

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2017 AND 2016**

ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT

HYUNDAI MOTOR COMPANY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of Independent Accountants' Review Report Originally Issued in Korean on May 12, 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 March 31, 2017, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months ended March 31, 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

May 12, 2017

Notice to Readers

This report is effective as of May 12, 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 ENDED MARCH 31, 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

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

ASSETS	NOTES	March 31, 2017	December 31, 2016
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 6,533,855	₩ 7,890,089
Short-term financial instruments	19	7,636,172	7,361,735
Other financial assets	5,19	12,209,737	12,723,993
Trade notes and accounts receivable	3,19	3,840,432	4,437,552
Other receivables	4,19	3,317,620	3,181,030
Inventories	6	10,674,712	10,523,812
Current tax assets		67,245	46,924
Financial services receivables	13,19	23,831,341	24,865,594
Non-current assets classified as held for sale	8	29,068	29,068
Other assets	7,19	1,492,988	1,389,803
Total current assets		69,633,170	72,449,600
Non-current assets:			
Long-term financial instruments	19	104,495	99,484
Other financial assets	5,19	2,513,254	2,560,550
Long-term trade notes and accounts receivable	3,19	135,044	138,105
Other receivables	4,19	1,302,791	1,301,059
Property, plant and equipment	9	29,075,592	29,405,716
Investment property	10	206,868	211,671
Intangible assets	11	4,515,935	4,586,172
Investments in joint ventures and associates	12	17,896,042	18,070,121
Deferred tax assets		1,073,399	1,116,774
Financial services receivables	13,19	25,928,432	26,918,009
Operating lease assets	14	20,220,978	21,317,260
Other assets	7,19	634,771	661,407
Total non-current assets		103,607,601	106,386,328
Total assets		₩ 173,240,771	₩ 178,835,928

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	March 31, 2017	December 31, 2016
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 7,178,063	₩ 6,985,942
Other payables	19	3,420,027	4,946,723
Short-term borrowings	15,19	9,030,292	8,760,678
Current portion of long-term debt and debentures	15,19	12,663,837	14,836,967
Income tax payable		654,961	540,909
Provisions	16	1,833,083	1,925,562
Other financial liabilities	17,19	111,928	138,106
Other liabilities	18,19	6,389,812	5,474,906
Total current liabilities		41,282,003	43,609,793
Non-current liabilities:			
Long-term other payables	19	21,032	22,586
Debentures	15,19	36,201,070	36,456,392
Long-term debt	15,19	11,011,249	13,389,983
Net defined benefit liabilities	33	602,002	492,173
Provisions	16	5,107,456	5,047,078
Other financial liabilities	17,19	221,492	23,454
Deferred tax liabilities		4,352,729	4,622,226
Other liabilities	18,19	2,667,144	2,827,665
Total non-current liabilities		60,184,174	62,881,557
Total liabilities		101,466,177	106,491,350
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,201,144	4,202,597
Other capital items	22	(1,640,096)	(1,640,096)
Accumulated other comprehensive loss	23	(2,325,706)	(1,223,244)
Retained earnings	24	64,877,731	64,361,408
Equity attributable to the owners of the Company		66,602,066	67,189,658
Non-controlling interests		5,172,528	5,154,920
Total equity		71,774,594	72,344,578
Total liabilities and equity		₩ 173,240,771	₩ 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 ENDED MARCH 31, 2017 AND 2016

	NOTES	Three months ended March 31,	
		2017	2016
		(In millions of Korean Won, except per share amounts)	
Sales	25,38	₩ 23,365,959	₩ 22,350,624
Cost of sales	30	19,072,656	18,111,352
Gross profit		4,293,303	4,239,272
Selling and administrative expenses	26,30	3,042,542	2,896,881
Operating income		1,250,761	1,342,391
Gain on investments in joint ventures and associates, net	27	402,423	470,365
Finance income	28	366,144	477,810
Finance expenses	28	193,901	156,555
Other income	29	452,618	409,446
Other expenses	29,30	520,992	380,026
Income before income tax		1,757,053	2,163,431
Income tax expense	32	351,359	395,300
Profit for the period		₩ 1,405,694	₩ 1,768,131
Profit attributable to:			
Owners of the Company		₩ 1,330,566	₩ 1,687,032
Non-controlling interests		75,128	81,099
Earnings per share attributable to the owners of the Company:	31		
Basic earnings per share:			
Common stock		₩ 4,948	₩ 6,285
1 st preferred stock		₩ 4,961	₩ 6,288
Diluted earnings per share:			
Common stock		₩ 4,948	₩ 6,285
1 st preferred stock		₩ 4,961	₩ 6,288

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Profit for the period	₩ 1,405,694	₩ 1,768,131
Other comprehensive loss:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	1,413	(13,624)
Changes in retained earnings of equity-accounted investees, net	(4,490)	(36,970)
	<u>(3,077)</u>	<u>(50,594)</u>
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) on available-for-sale ("AFS") financial assets, net	6,947	(187,398)
Gain on valuation of cash flow hedge derivatives, net	25,808	27,006
Changes in share of earnings of equity-accounted investees, net	(372,629)	(42,322)
Gain (loss) on foreign operations translation, net	(824,348)	18,607
	<u>(1,164,222)</u>	<u>(184,107)</u>
Total other comprehensive loss	<u>(1,167,299)</u>	<u>(234,701)</u>
Total comprehensive income	<u>₩ 238,395</u>	<u>₩ 1,533,430</u>
Comprehensive income attributable to:		
Owners of the Company	₩ 224,712	₩ 1,459,063
Non-controlling interests	13,683	74,367
Total comprehensive income	<u>₩ 238,395</u>	<u>₩ 1,533,430</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 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	-	-	-	-	1,687,032	1,687,032	81,099	1,768,131
Loss on AFS financial assets, net	-	-	-	(187,377)	-	(187,377)	(21)	(187,398)
Gain (loss) on valuation of cash flow hedge derivatives, net	-	-	-	27,593	-	27,593	(587)	27,006
Changes in valuation of equity-accounted investees, net	-	-	-	(40,629)	(36,970)	(77,599)	(1,693)	(79,292)
Remeasurements of defined benefit plans	-	-	-	-	(10,598)	(10,598)	(3,026)	(13,624)
Gain (loss) on foreign operations translation, net	-	-	-	20,012	-	20,012	(1,405)	18,607
Total comprehensive income (loss)	-	-	-	(180,401)	1,639,464	1,459,063	74,367	1,533,430
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,890)	(810,890)	(5,002)	(815,892)
Purchases of subsidiaries' stock	-	15,664	-	-	-	15,664	(111,868)	(96,204)
Purchases of treasury stock	-	-	(174,820)	-	-	(174,820)	-	(174,820)
Disposals of treasury stock	-	35,108	138,129	-	-	173,237	-	173,237
Total transactions with owners, recorded directly in equity	-	50,772	(36,691)	-	(810,890)	(796,809)	(116,870)	(913,679)
Balance at March 31, 2016	₩ 1,488,993	₩ 3,571,167	₩ (1,625,388)	₩ (1,612,222)	₩ 60,863,662	₩ 62,686,212	₩ 4,814,940	₩ 67,501,152

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 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	-	-	-	-	1,330,566	1,330,566	75,128	1,405,694
Gain on AFS financial assets, net	-	-	-	6,105	-	6,105	842	6,947
Gain on valuation of cash flow hedge derivatives, net	-	-	-	20,053	-	20,053	5,755	25,808
Changes in valuation of equity-accounted investees, net	-	-	-	(363,999)	(4,490)	(368,489)	(8,630)	(377,119)
Remeasurements of defined benefit plans	-	-	-	-	1,098	1,098	315	1,413
Loss on foreign operations translation, net	-	-	-	(764,621)	-	(764,621)	(59,727)	(824,348)
Total comprehensive Income (loss)	-	-	-	(1,102,462)	1,327,174	224,712	13,683	238,395
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,851)	(810,851)	(35,595)	(846,446)
Increase in subsidiaries' stock	-	(1,453)	-	-	-	(1,453)	6,911	5,458
Purchases of subsidiaries' stock	-	-	-	-	-	-	32,609	32,609
Total transactions with owners, recorded directly in equity	-	(1,453)	-	-	(810,851)	(812,304)	3,925	(808,379)
Balance at March 31, 2017	₩ 1,488,993	₩ 4,201,144	₩ (1,640,096)	₩ (2,325,706)	₩ 64,877,731	₩ 66,602,066	₩ 5,172,528	₩ 71,774,594

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

	NOTES	Three months ended March 31,	
		2017	2016
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 1,405,694	₩ 1,768,131
Adjustments		2,874,511	2,338,564
Changes in operating assets and liabilities		(2,641,415)	(4,102,395)
		1,638,790	4,300
Interest received		115,324	116,260
Interest paid		(493,701)	(428,927)
Dividend received		10,175	19,822
Income tax paid		(312,230)	(526,169)
Net cash provided by (used in) operating activities		958,358	(814,714)
Cash flows from investing activities:			
Proceeds from purchases of short-term financial instruments, net		(335,814)	(1,402,283)
Proceeds from disposals of other financial assets (current), net		441,878	1,985,935
Proceeds from disposals of other financial assets (non-current)		13,465	369,204
Receipts from other receivables		23,442	9,717
Disposals of long-term financial instruments		9	30
Proceeds from disposals of property, plant and equipment		44,723	14,923
Proceeds from disposals of intangible assets		86	2,661
Acquisitions of other financial assets (non-current)		(63,933)	(29,104)
Increases in other receivables		(23,497)	(16,897)
Purchases of long-term financial instruments		(6,446)	(2,628)
Acquisitions of property, plant and equipment		(644,126)	(905,239)
Acquisitions of intangible assets		(261,171)	(243,725)
Cash outflows from business combinations		(13,086)	-
Acquisitions of investments in joint ventures and associates		-	(242,434)
Other cash receipts from investing activities, net		39,253	447
Net cash used in investing activities		(785,217)	(459,393)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (CONTINUED)

	NOTES	Three months ended March 31,	
		2017	2016
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) of short-term borrowings, net	₩	739,664	₩ (1,676,918)
Proceeds from long-term debt and debentures		6,485,442	7,011,702
Paid-in capital increase of subsidiaries		5,458	-
Purchases of subsidiaries' stock		-	(96,204)
Repayment of long-term debt and debentures		(8,465,977)	(4,696,238)
Purchases of treasury stock		-	(174,820)
Dividends paid		(48)	(48)
Other cash payments from financing activities, net		29,170	(8,933)
Net cash provided by (used in) financing activities		<u>(1,206,291)</u>	<u>358,541</u>
Effect of exchange rate changes on cash and cash equivalents		(323,084)	59,257
Net decrease in cash and cash equivalents		(1,356,234)	(856,309)
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>6,533,855</u>	₩ <u>6,475,154</u>
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 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”) manufacture and distribute 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 March 31, 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 March 31, 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. (*)	“	“	36.96%	
Hyundai Rotem Company (Hyundai Rotem) (*)	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 Partec 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	“	60.00%	
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 Xinhuaixiaiqyetong 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) (*)	"	"	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%
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	Investment	Korea	100.00%	
UBS Hana Dynamic Balance Private Investment Trust 1	"	"	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)	Financing	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Sixty-Third Asset Securitization Specialty Company (*)	"	"	0.50%	"
Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*)	"	"	0.50%	Hyundai Card 0.50%
Super Series First ~ Fourth Securitization Specialty Co., Ltd. (*)	"	"	0.50%	"
Hyundai Rotem First Co., Ltd. (*)	"	"	0.00%	Hyundai Rotem 0.00%
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 Capital America Deferred Compensation Plan	"	"	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%	"

(*) 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) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the three months ended March 31, 2017 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 25,301,885	₩ 21,496,529	₩ 1,004,164	₩ 89,187
Hyundai Card Co., Ltd. (*)	14,072,164	11,322,092	803,594	53,194
Hyundai Rotem Company (*)	4,079,689	2,611,027	651,426	4,893
Hyundai KEFICO Corporation (*)	1,358,639	761,972	451,994	18,619
HCA (*)	38,809,134	35,939,773	2,313,576	7,912
HMA	8,098,412	5,868,700	4,220,070	(49,175)
HMMA	4,464,820	1,878,824	2,029,661	86,067
HMMC	3,363,523	1,603,573	1,824,560	140,207
HMI (*)	2,837,431	1,255,086	1,484,694	81,636
HAOSVT	1,452,371	1,140,618	708,975	899
HME (*)	1,427,010	1,409,736	2,220,451	1,950
HMMR	1,368,929	922,259	652,506	35,444
HMB	1,226,043	837,597	540,057	3,995
HACC (*)	1,194,260	735,175	553,515	(25,647)
HMCA	663,446	497,852	449,325	(7,109)

(*) 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 three months ended March 31, 2016 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 24,661,562	₩ 21,080,012	₩ 752,368	₩ 90,409
Hyundai Card Co., Ltd. (*)	13,242,102	10,700,042	685,358	53,584
Hyundai Rotem Company (*)	4,724,986	3,290,706	724,138	1,561
Hyundai KEFICO Corporation (*)	1,227,674	693,846	438,075	14,741
HCA (*)	36,977,306	34,091,867	2,133,081	15,356
HMA	7,365,706	4,779,217	4,593,287	(102,360)
HMMA	3,685,201	1,325,647	2,067,292	68,208
HMMC	3,360,756	1,421,103	1,758,308	102,401
HMI (*)	2,405,168	1,150,187	1,363,815	72,421
HAOSVT	1,575,645	1,243,998	871,693	9,642
HME (*)	1,606,049	1,593,146	2,254,637	2,406
HMMR	942,337	670,545	343,629	1,994
HMB	892,028	517,636	321,810	(4,156)
HACC (*)	1,196,933	739,847	570,413	(29,381)
HMCA	799,486	591,999	438,081	(18,291)

(*) 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 three months ended March 31, 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	₩ (274,698)	₩ 270,169	₩ (115,889)
Cash flows from investing activities	(14,832)	(14,769)	43,361
Cash flows from financing activities	424,944	(272,888)	(232,200)
Effect of exchange rate changes on cash and cash equivalents	-	-	(2,084)
Net increase (decrease) in cash and cash equivalents	₩ 135,414	₩ (17,488)	₩ (306,812)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the three months ended March 31, 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	₩ (190,005)	₩ 126,300	₩ 359,477
Cash flows from investing activities	(8,113)	(12,587)	(6,415)
Cash flows from financing activities	324,328	(62,774)	(173,997)
Effect of exchange rate changes on cash and cash equivalents	-	-	(1,261)
Net increase in cash and cash equivalents	₩ 126,210	₩ 50,939	₩ 177,804

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of March 31, 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	₩ 1,534,933	₩ 1,733,748	₩ 901,370
Profit attributable to non-controlling interests	35,334	33,536	(5,125)
Dividends paid to non-controlling interests	33,438	-	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 three months ended March 31, 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 Capital America Deferred Compensation Plan	"
"	Hyundai Asset Backed Lease, LLC	"
"	HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV)	"
Excluded	Autopia Forty-Sixth Asset Securitization Specialty Company	Liquidation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the three months ended March 31, 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 March 31, 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 entity’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, an entity 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) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).

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

The Group has loans and receivables of ₩71,794,779 million, AFS financial assets of ₩2,348,653 million and financial assets at FVTPL of ₩12,224,049 million in the consolidated statements of financial position as of March 31, 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 an entity’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 March 31, 2017, the Group has financial liabilities measured at amortised cost of ₩83,301,410 million and financial liabilities with changes in fair value recognised in profit or loss of ₩30,587 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 portion of lifetime expected credit losses that represent 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, an entity 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 March 31, 2017, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩1,184,620 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 an entity 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, entities with initial application may continue to retain the existing requirements under K-IFRS 1039 as their accounting policy.

As of March 31, 2017, the Group applies hedge accounting and has a deferred net profit of ₩23,775 million in accumulated other comprehensive income 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 an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity 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 entity 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. In three months ended March 31, 2017, sales of vehicle segment is ₩17,823,356 million which is approximately 76% 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 entity 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 March 31, 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 1 January 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 an entity initially recognizes the payment or receipt of advance consideration in a foreign currency. The enactments are effective for annual periods beginning on or after 1 January 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 an entity that is a venture capital organisation, the entity 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 1 January, 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 March 31, 2017 and December 31, 2016 consist of the following:

Description	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,892,295	₩ 142,910	₩ 4,487,352	₩ 146,262
Allowance for doubtful accounts	(51,863)	-	(49,800)	-
Present value discount accounts	-	(7,866)	-	(8,157)
	<u>₩ 3,840,432</u>	<u>₩ 135,044</u>	<u>₩ 4,437,552</u>	<u>₩ 138,105</u>

(2) Aging analysis of trade notes and accounts receivable

As of March 31, 2017 and December 31, 2016, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩241,095 million and ₩335,516 million, respectively; of which ₩202,062 million and ₩298,775 million, respectively, are past due less than 90 days, but not impaired. As of March 31, 2017 and December 31, 2016, the impaired trade notes and accounts receivable amount to ₩51,863 million and ₩49,800 million, respectively.

(3) The changes in allowance for doubtful accounts for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 49,800	₩ 59,530
Impairment loss	3,328	1,010
Write-off	(1)	(1)
Effect of foreign exchange differences	(1,264)	847
End of the period	<u>₩ 51,863</u>	<u>₩ 61,386</u>

4. OTHER RECEIVABLES:

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

Description	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accounts receivable – others	₩ 2,074,490	₩ 934,692	₩ 1,939,269	₩ 925,524
Due from customers for contract work	1,221,324	-	1,220,582	-
Lease and rental deposits	29,416	331,754	27,957	336,425
Deposits	3,207	34,921	3,366	35,770
Others	618	1,965	557	3,895
Allowance for doubtful accounts	(11,435)	-	(10,701)	-
Present value discount accounts	-	(541)	-	(555)
	<u>₩ 3,317,620</u>	<u>₩ 1,302,791</u>	<u>₩ 3,181,030</u>	<u>₩ 1,301,059</u>

5. OTHER FINANCIAL ASSETS:

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

Description	March 31, 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”)	₩ 12,069,160	₩ 154,889	₩ 12,454,530	₩ 104,499
Derivative assets that are effective hedging instruments	71,833	7,615	185,114	142,107
AFS financial assets	2,306	2,346,347	3,911	2,308,822
Loans	66,438	4,403	80,438	5,122
	<u>₩ 12,209,737</u>	<u>₩ 2,513,254</u>	<u>₩ 12,723,993</u>	<u>₩ 2,560,550</u>

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

Description	March 31, 2017		December 31, 2016	
	Acquisition	Book value	Book value	
	cost			
(In millions of Korean Won)				
Debt instruments	₩ 294,093	₩ 292,565	₩ 266,800	
Equity instruments	1,684,669	2,056,088	2,045,933	
	₩ 1,978,762	₩ 2,348,653	₩ 2,312,733	

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

Name of the company	Ownership percentage (%)	March 31, 2017		December 31, 2016
		Acquisition	Book value	Book value
		cost		
(In millions of Korean Won)				
Hyundai Steel Company (*1)	6.87	₩ 1,110,704	₩ 819,865	₩ 798,843
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	361,350	318,645
Korea Aerospace Industries, Ltd. (*2)	-	73,331	272,507	316,979
Hyundai Glovis Co., Ltd.	4.88	210,688	269,148	282,880
Hyundai Oilbank Co., Ltd.	4.35	53,734	143,957	143,957
Hyundai Green Food Co., Ltd.	2.36	15,005	36,116	35,539
Hyundai Development Company	0.60	9,025	18,293	20,228
Hyundai M Partners Co., Ltd.	9.29	9,888	12,068	11,470
NICE Information Service Co., Ltd.	2.25	3,312	10,586	9,466
NICE Holdings Co., Ltd.	1.30	3,491	8,505	8,653
KT Corporation	0.09	8,655	7,659	7,059
Hyundai Asan Corporation	1.88	22,500	2,117	2,117
Hyundai Merchant Marine Company	0.06	9,161	817	669
Nesscap Energy Inc.	1.76	1,997	339	272
Others		96,254	92,761	89,156
		₩ 1,684,669	₩ 2,056,088	₩ 2,045,933

(*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) 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 March 31, 2017 and December 31, 2016 consist of the following:

Description	March 31, 2017		December 31, 2016	
	(In millions of Korean Won)			
Finished goods	₩	6,839,051	₩	6,692,155
Merchandise		70,735		52,133
Semifinished goods		466,098		401,279
Work in progress		351,140		350,295
Raw materials		1,303,158		1,300,218
Supplies		267,004		267,073
Materials in transit		543,775		613,134
Others		833,751		847,525
Total (*)	₩	10,674,712	₩	10,523,812

(*) As of March 31, 2017 and December 31, 2016, the Group recognized a valuation allowance in amount of ₩114,694 million and ₩135,789 million, respectively.

7. OTHER ASSETS:

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

Description	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 312,955	₩ 4,090	₩ 315,132	₩ 4,798
Advanced payments	468,645	530	444,872	566
Prepaid expenses	435,043	614,656	402,565	641,132
Prepaid value-added tax and others	276,345	15,495	227,234	14,911
	₩ 1,492,988	₩ 634,771	₩ 1,389,803	₩ 661,407

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

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

Description	March 31, 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 March 31, 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 three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 29,405,716	₩ 28,698,927
Acquisitions	552,249	395,838
Disposals	(57,229)	(16,146)
Depreciation	(542,886)	(525,782)
Others (*)	(282,258)	10,849
End of the period	₩ 29,075,592	₩ 28,563,686

- (*) 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 three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 211,671	₩ 291,424
Transfers	-	267
Depreciation	(2,706)	(3,264)
Effect of foreign exchange differences	(2,097)	(136)
End of the period	₩ 206,868	₩ 288,291

(2) Income and expenses related to investment property for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Rental income	₩ 11,499	₩ 14,936
Operating and maintenance expenses	3,762	3,700

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 4,586,172	₩ 4,298,088
Internal developments and separate acquisitions	235,312	232,208
Disposals	(86)	(3,951)
Amortization	(305,746)	(272,836)
Impairment loss	(5,278)	-
Others (*)	5,561	29,814
End of the period	₩ 4,515,935	₩ 4,283,323

(*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

(2) Research and development expenditures for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Development costs (intangible assets)	₩ 216,636	₩ 209,569
Research and development (manufacturing cost and administrative expenses)	236,539	211,537
Total (*)	₩ 453,175	₩ 421,106

(*) 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 March 31, 2017 and December 31, 2016 consist of the following:

Name of the company	Nature of business	Location	March 31, 2017		December 31, 2016	
			Ownership percentage (%)	Book value (In millions of Korean Won)	Book value	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 2,159,579	₩ 2,225,824	
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	439,634	445,735	
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	175,849	186,929	
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00	111,897	111,997	
Kia Motors Corporation	Manufacturing	Korea	33.88	8,755,097	8,811,840	
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,227,939	3,267,243	
Hyundai WIA Corporation	Manufacturing	Korea	25.35	805,631	821,861	
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	524,777	502,891	
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	386,237	371,499	
Hyundai Commercial Inc.	Financing	Korea	50.00	287,313	256,078	
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	245,887	245,501	
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	162,202	174,100	
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	107,599	108,082	
Hyundai Autoever Corp.	IT service	Korea	28.96	105,103	107,382	
Others				401,298	433,159	
				₩ 17,896,042	₩ 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 arrangements 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 March 31, 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 three months ended March 31, 2017 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 2,225,824	₩ -	₩ 82,062	₩ -	₩ (148,307)	₩ 2,159,579
BHAF	445,735	-	22,963	-	(29,064)	439,634
WAE	186,929	-	805	-	(11,885)	175,849
PTS	111,997	-	7,253	-	(7,353)	111,897
Kia Motors Corporation	8,811,840	-	232,340	(151,050)	(138,033)	8,755,097
Hyundai Engineering & Construction Co., Ltd.	3,267,243	-	(2,372)	(11,664)	(25,268)	3,227,939
Hyundai WIA Corporation	821,861	-	1,075	(7,583)	(9,722)	805,631
Hyundai Powertech Co., Ltd.	502,891	-	28,158	-	(6,272)	524,777
Hyundai Dymos Inc.	371,499	-	13,793	-	945	386,237
Hyundai Commercial Inc.	256,078	-	13,555	-	17,680	287,313
HMC Investment Securities Co., Ltd.	245,501	-	2,956	(3,226)	656	245,887
Eukor Car Carriers Inc.	174,100	-	2,070	-	(13,968)	162,202
Haevichi Hotels & Resorts Co., Ltd.	108,082	-	(476)	-	(7)	107,599
Hyundai Autoever Corp.	107,382	-	2,741	(4,126)	(894)	105,103
Others	433,159	-	(4,500)	(9,111)	(18,250)	401,298
	<u>₩ 18,070,121</u>	<u>₩ -</u>	<u>₩ 402,423</u>	<u>₩ (186,760)</u>	<u>₩ (389,742)</u>	<u>₩ 17,896,042</u>

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

The changes in investments in joint ventures and associates for the three months ended March 31, 2016 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 2,189,321	₩ 242,434	₩ 88,571	₩ (666,208)	₩ (35,107)	₩ 1,819,011
BHAF	220,475	-	16,673	-	(3,662)	233,486
WAE	184,255	-	2,322	-	(824)	185,753
HMGC	135,000	-	(2,454)	-	(488)	132,058
Kia Motors Corporation	8,047,548	-	312,086	(151,050)	(36,180)	8,172,404
Hyundai Engineering & Construction Co., Ltd.	3,180,493	-	15,302	(11,664)	5,935	3,190,066
Hyundai WIA Corporation	814,413	-	(3,960)	(7,583)	(1,349)	801,521
Hyundai Powertech Co., Ltd.	433,088	-	27,270	-	(801)	459,557
Hyundai Dymos Inc.	326,439	-	3,405	-	103	329,947
HMC Investment Securities Co., Ltd.	238,001	-	4,532	(3,630)	(915)	237,988
Hyundai Commercial Inc.	242,507	-	8,782	(8,950)	(6,136)	236,203
Eukor Car Carriers Inc.	191,468	-	1,229	(14,520)	(2,892)	175,285
Haevichi Hotels & Resorts Co., Ltd.	110,312	-	(1,595)	-	-	108,717
Others	596,623	-	(1,798)	(12,640)	(3,739)	578,446
	<u>₩ 16,909,943</u>	<u>₩ 242,434</u>	<u>₩ 470,365</u>	<u>₩ (876,245)</u>	<u>₩ (86,055)</u>	<u>₩ 16,660,442</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 three months ended March 31, 2017 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 5,274,564	₩ 3,822,453	₩ 3,847,964	₩ 788,788
BHAF (*)	4,969,348	-	4,139,850	-
WAE	726,323	816,709	225,107	518,610
PTS	804,041	209,100	547,213	92,939
Kia Motors Corporation	22,440,375	29,598,193	16,889,804	8,683,992
Hyundai Engineering & Construction Co., Ltd.	14,190,713	4,980,023	8,322,178	2,880,662
Hyundai WIA Corporation	3,764,116	3,223,299	1,578,314	2,215,934
Hyundai Powertech Co., Ltd.	1,396,092	1,518,117	1,220,789	292,675
Hyundai Dymos Inc.	1,388,517	1,028,074	1,048,953	533,950
Hyundai Commercial Inc. (*)	6,146,981	-	5,472,748	-
HMC Investment Securities Co., Ltd. (*)	7,802,840	-	6,989,498	-
Eukor Car Carriers Inc.	442,804	2,826,839	463,873	1,456,273
Haevichi Hotels & Resorts Co., Ltd.	28,019	431,052	170,078	116,717
Hyundai Autoever Corp.	591,450	102,828	321,972	6,379

Name of the company	Sales	Profit for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)				
BHMC	₩ 3,168,453	₩ 178,002	₩ -	₩ 178,002
BHAF (*)	86,333	43,326	-	43,326
WAE	264,199	3,659	(54,021)	(50,362)
PTS	461,731	24,178	-	24,178
Kia Motors Corporation	12,843,896	765,378	(439,005)	326,373
Hyundai Engineering & Construction Co., Ltd.	4,129,693	43,905	(100,994)	(57,089)
Hyundai WIA Corporation	1,871,838	2,020	(38,224)	(36,204)
Hyundai Powertech Co., Ltd.	1,007,163	77,508	(16,697)	60,811
Hyundai Dymos Inc.	1,012,197	29,193	(3,391)	25,802
Hyundai Commercial Inc. (*)	195,697	27,109	643	27,752
HMC Investment Securities Co., Ltd. (*)	136,219	10,659	(1,791)	8,868
Eukor Car Carriers Inc.	420,479	12,618	(109,272)	(96,654)
Haevichi Hotels & Resorts Co., Ltd.	28,126	111	11	122
Hyundai Autoever Corp.	292,189	9,683	-	9,683

- (*) 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 three months ended March 31, 2016 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 6,283,469	₩ 3,654,158	₩ 5,884,951	₩ 313,793
BHAF (*)	3,982,170	-	3,541,630	-
WAE	735,598	983,561	268,073	606,756
HMGC	703,829	437,362	586,669	270,109
Kia Motors Corporation	19,637,636	28,645,859	16,364,666	7,321,833
Hyundai Engineering & Construction Co., Ltd.	14,241,493	4,955,975	8,401,727	3,276,856
Hyundai WIA Corporation	3,638,554	3,066,605	1,840,852	1,686,627
Hyundai Powertech Co., Ltd.	1,030,514	1,452,037	752,293	503,687
Hyundai Dymos Inc.	1,284,628	975,866	1,020,074	538,772
HMC Investment Securities Co., Ltd. (*)	7,481,363	-	6,761,409	-
Hyundai Commercial Inc. (*)	5,368,010	-	4,784,189	-
Eukor Car Carriers Inc.	496,816	2,964,186	438,431	1,564,050
Haevichi Hotels & Resorts Co., Ltd.	13,016	429,643	115,651	159,287

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	₩ 4,378,763	₩ 202,366	₩ -	₩ 202,366
BHAF (*)	124,610	31,457	-	31,457
WAE	342,926	1,207	-	1,207
HMGC	149,062	(9,882)	-	(9,882)
Kia Motors Corporation	12,649,367	944,584	(103,119)	841,465
Hyundai Engineering & Construction Co., Ltd.	4,287,904	86,936	48,184	135,120
Hyundai WIA Corporation	1,838,711	48,656	(5,512)	43,144
Hyundai Powertech Co., Ltd.	877,351	72,726	(2,127)	70,599
Hyundai Dymos Inc.	969,701	21,009	(1,952)	19,057
HMC Investment Securities Co., Ltd. (*)	163,276	16,481	(3,337)	13,144
Hyundai Commercial Inc. (*)	91,161	19,618	1,372	20,990
Eukor Car Carriers Inc.	441,015	15,920	(35,855)	(19,935)
Haevichi Hotels & Resorts Co., Ltd.	14,309	(1,999)	-	(1,999)

(*) 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 three months ended March 31, 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	₩ 1,375,218	₩ 835,691	₩ 227,178	₩ 92,378	₩ 5,995	₩ 48,179	₩ 59,823
BHAF(*)	789,474	3,314,813	-	888	126,805	42,783	14,442

(*) 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 three months ended March 31, 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	₩ 1,883,557	₩ -	₩ 248,766	₩ 90,513	₩ 3,306	₩ 28,996	₩ 67,455
BHAF(*)	304,486	3,324,495	-	764	119,536	41,549	10,492
HMGC	75,253	243,968	167,270	5,350	98	4,919	129

(*) 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, loss and comprehensive loss for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
(In millions of Korean Won)		
Loss for the period	₩ (4,500)	₩ (1,798)
Other comprehensive loss	(18,250)	(3,739)
Total comprehensive loss	₩ (22,750)	₩ (5,537)

(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 March 31, 2017 is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 2,230,133	₩ -	₩ (70,554)	₩ 2,159,579
BHAF	439,634	-	-	439,634
WAE	175,849	-	-	175,849
PTS	111,897	-	-	111,897
Kia Motors Corporation	8,608,944	197,089	(50,936)	8,755,097
Hyundai Engineering & Construction Co., Ltd. (*)	2,090,582	1,137,357	-	3,227,939
Hyundai WIA Corporation	809,393	-	(3,762)	805,631
Hyundai Powertech Co., Ltd.	526,304	-	(1,527)	524,777
Hyundai Dymos Inc.	388,696	-	(2,459)	386,237
Hyundai Commercial Inc.	287,313	-	-	287,313
HMC Investment Securities Co., Ltd.	205,835	40,052	-	245,887
Eukor Car Carriers Inc.	161,940	-	262	162,202
Haevichi Hotels & Resorts Co., Ltd. (*)	104,023	3,576	-	107,599
Hyundai Autoever Corp.	105,103	-	-	105,103

(*) 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
		(In millions of Korean Won)		
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 March 31, 2017 is as follows:

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Motors Corporation	₩ 37,050	137,318,251	₩ 5,087,641
Hyundai Engineering & Construction Co., Ltd.	49,500	23,327,400	1,154,706
Hyundai WIA Corporation	67,900	6,893,596	468,075
HMC Investment Securities Co., Ltd.	10,800	8,065,595	87,108

13. FINANCIAL SERVICES RECEIVABLES:

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Loan obligations	₩ 36,469,476	₩ 38,156,062
Card receivables	11,985,042	12,223,581
Financial lease receivables	2,341,668	2,422,222
Others	31,449	29,061
	50,827,635	52,830,926
Allowance for doubtful accounts	(1,103,052)	(1,078,002)
Loan origination fee	45,742	40,628
Present value discount accounts	(10,552)	(9,949)
	₩ 49,759,773	₩ 51,783,603

(2) Aging analysis of financial services receivables

As of March 31, 2017 and December 31, 2016, total financial services receivables that are past due, but not impaired, amount to ₩1,483,708 million and ₩1,421,906 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,483,335 million and ₩1,421,802 million, respectively. As of March 31, 2017 and December 31, 2016, the impaired financial services receivables amount to ₩559,460 million and ₩538,961 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31, 2017	2016
	(In millions of Korean Won)	
Beginning of the period	₩ 1,078,002	₩ 938,300
Impairment loss	204,378	142,843
Write-off	(109,949)	(121,881)
Disposals and others	(47,527)	(15,084)
Effect of foreign exchange differences	(21,852)	(3,460)
End of the period	₩ 1,103,052	₩ 940,718

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

Description	March 31, 2017		December 31, 2016	
	Gross investments in financial leases	Present value of minimum lease receipts	Gross investments in financial leases	Present value of minimum lease receipts
	(In millions of Korean Won)			
Not later than one year	₩ 1,137,911	₩ 1,033,874	₩ 1,140,416	₩ 1,029,983
Later than one year and not later than five years	1,404,566	1,304,936	1,492,004	1,390,070
Later than five years	525	524	81	80
	₩ 2,543,002	₩ 2,339,334	₩ 2,632,501	₩ 2,420,133

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,543,002	₩ 2,632,501
Net lease investments:		
Present value of minimum lease receipts	2,339,334	2,420,133
Present value of unguaranteed residual value	2,334	2,089
	<u>2,341,668</u>	<u>2,422,222</u>
Unearned interest income	<u>₩ 201,334</u>	<u>₩ 210,279</u>

14. OPERATING LEASE ASSETS:

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Acquisition cost	₩ 23,501,053	₩ 24,829,330
Accumulated depreciation	(3,177,384)	(3,360,559)
Accumulated impairment loss	(102,691)	(151,511)
	<u>₩ 20,220,978</u>	<u>₩ 21,317,260</u>

(2) Future minimum lease receipts related to operating lease assets as of March 31, 2017 and December 31, 2016 are as follows:

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Not later than one year	₩ 3,590,505	₩ 3,839,810
Later than one year and not later than five years	4,081,273	4,246,435
Later than five years	15	7
	<u>₩ 7,671,793</u>	<u>₩ 8,086,252</u>

15. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate	March 31, 2017	March 31, 2017	December 31, 2016
			(%)	(In millions of Korean Won)	
Overdrafts	Citi Bank and others	0.10~2.75	₩	237,672	₩ 223,992
General loans	Kookmin Bank and others	0.60~16.00		3,024,647	2,949,149
Loans on trade receivables collateral	Citi Bank and others	LIBOR + 0.20~0.40		1,798,497	1,472,786
Banker's Usance	Citi Bank and others	LIBOR + 0.30~0.35		414,721	429,493
Short-term debentures		1.44~1.63		169,911	159,890
Commercial paper	Shinhan Bank and others	0.97~1.99		2,895,636	3,007,411
Asset-backed securities	RBC and others	1.93		489,208	517,957
			<u>₩</u>	<u>9,030,292</u>	<u>₩ 8,760,678</u>

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

Description	Lender	Annual interest rate	March 31, 2017	March 31, 2017	December 31, 2016	
		(%)				
(In millions of Korean Won)						
General loans	Shinhan Bank and others	0.05~15.40	₩	5,765,995	₩	6,253,057
Facility loan	Korea Development Bank and others	1.00~8.70		294,666		296,821
Commercial paper	KTb Investment & Securities and others	1.62~2.01		1,070,000		790,000
Asset-backed securities	JP Morgan and others	1.24~1.51		5,989,258		8,595,052
Others	NH Investment & Securities and others			567,125		567,125
				13,687,044		16,502,055
Less: present value discounts				103,727		112,050
Less: current maturities				2,572,068		3,000,022
			₩	11,011,249	₩	13,389,983

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

Description	Latest maturity date	Annual interest rate	March 31, 2017	March 31, 2017	December 31, 2016
		(%)			
(In millions of Korean Won)					
Guaranteed public debentures	June 8, 2017	4.00	₩ 558,050	₩ 604,250	
Non-guaranteed public debentures	January 12, 2027	1.44~6.53	22,384,706	22,685,513	
Non-guaranteed private debentures	September 27, 2026	1.54~3.00	8,381,996	10,027,427	
Asset-backed securities	November 15, 2023	0.67~3.32	15,065,413	15,074,314	
			46,390,165	48,391,504	
Less: discount on debentures			97,326	98,167	
Less: current maturities			10,091,769	11,836,945	
			₩ 36,201,070	₩ 36,456,392	

16. PROVISIONS:

The changes in provisions for the three months ended March 31, 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		363,896		15,583		146,224
Utilized		(338,061)		(19,855)		(132,506)
Amortization of present value discounts		23,229		-		2,514
Changes in expected reimbursements by third parties		36,564		-		-
Effect of foreign exchange differences		(102,349)		(33)		(27,307)
End of the period	₩	5,596,257	₩	636,888	₩	707,394

The changes in provisions for the three months ended March 31, 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		255,495		15,462		75,517
Utilized		(282,211)		(21,128)		(84,286)
Amortization of present value discounts		27,677		-		593
Changes in expected reimbursements by third parties		9,233		-		-
Effect of foreign exchange differences		(1,716)		11		6,436
End of the period	₩	5,648,073	₩	637,619	₩	457,291

17. OTHER FINANCIAL LIABILITIES:

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

Description	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Financial liabilities at FVTPL	₩ 30,587	₩ -	₩ 18,068	₩ 21
Derivative liabilities that are effective hedging instruments	81,341	221,492	120,038	23,433
	₩ 111,928	₩ 221,492	₩ 138,106	₩ 23,454

18. OTHER LIABILITIES:

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

Description	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 900,387	₩ 115,857	₩ 604,420	₩ 123,424
Withholdings	962,350	303,174	1,240,641	337,667
Accrued expenses	2,879,885	-	2,752,047	-
Unearned income	296,382	1,068,438	299,916	1,114,407
Accrued dividends	895,955	-	71	-
Due to customers for contract work	293,096	-	319,801	-
Others	161,757	1,179,675	258,010	1,252,167
	₩ 6,389,812	₩ 2,667,144	₩ 5,474,906	₩ 2,827,665

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of March 31, 2017 are as follows:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)						
Cash and cash equivalents	₩ -	₩ 6,533,855	₩ -	₩ -	₩ 6,533,855	₩ 6,533,855
Short-term and long-term financial instruments	-	7,740,667	-	-	7,740,667	7,740,667
Trade notes and accounts receivable	-	3,975,476	-	-	3,975,476	3,975,476
Other receivables	-	3,397,122	-	-	3,397,122	3,397,122
Other financial assets	12,224,049	70,841	2,348,653	79,448	14,722,991	14,722,991
Other assets	-	317,045	-	-	317,045	317,045
Financial services receivables	-	49,759,773	-	-	49,759,773	49,659,036
	<u>₩ 12,224,049</u>	<u>₩ 71,794,779</u>	<u>₩ 2,348,653</u>	<u>₩ 79,448</u>	<u>₩ 86,446,929</u>	<u>₩ 86,346,192</u>

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

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as 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 March 31, 2017 are as follows:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 7,178,063	₩ -	₩ 7,178,063	₩ 7,178,063
Other payables	-	3,441,059	-	3,441,059	3,441,059
Borrowings and debentures	-	68,906,448	-	68,906,448	69,055,530
Other financial liabilities	30,587	-	302,833	333,420	333,420
Other liabilities	-	3,775,840	-	3,775,840	3,775,840
	<u>₩ 30,587</u>	<u>₩ 83,301,410</u>	<u>₩ 302,833</u>	<u>₩ 83,634,830</u>	<u>₩ 83,783,912</u>

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

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as 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
	<u>₩ 18,089</u>	<u>₩ 88,151,389</u>	<u>₩ 143,471</u>	<u>₩ 88,312,949</u>	<u>₩ 88,442,263</u>

(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 March 31, 2017 are as follows:

Description	March 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 88,931	₩ 12,135,118	₩ -	₩ 12,224,049
Derivatives designated as hedging instruments	-	79,448	-	79,448
AFS financial assets	1,816,949	269,411	262,293	2,348,653
	<u>₩ 1,905,880</u>	<u>₩ 12,483,977</u>	<u>₩ 262,293</u>	<u>₩ 14,652,150</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 30,587	₩ -	₩ 30,587
Derivatives designated as hedging instruments	-	302,833	-	302,833
	<u>₩ -</u>	<u>₩ 333,420</u>	<u>₩ -</u>	<u>₩ 333,420</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
Derivatives designated as 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
Derivatives designated as 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 three months ended March 31, 2017 are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfers	End of the period
	(In millions of Korean Won)					
AFS financial assets	₩ 258,160	₩ 5,571	₩ (2,206)	₩ 768	₩ -	₩ 262,293

The changes in financial instruments classified as Level 3 for the three months ended March 31, 2016 are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfers	End of the period
	(In millions of Korean Won)					
AFS financial assets	₩ 232,557	₩ 731	₩ (2,232)	₩ 1,013	₩ -	₩ 232,069

- (4) Interest income, dividend income and interest expenses by categories of financial instruments for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,					
	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	₩ 61,812	₩ -	₩ -	₩ 54,373	₩ -	₩ -
Financial assets (liabilities) at FVTPL	41,199	-	3,131	38,982	-	-
AFS financial assets	-	13,102	-	-	34,777	-
Financial liabilities carried at amortized cost	-	-	60,135	-	-	51,295
	₩ 103,011	₩ 13,102	₩ 63,266	₩ 93,355	₩ 34,777	₩ 51,295
Financial services:						
Loans and receivables	₩ 1,034,918	₩ -	₩ -	₩ 806,347	₩ -	₩ -
Financial assets at FVTPL	5,189	989	-	6,117	1,182	-
AFS financial assets	298	1,808	-	300	1,839	-
Financial liabilities carried at amortized cost	-	-	346,743	-	-	343,504
	₩ 1,040,405	₩ 2,797	₩ 346,743	₩ 812,764	₩ 3,021	₩ 343,504

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the three months ended March 31, 2017 and 2016 are ₩447,982 million and ₩435,667 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 three months ended March 31, 2017 and 2016 are ₩228,278 million and ₩213,092 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 three months ended March 31, 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, 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 March 31, 2017 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 239,905	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 March 31, 2017 and December 31, 2016 consist of the following:

(1) Common stock

Description	March 31, 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 st preferred stock	₩ 5,000	25,109,982 shares	₩ 125,550	Dividend rate of common stock + 1%
2 nd preferred stock	"	37,613,865 shares	193,069	The lowest stimulated dividend rate : 2%
3 rd preferred stock	"	2,478,299 shares	12,392	The lowest stimulated dividend rate : 1%
		65,202,146 shares	₩ 331,011	

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 March 31, 2017 and December 31, 2016 consists of the following:

Description	March 31, 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	879,810	881,263
	<u>₩ 4,201,144</u>	<u>₩ 4,202,597</u>

22. OTHER CAPITAL ITEMS:

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

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

23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 524,555	₩ 535,812
Loss on valuation of AFS financial assets	(224,486)	(241,848)
Gain on valuation of cash flow hedge derivatives	38,504	37,966
Loss on valuation of cash flow hedge derivatives	(14,729)	(34,244)
Gain on share of the other comprehensive income of equity-accounted investees	136,728	172,722
Loss on share of the other comprehensive income of equity-accounted investees	(868,499)	(540,494)
Loss on foreign operations translation, net	(1,917,779)	(1,153,158)
	<u>₩ (2,325,706)</u>	<u>₩ (1,223,244)</u>

24. RETAINED EARNINGS:

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Legal reserve (*)	₩ 744,836	₩ 718,336
Discretionary reserve	46,848,647	43,874,647
Unappropriated	17,284,248	19,768,425
	<u>₩ 64,877,731</u>	<u>₩ 64,361,408</u>

(*) 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 ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31, 2017	2016
	(In millions of Korean Won)	
Sales of goods	₩ 19,207,867	₩ 18,577,835
Rendering of services	343,868	356,665
Royalties	35,260	47,475
Financial services revenue	3,061,271	2,543,684
Revenue related to construction contracts	616,805	719,317
Others	100,888	105,648
	<u>₩ 23,365,959</u>	<u>₩ 22,350,624</u>

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 163,330	₩ 162,889
Overseas market expenses	89,270	83,139
Advertisements and sales promotion	561,942	550,252
Sales commissions	159,945	154,953
Expenses for warranties	413,530	297,021
Transportation expenses	64,353	57,631
	<u>1,452,370</u>	<u>1,305,885</u>
Administrative expenses:		
Payroll	612,070	624,343
Post-employment benefits	42,329	43,957
Welfare expenses	104,408	105,536
Service charges	290,147	295,676
Research	207,191	189,778
Others	334,027	331,706
	<u>1,590,172</u>	<u>1,590,996</u>
	<u>₩ 3,042,542</u>	<u>₩ 2,896,881</u>

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Gain on share of earnings of equity-accounted investees, net	₩ 402,423	₩ 470,365

28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three months ended March 31, 2017 and 2016 consists of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Interest income	₩ 103,011	₩ 93,356
Gain on foreign exchange transactions	32,315	13,983
Gain on foreign currency translation	152,104	43,848
Dividend income	13,102	34,777
Gain on valuation of derivatives	62,593	26,694
Gain on disposals of AFS financial assets and others	3,019	265,152
	<u>₩ 366,144</u>	<u>₩ 477,810</u>

(2) Finance expenses for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Interest expenses	₩ 87,175	₩ 67,754
Loss on foreign exchange transactions	22,952	28,662
Loss on foreign currency translation	60,670	42,983
Loss on valuation of derivatives	16,401	424
Impairment loss on AFS financial assets	-	7,630
Loss on disposals of AFS financial assets and others	6,703	9,102
	<u>₩ 193,901</u>	<u>₩ 156,555</u>

29. OTHER INCOME AND EXPENSES:

(1) Other income for the three months ended March 31, 2017 and 2016 consists of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Gain on foreign exchange transactions	₩ 184,038	₩ 157,943
Gain on foreign currency translation	129,731	125,512
Gain on disposals of PP&E	7,234	4,056
Commission income	29,933	21,855
Rental income	21,519	22,280
Others	80,163	77,800
	<u>₩ 452,618</u>	<u>₩ 409,446</u>

(2) Other expenses for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 208,969	₩ 162,342
Loss on foreign currency translation	164,044	110,085
Loss on disposals of PP&E	19,740	5,279
Impairment loss on non-current assets classified as held for sale	-	18,575
Donations	18,375	17,756
Others	109,864	65,989
	<u>₩ 520,992</u>	<u>₩ 380,026</u>

30. EXPENSES BY NATURE:

Expenses by nature for the three months ended March 31, 2017 and 2016 consist of the following:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Changes in inventories	₩ (212,560)	₩ (1,358,316)
Raw materials and merchandise used	13,209,220	13,242,758
Employee benefits	2,189,895	2,217,167
Depreciation	545,592	529,046
Amortization	305,746	272,836
Others	6,598,297	6,484,768
Total (*)	₩ 22,636,190	₩ 21,388,259

(*) 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. The Group does not compute diluted earnings per common stock for the three months ended March 31, 2017 and 2016, since there are no dilutive items during the period.

Basic earnings per common stock and preferred stock for the three months ended March 31, 2017 and 2016 are computed as follows:

Description	Three months ended March 31,					
	2017			2016		
	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	₩ 1,024,539	207,053,965	₩ 4,948	₩ 1,299,272	206,734,081	₩ 6,285
1 st Preferred stock (*2)	113,639	22,907,923	4,961	144,034	22,907,923	6,288
2 nd Preferred stock	180,217	36,237,727	4,973	228,299	36,237,727	6,300
3 rd Preferred stock	12,171	2,453,517	4,961	15,427	2,453,517	6,288

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

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

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 three months ended March 31, 2017 and 2016 are 20.0% and 18.3%, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Paid in cash	₩ 1,571	₩ 1,585
Recognized liability	623	557
	₩ 2,194	₩ 2,142

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

Description	March 31, 2017	December 31, 2016
Discount rate	3.30%	3.42%
Rate of expected future salary increase	4.16%	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 March 31, 2017 and December 31, 2016 consist of the following:

Description	March 31, 2017		December 31, 2016	
	(In millions of Korean Won)			
Present value of defined benefit obligations	₩	4,988,816	₩	4,937,999
Fair value of plan assets		(4,388,779)		(4,449,721)
	₩	600,037	₩	488,278
Net defined benefit liabilities		602,002		492,173
Net defined benefit assets		(1,965)		(3,895)

- (4) Changes in net defined benefit assets and liabilities for the three months ended March 31, 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		136,340		-		136,340
Interest expenses (income)		35,724		(33,268)		2,456
		5,110,063		(4,482,989)		627,074
Remeasurements:						
Return on plan assets		-		(4,937)		(4,937)
Actuarial gains and losses arising from changes in financial assumptions		2,657		-		2,657
		2,657		(4,937)		(2,280)
Contributions		-		(2,271)		(2,271)
Benefits paid		(106,143)		85,679		(20,464)
Transfers in (out)		723		(597)		126
Effect of foreign exchange differences and others		(18,484)		16,336		(2,148)
End of the period	₩	4,988,816	₩	(4,388,779)	₩	600,037

Changes in net defined benefit assets and liabilities for the three months ended March 31, 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		133,818		-		133,818
Interest expenses (income)		33,238		(29,041)		4,197
		<u>4,631,455</u>		<u>(3,889,007)</u>		<u>742,448</u>
Remeasurements:						
Return on plan assets		-		(4,371)		(4,371)
Actuarial gains and losses arising from changes in financial assumptions		25,157		-		25,157
		<u>25,157</u>		<u>(4,371)</u>		<u>20,786</u>
Contributions		-		(2,541)		(2,541)
Benefits paid		(101,786)		87,400		(14,386)
Transfers in (out)		1,046		(442)		604
Effect of foreign exchange differences and others		(1,201)		3,357		2,156
End of the period	₩	4,554,671	₩	(3,805,604)	₩	749,067

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

Description	March 31, 2017		December 31, 2016	
	(In millions of Korean Won)			
Insurance instruments	₩	4,142,657	₩	4,192,438
Debt instruments		106,573		111,003
Others		139,549		146,280
	₩	4,388,779	₩	4,449,721

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the three months ended March 31, 2017 and 2016 is as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Profit for the period	₩ 1,405,694	₩ 1,768,131
Adjustments:		
Post-employment benefits	139,419	138,572
Depreciation	545,592	529,046
Amortization of intangible assets	305,746	272,836
Provision for warranties	363,896	255,495
Income tax expense	351,359	395,300
Gain on foreign currency translation, net	(57,121)	(16,292)
Loss on disposals of PP&E, net	12,506	1,223
Interest income, net	(15,836)	(25,602)
Gain on disposals of AFS financial assets, net	(146)	-
Gain on share of earnings of equity-accounted investees, net	(402,423)	(470,365)
Cost of sales from financial services, net	1,501,169	1,417,766
Others	130,350	(159,415)
	<u>2,874,511</u>	<u>2,338,564</u>
Changes in operating assets and liabilities:		
Decrease in trade notes and accounts receivable	207,911	567,956
Decrease in other receivables	46,550	571,842
Increase in other financial assets	(64,768)	(319,770)
Increase in inventories	(797,694)	(1,570,992)
Increase in other assets	(96,363)	(52,628)
Increase (decrease) in trade notes and accounts payable	805,681	(269,854)
Decrease in other payables	(1,328,089)	(830,268)
Increase (decrease) in other liabilities	225,554	(206,200)
Decrease in other financial liabilities	(5,015)	(9,056)
Changes in net defined benefit liabilities	167	536
Payment of severance benefits	(20,464)	(14,386)
Decrease in provisions	(490,422)	(387,625)
Changes in financial services receivables	297,982	(160,122)
Increase in operating lease assets	(1,424,069)	(1,404,128)
Others	1,624	(17,700)
	<u>(2,641,415)</u>	<u>(4,102,395)</u>
Cash generated from operations	<u>₩ 1,638,790</u>	<u>₩ 4,300</u>

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 March 31, 2017 and December 31, 2016 are as follows:

Description	March 31, 2017		December 31, 2016	
	(In millions of Korean Won)			
Total liabilities	₩	101,466,177	₩	106,491,350
Total equity		71,774,594		72,344,578
Debt-to-equity ratio		141.4%		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 currency 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 March 31, 2017 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 22,196	₩ (22,196)
EUR	(29,754)	29,754
JPY	(8,708)	8,708

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. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. 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 March 31, 2017 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 13,847	₩ (13,847)
Financial assets at FVTPL	1,722	(1,418)
Short-term and long-term financial instruments	1,705	(1,705)
Borrowings and debentures	(108,547)	108,547

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 March 31, 2017 and December 31, 2016, the amounts of interest rate risk measured at VaR are ₩166,854 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 March 31, 2017, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩88,931 million and ₩2,056,088 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. The Group minimizes its credit risk in cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. 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 March 31, 2017 is as follows:

Description	Remaining contract period				Total
	Not later than one year	Later than one year and not later than five years	Later than five years		
	(In millions of Korean Won)				
Non interest-bearing liabilities	₩ 14,373,930	₩ 21,437	₩ 762	₩	14,396,129
Interest-bearing liabilities	22,911,149	46,616,671	2,440,922		71,968,742
Financial guarantee	962,995	6,843	21,659		991,497

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 forwards, currency options, currency swaps and interest swaps to hedge its exposure to changes in foreign exchange rate.

As of March 31, 2017 and December 31, 2016, the Group deferred a net income of ₩23,775 million and ₩3,722 million, respectively, in accumulated other comprehensive income, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 59 months as of March 31, 2017.

For the three months ended March 31, 2017 and 2016, the Group recognizes a net loss of ₩374,355 million and a net profit of ₩94,163 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 three months ended March 31, 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.	₩ 225,726	₩ 2,478	₩ 1,133,929	₩ 4,368
	Mobis Alabama, LLC	26,931	2	354,457	36
	Mobis Automotive Czech s.r.o.	-	124	425,136	634
	Mobis India, Ltd.	11,823	577	251,293	72
	Mobis Parts America, LLC	8,548	773	184,914	199
	Mobis Parts Europe N.V.	3,219	229	88,610	2
	Mobis Brasil Fabricacao De Auto Pecas Ltda	1,331	-	89,620	-
	Mobis Module CIS, LLC	-	83	82,270	-
	Others	3,862	176	170,042	696
		243,995	84,146	36,737	57,512
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	140,947	336	435,144	586
	Kia Motors Russia LLC	317,906	40	305	-
	Kia Motors Slovakia s.r.o.	29,661	710	187,250	-
	BHMC	241,924	27,308	4	-
	HMGC	863	-	238	712
	Hyundai WIA Corporation	66,493	127	266,002	1,047
	Others	102,911	35,286	635,336	499,466
Other related parties		667	1,301	151	-
Affiliates by the Act		173,560	33,851	1,514,895	360,046

For the three months ended March 31, 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.	₩ 247,824	₩ 2,296	₩ 1,141,402	₩ 1,473
	Mobis Alabama, LLC	14,761	2,472	363,444	232
	Mobis Automotive Czech s.r.o.	1	105	417,812	-
	Mobis India, Ltd.	9,883	462	249,665	1,051
	Mobis Parts America, LLC	9,517	2,061	189,412	121
	Mobis Parts Europe N.V.	3,730	56	76,282	1
	Mobis Brasil Fabricacao De Auto Pecas Ltda	745	-	54,718	-
	Mobis Module CIS, LLC	85	75	37,527	-
	Others	11,540	531	168,978	18,341
		243,044	73,150	39,773	73,328
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	201,856	637	735,141	812
	Kia Motors Russia LLC	153,083	-	-	-
	Kia Motors Slovakia s.r.o.	31,309	3,516	215,268	3
	BHMC	390,176	17,257	14	-
	HMGC	4,931	-	162	925
	Hyundai WIA Corporation	31,903	173	216,979	252
	Others	117,771	9,234	662,842	397,117
Other related parties		506	516	-	-
Affiliates by the Act		205,911	22,133	1,422,937	391,216

(2) As of March 31, 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.	₩ 165,189	₩ 22,321	₩ 792,384	₩ 282,382
	Mobis Alabama, LLC	14	9,504	126,115	-
	Mobis Automotive Czech s.r.o.	42	703	174,145	-
	Mobis India, Ltd.	223	22,886	119,844	2
	Mobis Parts America, LLC	5,023	473	63,352	1,708
	Mobis Parts Europe N.V.	521	33	26,597	-
	Mobis Module CIS, LLC	-	34	37,240	-
	Others	17,201	307	97,479	974
Joint ventures and associates	Kia Motors Corporation	254,464	276,894	43,507	125,347
	Kia Motors Manufacturing Georgia, Inc.	61,703	9,102	158,603	2,405
	Kia Motors Russia LLC	107,510	-	-	-
	Kia Motors Slovakia s.r.o.	9,591	1,638	71,097	1,337
	Kia Motors America, Inc.	-	90,045	-	18,899
	BHMC	223,798	58,492	-	8,360
	HMGC	262	245	-	788
	Hyundai WIA Corporation	63,550	23,019	131,643	55,786
	Others	153,478	109,599	392,135	471,459
		336	702	9	-
Other related parties					
Affiliates by the Act		162,970	868,298	878,041	279,568

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 three months ended March 31, 2017, between the Group and related parties are as follows:

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
	(In thousands of U.S. Dollars)				(In millions of Korean Won)
Joint ventures and associates	\$ -	\$ -	\$ -	\$ -	₩ -

Significant fund transactions and equity contribution transactions for the three months ended March 31, 2016, between the Group and related parties are as follows:

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
	(In thousands of U.S. Dollars)				(In millions of Korean Won)
Joint ventures and associates	\$ -	\$ -	\$ -	\$ -	₩ 242.434

For the three months ended March 31, 2017, the Group traded in other financial assets and others of ₩784,980 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩2,034,980 million in the consolidated statement of financial position as of March 31, 2017.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the three months ended March 31, 2017 and 2016 are as follows:

Description	Three months ended March 31,	
	2017	2016
	(In millions of Korean Won)	
Short-term employee salaries	₩ 41,230	₩ 44,786
Post-employment benefits	9,005	8,792
Other long-term benefits	70	76
	₩ 50,305	₩ 53,654

37. **COMMITMENTS AND CONTINGENCIES:**

- (1) As of March 31, 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	₩	2,586	₩	20,989
To others		7,340		987,289
	₩	9,926	₩	1,008,278

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of March 31, 2017.
- (2) As of March 31, 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 March 31, 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 March 31, 2017, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩852,110 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, 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 March 31, 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 the 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 three months ended March 31, 2017 and 2016 are as follows:

For the three months ended March 31, 2017					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 27,574,677	₩ 4,182,656	₩ 1,761,044	₩ (10,152,418)	₩ 23,365,959
Inter-company sales	(9,751,321)	(85,174)	(315,923)	10,152,418	-
Net sales	17,823,356	4,097,482	1,445,121	-	23,365,959
Operating income	1,083,062	179,236	111,850	(123,387)	1,250,761
For the three months ended March 31, 2016					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 27,030,584	₩ 3,601,877	₩ 1,838,464	₩ (10,120,301)	₩ 22,350,624
Inter-company sales	(9,791,692)	(73,045)	(255,564)	10,120,301	-
Net sales	17,238,892	3,528,832	1,582,900	-	22,350,624
Operating income	1,096,384	198,903	96,473	(49,369)	1,342,391

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

As of March 31, 2017					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 99,468,818	₩ 79,737,631	₩ 7,387,584	₩ (13,353,262)	₩ 173,240,771
Total liabilities	36,231,508	69,783,372	4,422,901	(8,971,604)	101,466,177
Borrowings and debentures	6,867,061	61,774,613	2,558,866	(2,294,092)	68,906,448
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 three months ended March 31, 2017 and 2016 are as follows:

For the three months ended March 31, 2017						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments
	(In millions of Korean Won)					
Total sales	₩ 13,436,381	₩ 9,598,737	₩ 1,954,968	₩ 7,864,146	₩ 664,145	₩ (10,152,418)
Inter-company sales	(3,997,382)	(1,971,087)	(85,618)	(4,098,331)	-	10,152,418
Net sales	9,438,999	7,627,650	1,869,350	3,765,815	664,145	-
						23,365,959
For the three months ended March 31, 2016						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments
	(In millions of Korean Won)					
Total sales	₩ 12,976,249	₩ 9,813,641	₩ 1,835,116	₩ 7,414,376	₩ 431,543	₩ (10,120,301)
Inter-company sales	(3,990,439)	(1,984,608)	(110,027)	(4,035,163)	(64)	10,120,301
Net sales	8,985,810	7,829,033	1,725,089	3,379,213	431,479	-
						22,350,624

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Korea	₩ 28,309,182	₩ 28,390,134
North America	2,181,815	2,415,983
Asia	1,051,730	1,046,491
Europe	1,968,600	2,011,233
Others	444,802	489,727
	33,956,129	34,353,568
Consolidation adjustments	(157,734)	(150,009)
Total (*)	₩ 33,798,395	₩ 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 three months ended March 31, 2017 and 2016.

39. CONSTRUCTION CONTRACTS:

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

Description	March 31, 2017	December 31, 2016
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 8,647,945	₩ 10,871,107
Accumulated income	658,108	984,358
Accumulated construction in process	9,306,053	11,855,465
Progress billing	(8,377,825)	(10,954,684)
Due from customers	1,221,324	1,220,582
Due to customers	(293,096)	(319,801)
Reserve (*)	60,246	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, a subsidiary of the Company, as of March 31, 2017 are as follows:

Description	March 31, 2017
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ (42,914)
Changes in accounting estimates of total contract costs	(185,204)
Effects on profit or loss of current period	74,288
Effects on profit or loss of future periods	68,002
Changes in due from customers	43,347
Provision for construction loss	67,758

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 March 31, 2017 and the estimates of contract revenue as of March 31, 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 three months ended March 31, 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 no sales arising from the acquisition for the three months ended March 31, 2017.