Resorts Co., Ltd.	19,196	434,339	127,997	153,134

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
	(In millions of Korean Won)			
BHMC	₩ 14,035,599	₩ 854,000	₩ -	₩ 854,000
BHAF (*)	357,179	82,341	-	82,341
WAE	1,068,699	38,483	-	38,483
HMGC	460,901	(11,720)	-	(11,720)
PTS	1,593,893	61,528	-	61,528
Kia Motors Corporation	39,798,203	2,434,638	(610,534)	1,824,104
Hyundai Engineering & Construction Co., Ltd.	13,438,575	390,320	(44,866)	345,454
Hyundai WIA Corporation	5,531,321	107,876	(48,312)	59,564
Hyundai Powertech Co., Ltd.	2,572,171	156,273	(14,008)	142,265
Hyundai Dymos Inc.	2,958,197	69,154	(19,690)	49,464
Hyundai Commercial Inc. (*)	298,261	66,584	31,029	97,613
HMC Investment Securities Co., Ltd. (*)	433,051	42,041	89,831	131,872
Eukor Car Carriers Inc.	1,247,448	36,565	(70,966)	(34,401)
Haevichi Hotels & Resorts Co., Ltd.	56,877	2,684	-	2,684

(\*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

- (4) Summarized additional financial information of the Group's major joint ventures as of and for the nine months ended September 30, 2017 is as follows:

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 253,627	₩ 1,137,510	₩ 241,118	₩ 294,540	₩ 22,668	₩ 89,368	₩ 80,885
BHAF (*)	1,176,354	3,853,323	-	2,994	358,060	132,503	34,022
HMGC	131,396	161,130	73,290	19,936	428	11,539	1,570

- (\*) Operating finance business of which total assets (liabilities) are included in current financial liabilities as BHAF does not distinguish current and non-current portion in separate financial statements.

Summarized additional financial information of the Group's major joint ventures as of and for the nine months ended September 30, 2016 is as follows:

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 319,730	₩ -	₩ -	₩ 260,113	₩ 10,177	₩ 82,041	₩ 283,499
BHAF (*)	340,606	2,932,315	-	2,312	343,898	116,901	27,454
HMGC	50,645	220,212	128,596	16,215	471	14,343	135

- (\*) Operating finance business of which total assets (liabilities) are included in current financial liabilities as BHAF does not distinguish current and non-current portion in separate financial statements.

- (5) The aggregate amounts of the Group's share of the joint ventures and associates, that are not individually material, profit (loss) and comprehensive loss for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
(In millions of Korean Won)		
Profit (loss) for the period	₩ 3,847	₩ (7,891)
Other comprehensive loss	(439)	(25,935)
Total comprehensive income (loss)	<u>₩ 3,408</u>	<u>₩ (33,826)</u>

- (6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of September 30, 2017 is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 1,554,822	₩ -	₩ (64,443)	₩ 1,490,379
BHAF	495,469	-	-	495,469
WAE	183,146	-	-	183,146
HMGC	132,533	-	1	132,534
PTS	125,658	-	-	125,658
Kia Motors Corporation	8,784,153	197,089	(44,590)	8,936,652
Hyundai Engineering & Construction Co., Ltd. (*)	2,141,744	1,137,357	-	3,279,101
Hyundai WIA Corporation	830,065	-	(3,877)	826,188
Hyundai Powertech Co., Ltd.	553,246	-	(1,528)	551,718
Hyundai Dymos Inc.	405,569	-	(2,460)	403,109
Hyundai Commercial Inc.	394,781	-	-	394,781
HMC Investment Securities Co., Ltd.	214,341	40,052	-	254,393
Eukor Car Carriers Inc.	168,452	-	262	168,714
Hyundai Autoever Corp.	115,324	-	-	115,324
Haevichi Hotels & Resorts Co., Ltd. (*)	103,759	3,576	-	107,335

- (\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2016 is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 2,289,817	₩ -	₩ (63,993)	₩ 2,225,824
BHAF	445,735	-	-	445,735
WAE	186,929	-	-	186,929
PTS	111,997	-	-	111,997
Kia Motors Corporation	8,667,785	197,089	(53,034)	8,811,840
Hyundai Engineering & Construction Co., Ltd. (*)	2,129,886	1,137,357	-	3,267,243
Hyundai WIA Corporation	825,700	-	(3,839)	821,861
Hyundai Powertech Co., Ltd.	504,501	-	(1,610)	502,891
Hyundai Dymos Inc.	373,593	-	(2,094)	371,499
Hyundai Commercial Inc.	256,078	-	-	256,078
HMC Investment Securities Co., Ltd.	205,449	40,052	-	245,501
Eukor Car Carriers Inc.	173,838	-	262	174,100
Haevichi Hotels & Resorts Co., Ltd. (*)	104,506	3,576	-	108,082
Hyundai Autoever Corp.	107,382	-	-	107,382

- (\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

- (7) The market price of listed equity securities as of September 30, 2017 is as follows:

Name of the company	Price per share	Total number of shares	Market value
Kia Motors Corporation	₩ 31,650	137,318,251	₩ 4,346,123
Hyundai Engineering & Construction Co., Ltd.	38,350	23,327,400	894,606
Hyundai WIA Corporation	65,300	6,893,596	450,152
HMC Investment Securities Co., Ltd.	10,700	8,065,595	86,302

### 13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30,		December 31,	
	2017		2016	
	(In millions of Korean Won)			
Loan obligations	₩	38,369,649	₩	38,156,062
Card receivables		12,447,740		12,223,581
Financial lease receivables		2,360,169		2,422,222
Others		34,860		29,061
		<u>53,212,418</u>		<u>52,830,926</u>
Allowance for doubtful accounts		(1,128,360)		(1,078,002)
Loan origination fee		12,059		40,628
Present value discount accounts		(12,331)		(9,949)
	₩	<u>52,083,786</u>	₩	<u>51,783,603</u>

(2) Aging analysis of financial services receivables

As of September 30, 2017 and December 31, 2016, total financial services receivables that are past due, but not impaired, amount to ₩1,351,569 million and ₩1,421,906 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,351,378 million and ₩1,421,802 million, respectively. As of September 30, 2017 and December 31, 2016, the impaired financial services receivables amount to ₩541,671 million and ₩538,961 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the three months and nine months ended September 30, 2017 and 2016 are as follows:

Description	2017		2016	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 1,125,509	₩ 1,078,002	₩ 970,906	₩ 938,300
Impairment loss	171,752	549,896	172,329	478,343
Write-off	(124,195)	(340,330)	(83,426)	(324,483)
Disposals and others	(46,696)	(145,987)	(22,444)	(53,114)
Effect of foreign exchange differences	1,990	(13,221)	(14,148)	(15,829)
End of the period	<u>₩ 1,128,360</u>	<u>₩ 1,128,360</u>	<u>₩ 1,023,217</u>	<u>₩ 1,023,217</u>

(4) Gross investments in financial leases and their present value of minimum lease payments receivable as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017		December 31, 2016	
	Gross investments in financial leases	Present value of minimum lease payments receivable	Gross investments in financial leases	Present value of minimum lease payments receivable
	(In millions of Korean Won)			
Within one year	₩ 1,124,084	₩ 1,011,005	₩ 1,140,416	₩ 1,029,983
Later than one year and less than five years	1,448,627	1,346,413	1,492,004	1,390,070
Later than five years	460	456	81	80
	<u>₩ 2,573,171</u>	<u>₩ 2,357,874</u>	<u>₩ 2,632,501</u>	<u>₩ 2,420,133</u>

- (5) Unearned interest income of financial leases as of September 30, 2017 and December 31, 2016 is as follows:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,573,171	₩ 2,632,501
Net lease investments:		
Present value of minimum lease payments receivable	2,357,874	2,420,133
Present value of unguaranteed residual value	2,295	2,089
	2,360,169	2,422,222
Unearned interest income	₩ 213,002	₩ 210,279

#### 14. OPERATING LEASE ASSETS:

- (1) Operating lease assets as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Acquisition cost	₩ 25,705,085	₩ 24,829,330
Accumulated depreciation	(3,763,645)	(3,360,559)
Accumulated impairment loss	(102,484)	(151,511)
	₩ 21,838,956	₩ 21,317,260

- (2) Future minimum lease payments receivable related to operating lease assets as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Within one year	₩ 3,945,009	₩ 3,839,810
Later than one year and less than five years	4,193,147	4,246,435
Later than five years	22	7
	₩ 8,138,178	₩ 8,086,252

#### 15. BORROWINGS AND DEBENTURES:

- (1) Short-term borrowings as of September 30, 2017 and December 31, 2016 consist of the following:

Description	Lender	Annual interest rate	September 30, 2017	September 30, 2017	December 31, 2016
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.10~0.85	₩	271,226	₩ 223,992
General loans	Kookmin Bank and others	0.10~7.46		3,259,938	2,949,149
Loans on trade receivables collateral	KEB Hana Bank and others	LIBOR + 0.15~0.40		1,428,573	1,472,786
Banker's Usance	KEB Hana Bank and others	LIBOR + 0.30~0.35		415,511	429,493
Short-term debentures		1.58~1.63		239,635	159,890
Commercial paper	Shinhan Bank and others	1.28~2.08		3,820,908	3,007,411
Asset-backed securities	RBC and others	1.92		605,681	517,957
			₩	10,041,472	₩ 8,760,678

(2) Long-term debt as of September 30, 2017 and December 31, 2016 consists of the following:

Description	Lender	Annual interest rate	September 30, 2017	September 30, 2017	December 31, 2016
		(%)			
General loans	Mizuho Bank and others	0.40~15.40	₩	6,107,123	₩ 6,253,057
Facility loan	Korea Development Bank and others	0.48~8.70		273,379	296,821
Commercial paper	KTB Investment & Securities and others	1.62~2.10		1,710,000	790,000
Asset-backed securities	JP Morgan and others	1.71~2.08		5,993,195	8,595,052
Others	NH Investment & Securities and others			567,125	567,125
				14,650,822	16,502,055
Less: present value discounts				109,644	112,050
Less: current maturities				3,063,223	3,000,022
				₩ 11,477,955	₩ 13,389,983

(3) Debentures as of September 30, 2017 and December 31, 2016 consist of the following:

Description	Maximum maturity date	Annual interest rate	September 30, 2017	September 30, 2017	December 31, 2016
		(%)			
Guaranteed public debentures				₩ -	₩ 604,250
Non-guaranteed public debentures	September 19, 2027	1.44~6.53		22,838,219	22,685,513
Non-guaranteed private debentures	August 29, 2027	1.45~3.25		12,380,345	10,027,427
Asset-backed securities	May 15, 2024	1.05~3.12		14,411,159	15,074,314
				49,629,723	48,391,504
Less: discount on debentures				107,804	98,167
Less: current maturities				9,395,408	11,836,945
				₩ 40,126,511	₩ 36,456,392

## 16. PROVISIONS:

The changes in provisions for the nine months ended September 30, 2017 are as follows:

Description	Warranty	Other long-term employee benefits		Others
		(In millions of Korean Won)		
Beginning of the period	₩ 5,612,978	₩ 641,193	₩	718,469
Charged	1,183,423	48,139		488,961
Utilized	(1,208,195)	(42,193)		(472,200)
Amortization of present value discounts	68,861	-		7,362
Changes in expected reimbursements by third parties	(20,273)	-		-
Effect of foreign exchange differences and others	(8,298)	58		5,145
End of the period	₩ 5,628,496	₩ 647,197	₩	747,737

The changes in provisions for the nine months ended September 30, 2016 are as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)					
Beginning of the period	₩	5,639,595	₩	643,274	₩	459,031
Charged		871,005		45,836		224,712
Utilized		(1,004,581)		(55,863)		(173,999)
Amortization of present value discounts		74,395		-		1,637
Changes in expected reimbursements by third parties		(34,487)		-		-
Effect of foreign exchange differences and others		(76,099)		(1)		(5,830)
End of the period	₩	5,469,828	₩	633,246	₩	505,551

#### 17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Financial liabilities at FVTPL	₩	12,135	₩	-	₩	18,068	₩	21
Derivative liabilities that are effective hedging instruments		10,250		108,103		120,038		23,433
	₩	22,385	₩	108,103	₩	138,106	₩	23,454

#### 18. OTHER LIABILITIES:

Other liabilities as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017		December 31, 2016					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Advances received	₩	975,824	₩	95,001	₩	604,420	₩	123,424
Withholdings		899,459		319,365		1,240,641		337,667
Accrued expenses		3,756,764		-		2,752,047		-
Unearned income		304,958		1,167,532		299,916		1,114,407
Due to customers for contract work		352,515		-		319,801		-
Others		320,442		1,265,988		258,081		1,252,167
	₩	6,609,962	₩	2,847,886	₩	5,474,906	₩	2,827,665

## 19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of September 30, 2017 are as follows:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivative assets that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 9,072,586	₩ -	₩ -	₩ 9,072,586	₩ 9,072,586
Short-term and long-term financial instruments	-	7,442,481	-	-	7,442,481	7,442,481
Trade notes and accounts receivable	-	4,220,829	-	-	4,220,829	4,220,829
Other receivables	-	3,154,738	-	-	3,154,738	3,154,738
Other financial assets	12,262,654	77,574	2,341,491	142,993	14,824,712	14,824,712
Other assets	-	365,091	-	-	365,091	365,091
Financial services receivables	-	52,083,786	-	-	52,083,786	52,105,633
	<u>₩ 12,262,654</u>	<u>₩ 76,417,085</u>	<u>₩ 2,341,491</u>	<u>₩ 142,993</u>	<u>₩ 91,164,223</u>	<u>₩ 91,186,070</u>

Financial assets by categories as of December 31, 2016 are as follows:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivative assets that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 7,890,089	₩ -	₩ -	₩ 7,890,089	₩ 7,890,089
Short-term and long-term financial instruments	-	7,461,219	-	-	7,461,219	7,461,219
Trade notes and accounts receivable	-	4,575,657	-	-	4,575,657	4,575,657
Other receivables	-	3,257,612	-	-	3,257,612	3,257,612
Other financial assets	12,559,029	85,560	2,312,733	327,221	15,284,543	15,284,543
Other assets	-	319,930	-	-	319,930	319,930
Financial services receivables	-	51,783,603	-	-	51,783,603	52,203,515
	<u>₩ 12,559,029</u>	<u>₩ 75,373,670</u>	<u>₩ 2,312,733</u>	<u>₩ 327,221</u>	<u>₩ 90,572,653</u>	<u>₩ 90,992,565</u>

(2) Financial liabilities by categories as of September 30, 2017 are as follows:

Description	Financial liabilities at FVTPL		Financial liabilities carried at amortized cost		Derivative liabilities that are effective hedging instruments		Book value	Fair value
	(In millions of Korean Won)							
Trade notes and accounts payable	₩	-	₩	6,585,531	₩	-	₩ 6,585,531	₩ 6,585,531
Other payables		-		3,976,993		-	3,976,993	3,976,993
Borrowings and debentures		-		74,104,569		-	74,104,569	74,211,414
Other financial liabilities		12,135		-		118,353	130,488	130,488
Other liabilities		-		3,784,777		-	3,784,777	3,784,777
	₩	12,135	₩	88,451,870	₩	118,353	₩ 88,582,358	₩ 88,689,203

Financial liabilities by categories as of December 31, 2016 are as follows:

Description	Financial liabilities at FVTPL		Financial liabilities carried at amortized cost		Derivative liabilities that are effective hedging instruments		Book value	Fair value
	(In millions of Korean Won)							
Trade notes and accounts payable	₩	-	₩	6,985,942	₩	-	₩ 6,985,942	₩ 6,985,942
Other payables		-		4,969,309		-	4,969,309	4,969,309
Borrowings and debentures		-		73,444,020		-	73,444,020	73,573,334
Other financial liabilities		18,089		-		143,471	161,560	161,560
Other liabilities		-		2,752,118		-	2,752,118	2,752,118
	₩	18,089	₩	88,151,389	₩	143,471	₩ 88,312,949	₩ 88,442,263

(3) Fair value estimation

The Group categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement.

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

Fair value measurements of financial instruments by fair value hierarchy levels as of September 30, 2017 are as follows:

Description	September 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 76,729	₩ 12,185,925	₩ -	₩ 12,262,654
Derivative assets that are effective hedging instruments	-	142,993	-	142,993
AFS financial assets	1,759,671	305,321	276,499	2,341,491
	<u>₩ 1,836,400</u>	<u>₩ 12,634,239</u>	<u>₩ 276,499</u>	<u>₩ 14,747,138</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 12,135	₩ -	₩ 12,135
Derivative liabilities that are effective hedging instruments	-	118,353	-	118,353
	<u>₩ -</u>	<u>₩ 130,488</u>	<u>₩ -</u>	<u>₩ 130,488</u>

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2016 are as follows:

Description	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 82,512	₩ 12,476,517	₩ -	₩ 12,559,029
Derivative assets that are effective hedging instruments	-	327,221	-	327,221
AFS financial assets	1,810,323	244,250	258,160	2,312,733
	<u>₩ 1,892,835</u>	<u>₩ 13,047,988</u>	<u>₩ 258,160</u>	<u>₩ 15,198,983</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 18,089	₩ -	₩ 18,089
Derivative liabilities that are effective hedging instruments	-	143,471	-	143,471
	<u>₩ -</u>	<u>₩ 161,560</u>	<u>₩ -</u>	<u>₩ 161,560</u>

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2017 are as follows:

Description	Beginning of the year	Purchases	Disposals	Valuation	Transfers	End of the period
		(In millions of Korean Won)				
AFS financial assets	₩ 258,160	₩ 20,622	₩ (2,793)	₩ 510	₩ -	₩ 276,499

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2016 are as follows:

Description	Beginning of the year	Purchases	Disposals	Valuation	Transfers	End of the period
		(In millions of Korean Won)				
AFS financial assets	₩ 232,557	₩ 11,538	₩ (3,312)	₩ 7,430	₩ -	₩ 248,213

- (4) Interest income, dividend income and interest expenses by categories of financial instruments for the nine months ended September 30, 2017 and 2016 consist of the following:

Description	Nine months ended September 30,					
	2017			2016		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)					
Non-financial services:						
Loans and receivables	₩ 191,665	₩ -	₩ -	₩ 163,499	₩ -	₩ -
Financial assets (liabilities) at FVTPL	126,185	-	13,503	115,649	-	5,259
AFS financial assets	-	29,736	-	-	35,135	-
Financial liabilities carried at amortized cost	-	-	166,976	-	-	157,487
	<u>₩ 317,850</u>	<u>₩ 29,736</u>	<u>₩ 180,479</u>	<u>₩ 279,148</u>	<u>₩ 35,135</u>	<u>₩ 162,746</u>
Financial services:						
Loans and receivables	₩ 2,284,698	₩ -	₩ -	₩ 2,398,941	₩ -	₩ -
Financial assets at FVTPL	17,820	1,420	-	17,961	1,258	-
AFS financial assets	920	2,624	-	901	4,081	-
Financial liabilities carried at amortized cost	-	-	1,063,321	-	-	1,032,425
	<u>₩ 2,303,438</u>	<u>₩ 4,044</u>	<u>₩ 1,063,321</u>	<u>₩ 2,417,803</u>	<u>₩ 5,339</u>	<u>₩ 1,032,425</u>

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2017 and 2016 are ₩1,347,234 million and ₩1,197,528 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2017 and 2016 are ₩717,763 million and ₩690,828 million, respectively.
- (6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2017.
- (7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows:

- Currency forwards, options and swap

Fair value of currency forwards, options and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards, options and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

As the inputs used to measure fair value of currency forwards, options and swap are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards, options and swap as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection and others, and certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and discount rate based on business plan and circumstance of industry are used to estimate the future cash flow. The discount rate used to discount the future cash flows, is calculated by applying the Capital Asset Pricing Model (CAPM), using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair value hierarchy.

- (8) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy and the description of relationships of significant unobservable inputs to the fair value are as follows:

Description	Fair value at September 30, 2017 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 250,719	Discounted cash flow and others	Sales growth rate Pre-tax operating income margin Discount rate	If the sales growth rate and the pre-tax operating income ratio rise or the discount rate declines, the fair value increases.

The Group believes that there have been no significant changes in the fair value of financial instruments categorized within Level 3 of the fair value hierarchy since December 31, 2016.

## 20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of September 30, 2017 and December 31, 2016 consist of the following:

(1) Common stock

Description	September 30, 2017 (In millions of Korean Won, except par value)	December 31, 2016
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

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

(2) Preferred stock

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

As of March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount. The preferred stocks are non-cumulative, participating and non-voting.

## 21. CAPITAL SURPLUS:

Capital surplus as of September 30, 2017 and December 31, 2016 consists of the following:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	879,880	881,263
	<u>₩ 4,201,214</u>	<u>₩ 4,202,597</u>

## 22. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Numbers of treasury stocks as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
	(Number of shares)	
Common stock	13,222,514	13,222,514
1 <sup>st</sup> preferred stock	2,202,059	2,202,059
2 <sup>nd</sup> preferred stock	1,376,138	1,376,138
3 <sup>rd</sup> preferred stock	24,782	24,782

## 23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

Accumulated other comprehensive loss as of September 30, 2017 and December 31, 2016 consists of the following:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 541,640	₩ 535,812
Loss on valuation of AFS financial assets	(2,733)	(241,848)
Gain on valuation of cash flow hedge derivatives	3,041	37,966
Loss on valuation of cash flow hedge derivatives	(15,230)	(34,244)
Gain on share of the other comprehensive income of equity-accounted investees	165,049	172,722
Loss on share of the other comprehensive income of equity-accounted investees	(561,664)	(540,494)
Loss on foreign operations translation, net	(1,314,252)	(1,153,158)
	<u>₩ (1,184,149)</u>	<u>₩ (1,223,244)</u>

## 24. RETAINED EARNINGS:

Retained earnings as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30,		December 31,	
	2017		2016	
	(In millions of Korean Won)			
Legal reserve (*)	₩	744,836	₩	718,336
Discretionary reserve		46,848,647		43,874,647
Unappropriated		18,680,985		19,768,425
	₩	66,274,468	₩	64,361,408

(\*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation by the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

## 25. SALES:

Sales for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Sales of goods	₩ 20,397,344	₩ 60,223,599	₩ 18,171,904	₩ 57,714,182
Rendering of services	384,101	1,092,793	355,289	1,089,767
Royalties	34,349	100,990	48,293	151,867
Financial services revenue	2,673,709	8,257,588	2,739,110	7,729,976
Revenue related to construction contracts	615,436	1,884,831	671,921	2,103,776
Others	96,334	315,433	97,153	321,452
	₩ 24,201,273	₩ 71,875,234	₩ 22,083,670	₩ 69,111,020

## 26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 178,608	₩ 554,481	₩ 160,997	₩ 516,794
Overseas market expenses	96,353	277,785	119,363	329,617
Advertisements and sales promotion	582,447	1,755,250	504,705	1,606,271
Sales commissions	168,994	502,700	131,026	458,683
Expenses for warranties	299,401	1,301,746	182,322	994,910
Transportation expenses	67,683	199,666	58,597	178,158
	<u>1,393,486</u>	<u>4,591,628</u>	<u>1,157,010</u>	<u>4,084,433</u>
Administrative expenses:				
Payroll	627,104	1,854,970	639,289	1,898,320
Post-employment benefits	43,038	127,441	43,532	131,638
Welfare expenses	99,289	301,645	97,553	307,208
Service charges	329,417	927,620	282,849	868,653
Research	251,309	683,275	245,526	665,161
Others	391,801	1,073,773	360,112	1,028,755
	<u>1,741,958</u>	<u>4,968,724</u>	<u>1,668,861</u>	<u>4,899,735</u>
	<u>₩ 3,135,444</u>	<u>₩ 9,560,352</u>	<u>₩ 2,825,871</u>	<u>₩ 8,984,168</u>

## 27. GAIN (LOSS) ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain (loss) on investments in joint ventures and associates for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain (loss) on share of earnings of equity-accounted investees, net	₩ (31,515)	₩ 514,267	₩ 396,671	₩ 1,469,066
Loss on disposals of investments in associates, net	-	-	(299)	(299)
	<u>₩ (31,515)</u>	<u>₩ 514,267</u>	<u>₩ 396,372</u>	<u>₩ 1,468,767</u>

**28. FINANCE INCOME AND EXPENSES:**

- (1) Finance income for the three months and nine months ended September 30, 2017 and 2016 consists of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Interest income	₩ 111,602	₩ 317,850	₩ 97,541	₩ 279,148
Gain on foreign exchange transactions	37,745	150,640	36,065	91,309
Gain on foreign currency translation	31,776	123,245	84,019	169,971
Dividend income	13,393	29,736	-	35,135
Gain on valuation of derivatives	7,295	64,221	34,915	41,246
Gain on disposals of AFS financial assets and others	7,238	11,611	13,077	279,081
	<u>₩ 209,049</u>	<u>₩ 697,303</u>	<u>₩ 265,617</u>	<u>₩ 895,890</u>

- (2) Finance expenses for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Interest expenses	₩ 80,393	₩ 251,161	₩ 89,061	₩ 226,252
Loss on foreign exchange transactions	26,467	101,534	17,853	83,245
Loss on foreign currency translation	32,931	104,249	53,213	109,086
Loss on valuation of derivatives	18,563	12,288	2,497	8,757
Impairment loss on AFS financial assets	132,617	373,095	-	7,630
Loss on valuation of financial assets at FVTPL and others	7,973	79,421	1,771	24,892
	<u>₩ 298,944</u>	<u>₩ 921,748</u>	<u>₩ 164,395</u>	<u>₩ 459,862</u>

**29. OTHER INCOME AND EXPENSES:**

- (1) Other income for the three months and nine months ended September 30, 2017 and 2016 consists of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain on foreign exchange transactions	₩ 139,964	₩ 289,349	₩ 139,279	₩ 326,926
Gain on foreign currency translation	69,010	116,434	57,189	129,360
Gain on disposals of PP&E	4,796	16,511	15,891	25,487
Commission income	43,067	101,502	23,883	71,161
Rental income	21,206	62,089	19,725	61,283
Others	90,005	239,236	64,341	201,047
	<u>₩ 368,048</u>	<u>₩ 825,121</u>	<u>₩ 320,308</u>	<u>₩ 815,264</u>

(2) Other expenses for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Loss on foreign exchange transactions	₩ 115,086	₩ 276,897	₩ 191,105	₩ 386,762
Loss on foreign currency translation	67,921	144,802	103,329	146,802
Loss on disposals of PP&E	76,265	164,424	20,864	36,158
Impairment loss on non-current assets classified as held for sale	-	-	-	18,575
Donations	14,056	46,258	9,755	47,571
Others	77,122	259,582	66,287	216,841
	<u>₩ 350,450</u>	<u>₩ 891,963</u>	<u>₩ 391,340</u>	<u>₩ 852,709</u>

### 30. EXPENSES BY NATURE:

Expenses by nature for the three months and nine months ended September 30, 2017 and 2016 consist of the following:

Description	2017		2016	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Changes in inventories	₩ 636,865	₩ (709,352)	₩ 958,156	₩ (514,289)
Raw materials and merchandise used	12,509,411	40,162,830	10,900,234	37,842,462
Employee benefits	2,188,564	6,561,159	2,101,219	6,546,193
Depreciation	568,306	1,665,821	536,597	1,592,110
Amortization	320,828	933,531	303,469	860,655
Others	7,123,542	20,353,770	6,607,231	19,464,264
Total (*)	<u>₩ 23,347,516</u>	<u>₩ 68,967,759</u>	<u>₩ 21,406,906</u>	<u>₩ 65,791,395</u>

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

### 31. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the period.

Basic earnings per common stock and preferred stock for the three months and nine months ended September 30, 2017 are computed as follows:

Description	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 655,989	207,053,965	₩ 3,168	₩ 2,309,162	207,053,965	₩ 11,152
1 <sup>st</sup> Preferred stock (*2)	72,863	22,907,923	3,181	256,339	22,907,923	11,190
2 <sup>nd</sup> Preferred stock	115,715	36,237,727	3,193	406,858	36,237,727	11,227
3 <sup>rd</sup> Preferred stock	7,804	2,453,517	3,181	27,455	2,453,517	11,190

(\*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.

(\*2) 1<sup>st</sup> preferred stock meets the definition of 'ordinary shares' as defined in K-IFRS 1033 'Earnings per Share'.

Basic earnings per common stock and preferred stock for the three months and nine months ended September 30, 2016 are computed as follows:

Description	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 817,121	207,054,165	₩ 3,946	₩ 3,393,257	206,947,860	₩ 16,397
1 <sup>st</sup> preferred stock (*2)	90,691	22,907,923	3,959	376,280	22,907,923	16,426
2 <sup>nd</sup> preferred stock	143,915	36,237,727	3,971	596,591	36,237,727	16,463
3 <sup>rd</sup> preferred stock	9,713	2,453,517	3,959	40,301	2,453,517	16,426

(\*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.

(\*2) 1<sup>st</sup> preferred stock meets the definition of 'ordinary shares' as defined in K-IFRS 1033 'Earnings per Share'.

The Group does not compute diluted earnings per common stock for the three months and nine months ended September 30, 2017 and 2016, since there are no dilutive items during the period.

### 32. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the nine months ended September 30, 2017 and 2016 are 19.0% and 23.0%, respectively.

### 33. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the nine months ended September 30, 2017 and 2016 are as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Paid in cash	₩ 5,888	₩ 5,494
Recognized liability	1,172	773
	₩ 7,060	₩ 6,267

(2) The significant actuarial assumptions used by the Group as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
Discount rate	3.26%	3.42%
Rate of expected future salary increase	4.21%	4.21%

Employee turnover and mortality assumptions used for actuarial valuation are based on the economic conditions and statistical data of each country where entities within the Group are located.

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of September 30, 2017 and December 31, 2016 consist of the following:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 5,283,335	₩ 4,937,999
Fair value of plan assets	(4,607,576)	(4,449,721)
	<u>₩ 675,759</u>	<u>₩ 488,278</u>
Net defined benefit liabilities	675,759	492,173
Net defined benefit assets	-	(3,895)

- (4) Changes in net defined benefit liabilities for the nine months ended September 30, 2017 are as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 4,937,999	₩ (4,449,721)	₩ 488,278
Current service cost	409,244	-	409,244
Interest expenses (income)	107,175	(99,741)	7,434
	<u>5,454,418</u>	<u>(4,549,462)</u>	<u>904,956</u>
Remeasurements:			
Return on plan assets	-	(15,864)	(15,864)
Actuarial gains and losses arising from changes in financial assumptions	14,421	-	14,421
Actuarial gains and losses arising from experience adjustments and others	1,410	-	1,410
	<u>15,831</u>	<u>(15,864)</u>	<u>(33)</u>
Contributions	-	(201,977)	(201,977)
Benefits paid	(183,229)	148,541	(34,688)
Transfers in (out)	(48)	303	255
Effect of foreign exchange differences and others	(3,637)	10,883	7,246
End of the period	<u>₩ 5,283,335</u>	<u>₩ (4,607,576)</u>	<u>₩ 675,759</u>

Changes in net defined benefit liabilities for the nine months ended September 30, 2016 are as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 4,464,399	₩ (3,859,966)	₩ 604,433
Current service cost	401,195	-	401,195
Interest expenses (income)	99,927	(87,238)	12,689
	<u>4,965,521</u>	<u>(3,947,204)</u>	<u>1,018,317</u>
Remeasurements:			
Return on plan assets	-	(13,088)	(13,088)
Actuarial gains and losses arising from changes in financial assumptions	63,920	-	63,920
Actuarial gains and losses arising from experience adjustments and others	(4,666)	-	(4,666)
	<u>59,254</u>	<u>(13,088)</u>	<u>46,166</u>
Contributions	-	(283,965)	(283,965)
Benefits paid	(162,635)	140,440	(22,195)
Transfers in (out)	2,284	(816)	1,468
Effect of foreign exchange differences and others	(12,279)	14,281	2,002
End of the period	<u>₩ 4,852,145</u>	<u>₩ (4,090,352)</u>	<u>₩ 761,793</u>

(5) The fair value of the plan assets as of September 30, 2017 and December 31, 2016 consists of the following:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Insurance instruments	₩ 4,330,549	₩ 4,192,438
Debt instruments	124,807	111,003
Others	152,220	146,280
	₩ 4,607,576	₩ 4,449,721

#### **34. CASH GENERATED FROM OPERATIONS:**

Cash generated from operations for the nine months ended September 30, 2017 and 2016 is as follows:

Description	Nine months ended September 30,	
	2017	2016
	(In millions of Korean Won)	
Profit for the period	₩ 3,258,502	₩ 4,650,817
Adjustments:		
Post-employment benefits	417,850	414,657
Depreciation	1,665,821	1,592,110
Amortization of intangible assets	933,531	860,655
Provision for warranties	1,183,423	871,005
Income tax expense	763,916	1,388,867
Loss (gain) on foreign currency translation, net	9,372	(43,443)
Loss on disposals of PP&E, net	147,913	10,671
Interest income, net	(66,689)	(52,896)
Gain on disposals of AFS financial assets, net	(143)	(254,463)
Gain on share of earnings of equity-accounted investees, net	(514,267)	(1,469,066)
Loss on disposals of investments in associates, net	-	299
Cost of sales from financial services, net	4,638,075	4,285,052
Others	999,810	310,415
	10,178,612	7,913,863
Changes in operating assets and liabilities:		
Decrease in trade notes and accounts receivable	531,069	528,179
Decrease in other receivables	250,376	509,483
Increase in other financial assets	(384,262)	(557,691)
Increase in inventories	(1,451,322)	(1,207,493)
Decrease (increase) in other assets	(169,275)	50,099
Decrease in trade notes and accounts payable	(424,583)	(1,065,006)
Decrease in other payables	(902,862)	(782,599)
Increase in other liabilities	1,260,672	866,808
Decrease in other financial liabilities	(12,238)	(11,096)
Changes in net defined benefit liabilities	(194,509)	(276,074)
Payment of severance benefits	(34,688)	(22,195)
Decrease in provisions	(1,722,588)	(1,234,443)
Changes in financial services receivables	(2,027,074)	(2,082,416)
Increase in operating lease assets	(4,437,130)	(4,782,270)
Others	(19,004)	(30,759)
	(9,737,418)	(10,097,473)
Cash generated from operations	₩ 3,699,696	₩ 2,467,207

### 35. RISK MANAGEMENT:

#### (1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017		December 31, 2016	
	(In millions of Korean Won)			
Total liabilities	₩	106,889,467	₩	106,491,350
Total equity		74,598,365		72,344,578
Debt-to-equity ratio		143.3%		147.2%

#### (2) Financial risk management

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

##### 1) Market risk

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

##### a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR and JPY.

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of September 30, 2017 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 30,999	₩ (30,999)
EUR	(17,643)	17,643
JPY	(8,487)	8,487

The sensitivity analysis includes the Group's monetary assets, liabilities and derivative assets, liabilities but excludes items of income statements such as changes of sales and cost of sales due to exchange rate fluctuation.

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of September 30, 2017 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 15,066	₩ (15,066)
Financial assets at FVTPL	1,508	(1,512)
Short-term and long-term financial instruments	5,259	(5,259)
Borrowings and debentures	(119,757)	119,757

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of September 30, 2017 and December 31, 2016, the amounts of interest rate risk measured at VaR are ₩199,560 million and ₩180,341 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of September 30, 2017, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩76,729 million and ₩2,010,390 million, respectively.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 37, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk.

3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

Due to the inherent nature of the industry, the Group requires continuous R&D investment and is sensitive to economic fluctuations. Thus the Group possesses the appropriate amount of checking accounts. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. The Group, also, continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of September 30, 2017 is as follows:

Description	Remaining contract period			Total
	Within one year	Later than one year and less than five years	Later than five years	
	(In millions of Korean Won)			
Non interest-bearing liabilities	₩ 14,325,633	₩ 22,755	₩ -	₩ 14,348,388
Interest-bearing liabilities	23,844,620	50,888,024	2,870,395	77,603,039
Financial guarantee	1,120,376	7,557	21,092	1,149,025

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date at which payments, i.e. both principal and interest, should be made.

### (3) Derivative instrument

The Group enters into derivative instrument contracts such as currency forwards, currency options, currency swaps and interest rate swaps to hedge its exposure to changes in foreign exchange rate or interest rate.

As of September 30, 2017 and December 31, 2016, the Group recognizes deferred net loss of ₩12,189 million and net gain of ₩3,722 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 53 months as of September 30, 2017.

For the nine months ended September 30, 2017 and 2016, the Group recognizes net loss of ₩65,619 million and ₩341,723 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

### 36. RELATED-PARTY TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

- (1) For the nine months ended September 30, 2017, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation And Fair Trade Act of the Republic of Korea (“the Act”) are as follows:

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 653,175	₩ 8,612	₩ 3,561,410	₩ 29,983
	Mobis Alabama, LLC	114,048	220	968,466	36
	Mobis Automotive Czech s.r.o.	-	388	1,177,121	11,007
	Mobis India, Ltd.	22,860	2,144	789,022	98
	Mobis Parts America, LLC	28,058	2,330	586,727	602
	Mobis Parts Europe N.V.	12,002	904	273,142	3
	Mobis Brasil Fabricacao De Auto Pecas Ltda	5,109	-	261,831	-
	Mobis Module CIS, LLC	-	238	286,759	1
	Others	9,385	8,064	550,283	2,785
		<u>755,296</u>	<u>334,943</u>	<u>100,012</u>	<u>240,099</u>
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	457,481	805	1,467,674	24,246
	Kia Motors Russia LLC	805,257	150	300	-
	Kia Motors Slovakia s.r.o.	87,113	1,810	516,346	-
	BHMC	498,728	50,877	271	-
	HMGC	2,520	-	843	2,243
	Hyundai WIA Corporation	197,879	6,962	868,903	1,734
	Others	295,715	54,276	2,054,333	1,529,926
Other related parties	<u>1,810</u>	<u>4,674</u>	<u>734</u>	<u>-</u>	
Affiliates by the Act	<u>599,779</u>	<u>103,758</u>	<u>4,734,067</u>	<u>1,284,129</u>	

For the nine months ended September 30, 2016, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows:

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 691,317	₩ 6,618	₩ 3,099,755	₩ 17,102
	Mobis Alabama, LLC	38,212	3,281	1,076,607	10,101
	Mobis Automotive Czech s.r.o.	1	340	1,220,984	4
	Mobis India, Ltd.	35,737	1,460	757,651	1,908
	Mobis Parts America, LLC	26,432	5,065	567,867	753
	Mobis Parts Europe N.V.	8,980	7,793	230,225	27
	Mobis Brasil Fabricacao De Auto Pecas Ltda	3,005	-	188,836	-
	Mobis Module CIS, LLC	196	224	156,509	-
	Others	26,754	1,734	531,208	2,384
		<u>716,887</u>	<u>328,664</u>	<u>102,716</u>	<u>214,017</u>
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	560,710	1,241	2,163,232	2,810
	Kia Motors Russia LLC	603,782	27	-	-
	Kia Motors Slovakia s.r.o.	87,330	8,362	614,701	3
	BHMC	1,018,868	55,461	227	-
	HMGC	11,510	1	479	2,562
	Hyundai WIA Corporation	149,747	535	652,511	739
	Others	332,472	27,533	1,873,994	1,330,436
Other related parties	<u>1,544</u>	<u>1,991</u>	<u>15</u>	<u>-</u>	
Affiliates by the Act	<u>594,895</u>	<u>81,558</u>	<u>4,226,117</u>	<u>1,177,742</u>	

(2) As of September 30, 2017, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

Description		Receivables		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 183,811	₩ 14,116	₩ 715,120	₩ 128,897
	Mobis Alabama, LLC	38	21,044	89,000	-
	Mobis Automotive Czech s.r.o.	49	611	174,264	-
	Mobis India, Ltd.	2,746	-	153,618	12
	Mobis Parts America, LLC	7,489	68	63,639	1,630
	Mobis Parts Europe N.V.	996	21	39,056	-
	Mobis Module CIS, LLC	-	34	45,849	-
	Others	8,596	388	109,215	2,143
Joint ventures and associates	Kia Motors Corporation	271,850	137,478	19,787	139,799
	Kia Motors Manufacturing Georgia, Inc.	48,647	27,798	152,855	19,628
	Kia Motors Russia LLC	136,645	55	-	-
	Kia Motors Slovakia s.r.o.	8,112	219	57,642	5
	Kia Motors America, Inc.	-	97,830	1	19,598
	BHMC	250,297	74,795	-	408
	HMGC	-	16	-	1,528
	Hyundai WIA Corporation	70,381	12,828	160,902	56,338
	Others	167,628	114,398	422,667	510,732
Other related parties	320	774	143	-	
Affiliates by the Act	178,046	935,047	922,632	305,772	

As of December 31, 2016, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

Description		Receivables		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 182,335	₩ 20,482	₩ 844,228	₩ 176,459
	Mobis Alabama, LLC	44	8,254	91,761	-
	Mobis Automotive Czech s.r.o.	40	691	135,290	-
	Mobis India, Ltd.	325	16,733	127,908	5
	Mobis Parts America, LLC	5,250	168	64,287	2,369
	Mobis Parts Europe N.V.	10,576	1,812	40,473	-
	Mobis Module CIS, LLC	-	74	26,611	-
	Others	19,378	181	63,496	3,786
Joint ventures and associates	Kia Motors Corporation	247,612	319,371	44,337	115,044
	Kia Motors Manufacturing Georgia, Inc.	52,670	9,936	150,402	7,395
	Kia Motors Russia LLC	103,534	1	-	-
	Kia Motors Slovakia s.r.o.	7,554	1,264	49,762	169
	Kia Motors America, Inc.	-	115,296	79	20,758
	BHMC	280,352	43,284	-	11,329
	HMGC	-	48	-	1,164
	Hyundai WIA Corporation	40,008	55,003	151,169	84,713
	Others	157,606	88,864	389,176	670,383
Other related parties	456	474	9	-	
Affiliates by the Act	197,930	869,441	914,777	383,664	

- (3) Significant fund transactions and equity contribution transactions for the nine months ended September 30, 2017, between the Group and related parties are as follows:

Description	Loans		Borrowings		Acquisition	Equity contribution (In millions of Korean won)
	Lending	Collection	Borrowing	Repayment		
Joint ventures and associates	-	-	-	-	-	₩ 80,144

Significant fund transactions and equity contribution transactions for the nine months ended September 30, 2016, between the Group and related parties are as follows:

Description	Loans		Borrowings		Acquisition	Equity contribution (In millions of Korean Won)
	Lending	Collection	Borrowing	Repayment		
(In thousands of U.S. Dollars, Chinese Yuan)						
Entities with significant influence over the Company and its subsidiaries	-	\$ 140,000	-	-	-	-
Joint ventures and associates	¥ 200,000	-	-	-	\$ 19,181	₩ 430,448

For the nine months ended September 30, 2017, the Group traded in other financial assets and others of ₩2,084,940 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,514,980 million in the consolidated statement of financial position as of September 30, 2017.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the nine months ended September 30, 2017 and 2016 is as follows:

Description	Nine months ended September 30,	
	2017	2016
(In millions of Korean Won)		
Short-term employee salaries	₩ 126,905	₩ 135,696
Post-employment benefits	26,882	26,710
Other long-term benefits	216	317
	₩ 154,003	₩ 162,723

### 37. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 2017, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries are as follows:

Description	Domestic		Overseas (*)	
	(In millions of Korean Won)			
To associates	₩	1,327	₩	10,007
To others		9,037		1,152,263
	₩	10,364	₩	1,162,270

- (\*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2017.

- (2) As of September 30, 2017, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. Meanwhile, as of September 30, 2017, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.

- (3) As of September 30, 2017, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩856,777 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) As of September 30, 2017, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.

### 38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the nine months ended September 30, 2017 and 2016 are as follows:

	For the nine months ended September 30, 2017				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 84,594,176	₩ 11,616,711	₩ 5,578,945	₩ (29,914,598)	₩ 71,875,234
Inter-company sales	(28,760,471)	(234,512)	(919,615)	29,914,598	-
Net sales	<u>55,833,705</u>	<u>11,382,199</u>	<u>4,659,330</u>	<u>-</u>	<u>71,875,234</u>
Operating income	<u>2,514,894</u>	<u>571,081</u>	<u>271,077</u>	<u>442,386</u>	<u>3,799,438</u>
	For the nine months ended September 30, 2016				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 81,013,963	₩ 11,069,677	₩ 5,786,783	₩ (28,759,403)	₩ 69,111,020
Inter-company sales	(27,736,225)	(212,697)	(810,481)	28,759,403	-
Net sales	<u>53,277,738</u>	<u>10,856,980</u>	<u>4,976,302</u>	<u>-</u>	<u>69,111,020</u>
Operating income	<u>2,655,875</u>	<u>619,683</u>	<u>400,422</u>	<u>496,354</u>	<u>4,172,334</u>

(3) Assets and liabilities by operating segments as of September 30, 2017 and December 31, 2016 are as follows:

	As of September 30, 2017				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 101,778,085	₩ 86,141,055	₩ 7,694,576	₩ (14,125,884)	₩ 181,487,832
Total liabilities	36,115,303	75,426,110	4,585,917	(9,237,863)	106,889,467
Borrowings and debentures	7,760,231	67,100,783	2,667,925	(3,424,370)	74,104,569

  

	As of December 31, 2016				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 100,011,029	₩ 84,586,904	₩ 7,882,397	₩ (13,644,402)	₩ 178,835,928
Total liabilities	36,631,454	74,467,009	4,877,520	(9,484,633)	106,491,350
Borrowings and debentures	7,244,070	66,007,607	2,856,737	(2,664,394)	73,444,020

(4) Sales by region where the Group's entities are located in for the nine months ended September 30, 2017 and 2016 are as follows:

	For the nine months ended September 30, 2017						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 40,162,266	₩ 29,164,006	₩ 6,369,235	₩ 23,867,680	₩ 2,226,645	₩ (29,914,598)	₩ 71,875,234
Inter-company sales	(12,011,055)	(5,476,124)	(336,611)	(12,090,808)	-	29,914,598	-
Net sales	28,151,211	23,687,882	6,032,624	11,776,872	2,226,645	-	71,875,234

  

	For the nine months ended September 30, 2016						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 38,274,240	₩ 29,941,993	₩ 5,922,412	₩ 22,208,927	₩ 1,522,851	₩ (28,759,403)	₩ 69,111,020
Inter-company sales	(10,754,472)	(6,163,728)	(293,240)	(11,547,727)	(236)	28,759,403	-
Net sales	27,519,768	23,778,265	5,629,172	10,661,200	1,522,615	-	69,111,020

(5) Non-current assets by region where the Group's entities are located in as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
(In millions of Korean Won)		
Korea	₩ 28,810,647	₩ 28,390,134
North America	2,179,120	2,415,983
Asia	1,116,406	1,046,491
Europe	2,174,520	2,011,233
Others	439,333	489,727
	34,720,026	34,353,568
Consolidation adjustments	(168,306)	(150,009)
Total (*)	₩ 34,551,720	₩ 34,203,559

(\*) Sum of PP&E, intangible assets and investment property.

(6) There is no single external customer who represents 10% or more of the Group's revenue for the nine months ended September 30, 2017 and 2016.

### 39. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 9,810,327	₩ 10,871,107
Accumulated income	708,859	984,358
Accumulated construction in process	10,519,186	11,855,465
Progress billing	(9,758,857)	(10,954,684)
Due from customers	1,112,844	1,220,582
Due to customers	(352,515)	(319,801)
Reserve (*)	73,452	62,090

(\*) Reserve is recognized as long-term trade notes and accounts receivable in the consolidated financial statements.

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, an other operating segment of the Group, as of September 30, 2017 are as follows:

Description	September 30, 2017
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ 166,428
Changes in accounting estimates of total contract costs	1,082
Effects on profit or loss of current period	51,609
Effects on profit or loss of future periods	113,737
Changes in due from customers	3,379
Provision for construction losses	67,051

Effects on profit or loss of current and future periods were calculated by total contract costs estimated based on the situation occurred since the commencement of the contract to September 30, 2017 and the estimates of contract revenue as of September 30, 2017. Total contract revenue and costs are subject to change in future periods.

- (3) There is no contract more than 5% of the Group's revenue in the prior period that is recognized in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs instruments for the nine months ended September 30, 2017.

#### **40. BUSINESS COMBINATIONS:**

The Company acquired 50% of the shares in HTMV from THANH CONG and obtained control over HTMV on March 29, 2017.

Considerations for acquisition and the fair value of the assets acquired at the acquisition date are as follows:

Description	Amounts
	(In millions of Korean Won)
Considerations transferred	₩ 32,609
Assets and liabilities acquired:	
Current assets	34,647
Non-current assets	41,393
Current liabilities	959
Non-current liabilities	9,863
Fair value of identifiable net assets	65,218
Goodwill	₩ -

The Group recognized sales of ₩142,802 million and net income of ₩3,221 million arising from the acquisition for the nine months ended September 30, 2017.

#### **41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:**

The Company acquired 50% of the shares in HTCVC(Hyundai Thanh cong Commercial Vehicle Joint Stock Company) from THANH CONG and obtained control over HTCVC on October 2, 2017. The entity is included in investments in subsidiaries as the Company has substantial control over this entity by virtue of an agreement with other investors.