

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2016 AND 2015**

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 13, 2016

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, 2016, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015, 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 Korean International Financial Reporting Standards 1034, *Interim Financial Reporting*.

Deloitte.

Others

We audited the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2015 (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 February 25, 2016. The condensed consolidated statement of financial position as of December 31, 2015, 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, 2015.

Deloitte Anjin LLC

May 13, 2016

Notice to Readers

This report is effective as of May 13, 2016, 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 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, 2016 AND 2015**

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, 2016 AND DECEMBER 31, 2015

ASSETS	NOTES	March 31, 2016	December 31, 2015
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	19	₩ 6,475,154	₩ 7,331,463
Short-term financial instruments	19	8,307,522	6,904,917
Other financial assets	5,19	8,772,635	10,334,803
Trade notes and accounts receivable	3,19	3,923,463	4,468,351
Other receivables	4,19	4,131,170	3,846,104
Inventories	6	10,770,096	9,198,999
Current tax assets		63,281	57,022
Financial services receivables	13,19	23,396,779	23,777,277
Non-current assets classified as held for sale	8	29,068	47,643
Other assets	7,19	1,616,676	1,562,631
Total current assets		67,485,844	67,529,210
Non-current assets:			
Long-term financial instruments	19	77,668	71,545
Other financial assets	5,19	2,361,301	2,804,842
Long-term trade notes and accounts receivable	3,19	124,473	67,591
Other receivables	4,19	1,178,148	1,163,566
Property, plant and equipment	9	28,563,686	28,698,927
Investment property	10	288,291	291,424
Intangible assets	11	4,283,323	4,298,088
Investments in joint ventures and associates	12	16,660,442	16,909,943
Deferred tax assets		939,073	764,733
Financial services receivables	13,19	24,617,725	24,559,123
Operating lease assets	14	18,034,224	17,719,606
Other assets	7,19	513,159	489,348
Total non-current assets		97,641,513	97,838,736
Total assets		₩ 165,127,357	₩ 165,367,946

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2016 AND DECEMBER 31, 2015 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	March 31, 2016	December 31, 2015
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,876,233	₩ 7,081,124
Other payables	19	3,265,595	4,711,494
Short-term borrowings	15,19	7,564,364	9,384,165
Current portion of long-term debt and debentures	15,19	13,138,963	10,788,049
Income tax payable		1,116,675	1,000,763
Provisions	16	1,748,800	1,710,342
Other financial liabilities	17,19	679,769	675,437
Other liabilities	18,19	6,312,908	5,862,146
Total current liabilities		40,703,307	41,213,520
Non-current liabilities:			
Long-term other payables	19	1,408	2,054
Debentures	15,19	35,809,244	36,207,504
Long-term debt	15,19	8,568,849	8,552,622
Net defined benefit liabilities	33	749,067	604,433
Provisions	16	4,994,183	5,031,558
Other financial liabilities	17,19	177,701	145,282
Deferred tax liabilities		4,101,852	4,257,834
Other liabilities	18,19	2,520,594	2,471,738
Total non-current liabilities		56,922,898	57,273,025
Total liabilities		97,626,205	98,486,545
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	3,571,167	3,520,395
Other capital items	22	(1,625,388)	(1,588,697)
Accumulated other comprehensive loss	23	(1,612,222)	(1,431,821)
Retained earnings	24	60,863,662	60,035,088
Equity attributable to the owners of the Company		62,686,212	62,023,958
Non-controlling interests		4,814,940	4,857,443
Total equity		67,501,152	66,881,401
Total liabilities and equity		₩ 165,127,357	₩ 165,367,946

(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, 2016 AND 2015

	NOTES	Three months ended March 31,	
		2016	2015
		(In millions of Korean Won, except per share amounts)	
Sales	25,38	₩ 22,350,624	₩ 20,942,756
Cost of sales	30	18,111,352	16,610,975
Gross profit		4,239,272	4,331,781
Selling and administrative expenses	26,30	2,896,881	2,743,753
Operating income		1,342,391	1,588,028
Gain on investments in joint ventures and associates, net	27	470,365	616,188
Finance income	28	477,810	319,068
Finance expenses	28	156,555	211,798
Other income	29	409,446	385,239
Other expenses	29,30	380,026	375,722
Income before income tax		2,163,431	2,321,003
Income tax expense	32	395,300	337,718
Profit for the period		₩ 1,768,131	₩ 1,983,285
Profit attributable to:			
Owners of the Company		1,687,032	1,908,899
Non-controlling interests		81,099	74,386
Earnings per share attributable to the owners of the Company:	31		
Basic earnings per share:			
Common stock		₩ 6,285	₩ 7,092
1 st preferred stock		₩ 6,288	₩ 7,103
Diluted earnings per share:			
Common stock		₩ 6,285	₩ 7,092
1 st preferred stock		₩ 6,288	₩ 7,103

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, 2016 AND 2015

	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Profit for the period	₩ 1,768,131	₩ 1,983,285
Other comprehensive loss:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	(13,624)	(16,080)
Changes in retained earnings of equity-accounted investees, net	(36,970)	(47,640)
	<u>(50,594)</u>	<u>(63,720)</u>
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) on available-for-sale (“AFS”) financial assets, net	(187,398)	119,245
Gain on valuation of cash flow hedge derivatives, net	27,006	1,962
Changes in share of earnings of equity-accounted investees, net	(42,322)	(78,423)
Gain (loss) on foreign operations translation, net	18,607	(355,667)
	<u>(184,107)</u>	<u>(312,883)</u>
Total other comprehensive loss	<u>(234,701)</u>	<u>(376,603)</u>
Total comprehensive income	₩ <u>1,533,430</u>	₩ <u>1,606,682</u>
Comprehensive income attributable to:		
Owners of the Company	1,459,063	1,543,710
Non-controlling interests	74,367	62,972
Total comprehensive income	<u>₩ 1,533,430</u>	<u>₩ 1,606,682</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, 2016 AND 2015

	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, 2015	₩ 1,488,993	₩ 4,134,550	₩ (1,273,752)	₩ (1,344,826)	₩ 54,649,863	₩ 57,654,828	₩ 4,965,737	₩ 62,620,565
Comprehensive income:								
Profit for the period	-	-	-	-	1,908,899	1,908,899	74,386	1,983,285
Gain on AFS financial assets, net	-	-	-	117,705	-	117,705	1,540	119,245
Gain on valuation of cash flow hedge derivatives, net	-	-	-	1,923	-	1,923	39	1,962
Changes in valuation of equity-accounted investees, net	-	-	-	(78,265)	(47,640)	(125,905)	(158)	(126,063)
Remeasurements of defined benefit plans	-	-	-	-	(11,156)	(11,156)	(4,924)	(16,080)
Loss on foreign operations translation, net	-	-	-	(347,756)	-	(347,756)	(7,911)	(355,667)
Total comprehensive Income (loss)	-	-	-	(306,393)	1,850,103	1,543,710	62,972	1,606,682
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(817,317)	(817,317)	(221)	(817,538)
Purchases of treasury stock	-	-	(314,945)	-	-	(314,945)	-	(314,945)
Others	-	45	-	-	(597)	(552)	(783)	(1,335)
Total transactions with owners, recorded directly in equity	-	45	(314,945)	-	(817,914)	(1,132,814)	(1,004)	(1,133,818)
Balance at March 31, 2015	₩ 1,488,993	₩ 4,134,595	₩ (1,588,697)	₩ (1,651,219)	₩ 55,682,052	₩ 58,065,724	₩ 5,027,705	₩ 63,093,429

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (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, 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

(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, 2016 AND 2015

	NOTES	Three months ended March 31,	
		2016	2015
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 1,768,131	₩ 1,983,285
Adjustments		2,338,564	1,853,088
Changes in operating assets and liabilities		(4,102,395)	(1,928,823)
		4,300	1,907,550
Interest received		116,260	202,171
Interest paid		(428,927)	(340,970)
Dividend received		19,822	60,969
Income tax paid		(526,169)	(355,415)
Net cash provided by (used in) operating activities		(814,714)	1,474,305
Cash flows from investing activities:			
Proceeds from disposals (purchases) of short-term financial instruments, net		(1,402,283)	158,255
Proceeds from disposals of other financial assets (current), net		1,985,935	1,038,315
Proceeds from disposals of other financial assets (non-current)		369,204	46,279
Receipts from other receivables		9,717	14,487
Disposals of long-term financial instruments		30	768
Proceeds from disposals of property, plant and equipment		14,923	13,836
Proceeds from disposals of intangible assets		2,661	577
Acquisitions of other financial assets (non-current)		(29,104)	(66,444)
Increases in other receivables		(16,897)	(13,411)
Purchases of long-term financial instruments		(2,628)	(48,709)
Acquisitions of property, plant and equipment		(905,239)	(2,476,777)
Acquisitions of intangible assets		(243,725)	(232,218)
Cash outflows from business combinations		-	(86,613)
Acquisitions of investments in joint ventures and associates		(242,434)	(8,745)
Other cash receipts from investing activities, net		447	830
Net cash used in investing activities		(459,393)	(1,659,570)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (CONTINUED)

	NOTES	Three months ended March 31,	
		2016	2015
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) of short-term borrowings, net	₩	(1,676,918)	₩ 291,114
Proceeds from long-term debt and debentures		7,011,702	7,054,010
Purchases of subsidiaries' stock		(96,204)	-
Repayment of long-term debt and debentures		(4,696,238)	(7,712,038)
Purchases of treasury stock		(174,820)	(314,945)
Dividends paid		(48)	(48)
Other cash payments from financing activities, net		(8,933)	(13,302)
Net cash provided by (used in) financing activities		<u>358,541</u>	<u>(695,209)</u>
Effect of exchange rate changes on cash and cash equivalents		59,257	(302,633)
Net decrease in cash and cash equivalents		(856,309)	(1,183,107)
Cash and cash equivalents, beginning of the period		<u>7,331,463</u>	<u>7,096,513</u>
Cash and cash equivalents, end of the period	₩	<u>6,475,154</u>	<u>₩ 5,913,406</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, 2016 AND 2015

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, 2016, 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, 2016 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 Partecs Co., Ltd.	Manufacturing	"	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	"	53.66%	
Maintrans Company	Services	"	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football club	"	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	"	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	"	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	"	"	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	"	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	"	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	"	100.00%	
Rotem USA Corporation	Manufacturing	"	100.00%	Hyundai Rotem 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	India	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	Japan	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Beijing Xinhua Xiaoyuetong 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.	"	"	100.00%	"
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	"
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Capital Australia Pty Limited	Financing	"	100.00%	Hyundai Capital Services 100.00%
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 Services Deutschland GmbH	"	"	80.00%	Hyundai Capital Services 80.00%
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 Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	78.54%	
Hyundai EU Rotem Demiryolu Araclarive Ticaret A.S.	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	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%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	"	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
Hyundai Rio Vista, Inc.	Real estate development	USA	100.00%	HT 100.00%
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Rotem Brasil Servicos de Engenharia Ltda.	Sales	"	100.00%	Hyundai Rotem 100.00%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
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-Fourth ~ Forty-Sixth Asset Securitization Specialty Company (*)	Financing	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)	"	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Sixty-First Asset Securitization Specialty Company (*)	"	"	0.50%	"
HB the Fourth Securitization Specialty Company (*)	"	"	0.31%	Hyundai Capital Services 0.31%
Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*)	"	"	0.50%	Hyundai Card 0.50%
Super Series First Securitization Specialty Co., Ltd. (*)	"	"	0.50%	"
Hyundai Rotem First Co., Ltd. (*)	"	"	0.00%	Hyundai Rotem 0.00%
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 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 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, 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
HME (*)	1,606,049	1,593,146	2,254,637	2,406
HAOSVT	1,575,645	1,243,998	871,693	9,642
HACC (*)	1,196,933	739,847	570,413	(29,381)
HMMR	942,337	670,545	343,629	1,994
HMB	892,028	517,636	321,810	(4,156)
HMCA	799,486	591,999	438,081	(18,291)

(*) 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, 2015 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
(In millions of Korean Won)				
Hyundai Capital Services, Inc. (*)	₩ 22,232,545	₩ 18,716,929	₩ 729,984	₩ 74,584
Hyundai Card Co., Ltd. (*)	12,223,548	9,613,423	641,401	62,167
Hyundai Rotem Company (*)	4,655,845	2,948,866	751,060	(29,745)
Hyundai KEFICO Corporation (*)	996,553	478,683	429,681	20,161
HCA (*)	30,307,707	27,712,759	1,553,100	53,873
HMA	6,466,658	3,807,489	3,818,377	(70,977)
HMMA	3,443,288	1,457,820	1,725,466	63,026
HMMC	3,158,029	1,635,317	1,269,497	98,242
HMI (*)	2,260,548	1,125,248	1,132,193	29,755
HME (*)	1,178,709	1,171,736	1,752,277	1,590
HAOSVT	1,251,633	947,187	676,740	(6,065)
HACC (*)	931,568	536,499	597,470	(29,055)
HMMR	862,205	507,339	366,176	28,333
HMB	937,964	488,789	484,871	29,258
HMCA	726,163	533,568	457,706	7,052

(*) 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 as of 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

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group as of March 31, 2015 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	₩ 532,505	₩ 694,195	₩ (277,835)
Cash flows from investing activities	(10,804)	(21,503)	(10,543)
Cash flows from financing activities	(406,429)	(284,695)	405,624
Effect of exchange rate changes on cash and cash equivalents	(6)	-	(1,060)
Net increase in cash and cash equivalents	₩ 115,266	₩ 387,997	₩ 116,186

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of March 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	₩ 1,447,864	₩ 1,602,609	₩ 882,333
Profit attributable to non-controlling interests	36,043	33,781	1,157
Dividends paid to non-controlling interests	-	-	4,955

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2015 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	43.53%	63.04%	56.64%
Non-controlling interests	₩ 1,525,106	₩ 1,572,331	₩ 886,119
Profit (loss) attributable to non-controlling interests	117,536	117,742	(171,742)
Dividends paid to non-controlling interests	108,794	157,511	230

(6) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the three months ended March 31, 2016 are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Capital Australia Pty Limited	Acquisition
"	Autopia Sixtyth Asset Securitization Specialty Company	"
"	Autopia Sixtyth-First Asset Securitization Specialty Company	"
"	Hyundai Rotem First Co., Ltd.	"
Excluded	Autopia Forty-Seventh Asset Securitization Specialty Company	Liquidation

(7) Increase in the Group's ownership interests in one of its subsidiary and the consequent effects on the equity attributable to the owners of the Company for the three months ended March 31, 2016 are as follows:

Description	Hyundai Capital Services, Inc. (*)
	(In millions of Korean Won)
Ownership percentage before transaction	56.47%
Ownership percentage after transaction	59.68%
Amount paid for acquisition of shares	₩ (96,204)
Changes in non-controlling interests	(111,868)
Changes in capital surplus	15,664

(*) The ownership percentage of the Group was increased as the Group acquired its shares partially from owner of non-controlling interests for the three months ended March 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean Won and prepares its consolidated financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRS"), in Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from Korean language consolidated financial statements. Certain information included in Korean language consolidated financial statements, but not required for a fair presentation of the Group's consolidated statements of financial position, income, comprehensive income, changes in equity or cash flows, is not presented in the accompanying consolidated financial statements.

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the three months ended March 31, 2016 and 2015, 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, 2015, 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, 2015, 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, 2016 are as follows:

- K-IFRS 1001 (Amendment): 'Presentation of Financial Statements'

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments also require separate disclosure of the share of other comprehensive income of associates and joint ventures accounted for using that equity method that will or will not be reclassified subsequently to profit or loss.

- K-IFRS 1016 (Amendment): 'Property, Plant and Equipment'

The amendments to K-IFRS 1016 prohibit from using a revenue-based depreciation method for items of property, plant and equipment.

- K-IFRS 1038 (Amendment): 'Intangible Assets'

The amendments to K-IFRS 1038 rebut presumption that revenue is not an appropriate basis for the amortization of intangible assets, which the presumption can only be rebutted when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

- K-IFRS 1111 (Amendment): 'Joint Arrangements'

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of joint operation that constitutes a business as defined in K-IFRS 1103 'Business Combinations'. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations.

- Annual Improvements to K-IFRS 2012-2014 cycle

The Annual Improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 'Non-current Assets Held for Sale and Discontinued Operations' for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal not as a change to a plan of sale. Other amendments in the Annual Improvements include K-IFRS 1107 'Financial Instruments: Disclosures', K-IFRS 1019 'Employee Benefits', and K-IFRS 1034 'Interim Financial Reporting'.

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, 2016, and that have not been applied earlier by the Group are as follows:

- K-IFRS 1109 (Enactment): 'Financial Instruments'

K-IFRS 1109 contains the requirements for a) 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, b) impairment methodology based on the expected credit losses, and c) 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. K-IFRS 1109 will supersede K-IFRS 1039 'Financial Instruments: Recognition and Measurement' upon its effective date and the amendments are effective for annual periods beginning on or after January 1, 2018

- K-IFRS 1115 (Enactment): 'Revenue from Contracts with Customers'

The core principle under K-IFRS 1115 is that an entity should recognise 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 amendments 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 amendments are effective for annual periods beginning on or after January 1, 2018.

The Group is under consideration for the effects of above mentioned enactments and amendments on the Group's consolidated financial statements.

(2) Significant accounting judgements 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, 2015.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,984,849	₩ 133,836	₩ 4,527,881	₩ 73,500
Allowance for doubtful accounts	(61,386)	-	(59,530)	-
Present value discount accounts	-	(9,363)	-	(5,909)
	<u>₩ 3,923,463</u>	<u>₩ 124,473</u>	<u>₩ 4,468,351</u>	<u>₩ 67,591</u>

(2) Aging analysis of trade notes and accounts receivable

As of March 31, 2016 and December 31, 2015, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩262,653 million and ₩415,702 million, respectively; of which ₩233,436 million and ₩370,450 million, respectively, are past due less than 90 days, but not impaired. As of March 31, 2016 and December 31, 2015, the impaired trade notes and accounts receivable amount to ₩61,386 million and ₩59,530 million, respectively.

(3) The changes in allowance for doubtful accounts for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 59,530	₩ 58,706
Impairment loss	1,010	9
Write-off	(1)	(457)
Effect of foreign exchange differences	847	(1,256)
End of the period	<u>₩ 61,386</u>	<u>₩ 57,002</u>

4. OTHER RECEIVABLES:

Other receivables as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 2,632,171	₩ 818,465	₩ 1,978,471	₩ 818,401
Due from customers for contract work	1,484,863	-	1,837,280	-
Lease and rental deposits	21,027	332,184	24,962	319,446
Deposits	3,364	28,236	3,157	26,566
Others	1,692	-	13,409	-
Allowance for doubtful accounts	(11,947)	-	(11,175)	-
Present value discount accounts	-	(737)	-	(847)
	<u>₩ 4,131,170</u>	<u>₩ 1,178,148</u>	<u>₩ 3,846,104</u>	<u>₩ 1,163,566</u>

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial assets at fair value through profit or loss ("FVTPL")	₩ 8,445,372	₩ 5	₩ 10,112,034	₩ 23,194
Derivative assets that are effective hedging instruments	110,539	104,469	42,455	178,369
AFS financial assets	9,180	2,252,237	7,111	2,598,706
Loans	207,544	4,590	173,203	4,573
	<u>₩ 8,772,635</u>	<u>₩ 2,361,301</u>	<u>₩ 10,334,803</u>	<u>₩ 2,804,842</u>

(2) AFS financial assets that are measured at fair value as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	Acquisition cost	Book value	Book value	
(In millions of Korean Won)				
Debt instruments	₩ 192,815	₩ 194,899	₩ 186,713	
Equity instruments	1,762,531	2,066,518	2,419,104	
	<u>₩ 1,955,346</u>	<u>₩ 2,261,417</u>	<u>₩ 2,605,817</u>	

(3) Equity instruments classified into AFS financial assets as of March 31, 2016 and December 31, 2015 consist of the following:

Name of the company	Ownership percentage (%)	March 31, 2016		December 31, 2015	
		Acquisition cost	Book value	Book value	
(In millions of Korean Won)					
Hyundai Steel Company (*)	6.87	₩ 1,161,577	₩ 813,447	₩ 745,221	
Hyundai Glovis Co., Ltd.	4.88	210,688	345,132	353,371	
Korea Aerospace Industries, Ltd.	5.00	75,543	317,769	761,281	
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	233,235	192,282	
Hyundai Oilbank Co., Ltd.	4.35	53,734	137,266	137,266	
Hyundai Green Food Co., Ltd.	2.36	15,005	44,769	57,231	
Hyundai Development Company	0.60	9,025	20,678	17,460	
Hyundai Finance Corporation	9.29	9,888	12,500	11,487	
NICE Information Service Co., Ltd.	2.25	3,312	12,457	14,001	
NICE Holdings Co., Ltd.	1.30	3,491	9,709	10,693	
KT Corporation	0.09	8,655	7,155	6,783	
Hyundai Asan Corporation	1.88	22,500	2,117	2,117	
Doosan Capital Corporation	4.30	10,000	1,944	1,944	
Hyundai Merchant Marine Company	0.29	9,161	1,532	2,862	
Nesscap Energy Inc.	3.53	1,997	361	599	
Others		111,031	106,447	104,506	
		<u>₩ 1,762,531</u>	<u>₩ 2,066,518</u>	<u>₩ 2,419,104</u>	

(*) 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. Its partial shares were disposed of for the three months ended March 31, 2016.

6. INVENTORIES:

Inventories as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	(In millions of Korean Won)			
Finished goods	₩	6,800,870	₩	5,451,895
Merchandise		66,962		60,890
Semi-finished goods		438,970		448,870
Work in progress		469,685		450,444
Raw materials		1,274,671		1,268,217
Supplies		252,567		252,282
Materials in transit		600,657		499,559
Others		865,714		766,842
Total (*)	₩	10,770,096	₩	9,198,999

(*) As of March 31, 2016 and December 31, 2015, the Group recognized a valuation allowance in amount of ₩90,480 million and ₩92,552 million, respectively.

7. OTHER ASSETS:

Other assets as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accrued income	₩ 300,111	₩ 6,423	₩ 300,415	₩ 6,206
Advanced payments	657,352	29	692,708	28
Prepaid expenses	399,128	501,620	349,805	478,594
Prepaid value added tax and others	260,085	5,087	219,703	4,520
	₩ 1,616,676	₩ 513,159	₩ 1,562,631	₩ 489,348

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

Non-current assets classified as held for sale as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31,		December 31,	
	(In millions of Korean Won)			
Vehicles	₩	29,068	₩	47,643

The Group has committed to a plan to sell vehicles that were classified as held for sale as of March 31, 2016 and has initiated active programs to complete the plan. The assets will be disposed within 12 months. The difference between the carrying amount and the net fair value is recognized as an impairment loss in the amount of ₩18,575 million for the three months ended March 31, 2016.

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment (“PP&E”) for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 28,698,927	₩ 22,542,259
Acquisitions	395,838	2,153,892
Disposals	(16,146)	(12,600)
Depreciation	(525,782)	(473,268)
Others (*)	10,849	(243,965)
End of the period	₩ 28,563,686	₩ 23,966,318

- (*) 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, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 291,424	₩ 322,207
Transfers	267	70
Depreciation	(3,264)	(3,486)
Effect of foreign exchange differences	(136)	661
End of the period	₩ 288,291	₩ 319,452

- (2) Income and expenses related to investment property for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Rental income	₩ 14,936	₩ 12,206
Operating and maintenance expenses	3,700	5,254

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 4,298,088	₩ 3,821,656
Internal developments and separate acquisitions	232,208	225,088
Disposals	(3,951)	(577)
Amortization	(272,836)	(182,748)
Others (*)	29,814	12,990
End of the period	<u>₩ 4,283,323</u>	<u>₩ 3,876,409</u>

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

(2) Research and development expenditures for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Development costs (intangible assets)	₩ 209,569	₩ 196,748
Research and development (manufacturing cost and administrative expenses)	211,537	209,115
Total (*)	<u>₩ 421,106</u>	<u>₩ 405,863</u>

(*) 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, 2016 and December 31, 2015 consist of the following:

Name of the company	Nature of business	Location	March 31, 2016		December 31, 2015
			Ownership percentage (%)	Book value (In millions of Korean Won)	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 1,819,011	₩ 2,189,321
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	233,486	220,475
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	185,753	184,255
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	132,058	135,000
Kia Motors Corporation	Manufacturing	Korea	33.88	8,172,404	8,047,548
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,190,066	3,180,493
Hyundai WIA Corporation	Manufacturing	Korea	25.35	801,521	814,413
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	459,557	433,088
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	329,947	326,439
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	237,988	238,001
Hyundai Commercial Inc.	Financing	Korea	50.00	236,203	242,507
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	175,285	191,468
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	108,717	110,312
Others				578,446	596,623
				<u>₩ 16,660,442</u>	<u>₩ 16,909,943</u>

(*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions which require consent from the director who is designated by the other investors, for certain transactions such as payment of dividend.

(*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(*3) As of March 31, 2016, 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, 2016 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of	Dividends	Others (*)	End of the period
			profits(losses) for 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.

The changes in investments in joint ventures and associates for the three months ended March 31, 2015 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of	Dividends	Others (*)	End of the period
			profits (losses) for the period			
(In millions of Korean Won)						
BHMC	₩ 2,179,636	₩ -	₩ 205,319	₩ (936,483)	₩ 41,010	₩ 1,489,482
BHAF	193,624	-	8,428	-	1,394	203,446
WAE	164,090	8,745	9,201	(1,447)	1,055	181,644
HMGC	158,287	-	(1,197)	-	1,116	158,206
CHMC	155,573	-	(15,048)	-	904	141,429
Kia Motors Corporation	7,482,972	-	299,485	(137,318)	(180,486)	7,464,653
Hyundai Engineering & Construction Co., Ltd.	3,130,886	-	11,026	(11,664)	(5,422)	3,124,826
Hyundai WIA Corporation	707,713	-	35,907	(5,515)	2,997	741,102
Hyundai Powertech Co., Ltd.	380,815	-	26,469	-	(1,179)	406,105
Hyundai Dymos Inc.	289,369	-	1,600	-	(562)	290,407
HMC Investment Securities Co., Ltd.	225,332	-	3,190	(1,210)	1,556	228,868
Hyundai Commercial Inc.	196,471	-	3,542	(3,850)	1,241	197,404
Eukor Car Carriers Inc.	170,132	-	6,381	(7,920)	1,957	170,550
Hyundai HYSCO Co., Ltd.	302,058	-	2,946	(2,010)	3,593	306,587
Others	420,376	-	18,939	(4,180)	(984)	434,151
	<u>₩ 16,157,334</u>	<u>₩ 8,745</u>	<u>₩ 616,188</u>	<u>₩ (1,111,597)</u>	<u>₩ (131,810)</u>	<u>₩ 15,538,860</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, 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.

Summarized financial information of the Group's major joint ventures and associates as of and for the three months ended March 31, 2015 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current Liabilities
(In millions of Korean Won)				
BHMC	₩ 7,144,325	₩ 2,809,850	₩ 6,593,137	₩ 328,615
BHAF (*)	2,413,698	-	2,029,932	-
WAE	839,947	897,686	457,388	454,591
HMGC	460,869	327,065	317,614	128,672
Kia Motors Corporation	16,962,962	24,670,348	12,771,515	6,424,442
Hyundai Engineering & Construction Co., Ltd.	13,591,704	4,859,885	8,001,407	3,514,426
Hyundai WIA Corporation	3,413,585	2,624,770	1,749,532	1,353,936
Hyundai Powertech Co., Ltd.	806,603	1,302,530	672,102	354,061
Hyundai Dymos Inc.	1,085,465	790,252	705,455	546,751
HMC Investment Securities Co., Ltd. (*)	8,133,006	-	7,446,221	-
Hyundai Commercial Inc. (*)	4,996,975	-	4,503,238	-
Eukor Car Carriers Inc.	550,167	2,718,578	410,368	1,439,312

Name of the company	Sales	Profit for the period from continuing operations	Other comprehensive Income (loss)	Total comprehensive income
(In millions of Korean Won)				
BHMC	₩ 4,823,471	₩ 417,522	₩ -	₩ 417,522
BHAF (*)	74,196	15,880	-	15,880
WAE	460,700	41,825	-	41,825
HMGC	291,159	1,320	-	1,320
Kia Motors Corporation	11,177,668	903,220	(399,463)	503,757
Hyundai Engineering & Construction Co., Ltd.	3,943,209	111,685	(36,322)	75,363
Hyundai WIA Corporation	1,989,336	106,810	454	107,264
Hyundai Powertech Co., Ltd.	887,461	54,975	872	55,847
Hyundai Dymos Inc.	726,209	16,156	(1,097)	15,059
HMC Investment Securities Co., Ltd. (*)	150,999	11,604	5,659	17,263
Hyundai Commercial Inc. (*)	90,318	9,369	3,735	13,104
Eukor Car Carriers Inc.	606,536	64,937	6,519	71,456

(*) 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, 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.

Summarized additional financial information of the Group's major joint ventures as of and for the three months ended March 31, 2015 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	₩ 2,028,412	₩ -	₩ 249,158	₩ 76,222	₩ 6,857	₩ 24,270	₩ 137,030
BHAF(*)	106,807	2,029,932	-	461	71,845	27,425	5,293
HMGC	36,608	118,350	128,672	1,991	68	2,938	580

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

(5) The aggregate amounts of the Group's share of the joint ventures' and associates', that are not individually material, profit and comprehensive income for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
(In millions of Korean Won)		
Profit (loss) for the period	₩ (1,798)	₩ 18,939
Other comprehensive loss	(3,739)	(984)
Total comprehensive income (loss)	₩ (5,537)	₩ 17,955

(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, 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	₩ 1,869,442	₩ -	₩ (50,431)	₩ 1,819,011
BHAF	233,486	-	-	233,486
WAE	185,753	-	-	185,753
HMGC	138,502	-	(6,444)	132,058
Kia Motors Corporation	8,024,777	197,089	(49,462)	8,172,404
Hyundai Engineering & Construction Co., Ltd. (*)	2,052,709	1,137,357	-	3,190,066
Hyundai WIA Corporation	805,074	-	(3,553)	801,521
Hyundai Powertech Co., Ltd.	460,870	-	(1,313)	459,557
Hyundai Dymos Inc.	332,077	-	(2,130)	329,947
HMC Investment Securities Co., Ltd.	197,936	40,052	-	237,988
Hyundai Commercial Inc.	236,203	-	-	236,203
Eukor Car Carriers Inc.	175,023	-	262	175,285
Haevichi Hotels & Resorts Co., Ltd. (*)	105,141	3,576	-	108,717

(*) 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, 2015 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	₩ 2,226,774	₩ -	₩ (37,453)	₩ 2,189,321
BHAF	220,475	-	-	220,475
WAE	184,255	-	-	184,255
HMGC	143,976	-	(8,976)	135,000
Kia Motors Corporation	7,902,759	197,089	(52,300)	8,047,548
Hyundai Engineering & Construction Co., Ltd. (*)	2,043,136	1,137,357	-	3,180,493
Hyundai WIA Corporation	817,186	-	(2,773)	814,413
Hyundai Powertech Co., Ltd.	434,500	-	(1,412)	433,088
Hyundai Dymos Inc.	328,323	-	(1,884)	326,439
HMC Investment Securities Co., Ltd.	197,949	40,052	-	238,001
Hyundai Commercial Inc.	242,507	-	-	242,507
Eukor Car Carriers Inc.	191,206	-	262	191,468
Haevichi Hotels & Resorts Co., Ltd. (*)	106,736	3,576	-	110,312

(*) 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, 2016 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	₩ 48,300	137,318,251	₩ 6,632,472
Hyundai Engineering & Construction Co., Ltd.	42,150	23,327,400	983,250
Hyundai WIA Corporation	105,000	6,893,596	723,828
HMC Investment Securities Co., Ltd.	9,860	8,065,595	79,527

13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31,		December 31,	
	2016		2015	
	(In millions of Korean Won)			
Loan obligations	₩	35,035,724	₩	35,018,152
Card receivables		11,230,920		11,512,949
Financial lease receivables		2,620,444		2,672,159
Others		24,384		23,224
		<u>48,911,472</u>		<u>49,226,484</u>
Allowance for doubtful accounts		(940,718)		(938,300)
Loan origination fee		53,484		58,215
Present value discount accounts		(9,734)		(9,999)
	₩	<u>48,014,504</u>	₩	<u>48,336,400</u>

(2) Aging analysis of financial services receivables

As of March 31, 2016 and December 31, 2015, total financial services receivables that are past due, but not impaired, amount to ₩1,394,367 million and ₩1,607,033 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,394,367 million and ₩1,607,006 million, respectively. As of March 31, 2016 and December 31, 2015, the impaired financial services receivables amount to ₩455,271 million and ₩463,846 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 938,300	₩ 845,566
Impairment loss	142,843	134,499
Write-off	(121,881)	(98,339)
Disposals and others	(15,084)	(16,036)
Effect of foreign exchange differences	(3,460)	919
End of the period	<u>₩ 940,718</u>	<u>₩ 866,609</u>

(4) Gross investments in financial leases and their present value of minimum lease receipts as of March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016		December 31, 2015	
	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	₩ 1,244,346	₩ 1,096,200	₩ 1,261,488	₩ 1,108,473
Later than one year and not later than five years	1,637,634	1,521,393	1,680,201	1,560,693
Later than five years	279	278	409	407
	<u>₩ 2,882,259</u>	<u>₩ 2,617,871</u>	<u>₩ 2,942,098</u>	<u>₩ 2,669,573</u>

(5) Unearned interest income of financial leases as of March 31, 2016 and December 31, 2015 is as follows:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,882,259	₩ 2,942,098
Net lease investments:		
Present value of minimum lease receipts	2,617,871	2,669,573
Present value of unguaranteed residual value	2,573	2,586
	2,620,444	2,672,159
Unearned interest income	₩ 261,815	₩ 269,939

14. OPERATING LEASE ASSETS:

(1) Operating lease assets as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Acquisition cost	₩ 20,874,658	₩ 20,483,754
Accumulated depreciation	(2,751,570)	(2,692,378)
Accumulated impairment loss	(88,864)	(71,770)
	₩ 18,034,224	₩ 17,719,606

(2) Future minimum lease receipts related to operating lease assets as of March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Not later than one year	₩ 3,215,855	₩ 3,097,758
Later than one year and not later than five years	3,768,898	3,636,986
Later than five years	36	2
	₩ 6,984,789	₩ 6,734,746

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of March 31, 2016 and December 31, 2015 consist of the following:

Description	Lender	Annual interest rate	March 31, 2016	March 31, 2016	December 31, 2015
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.10~3.35	₩ 86,046	₩ 74,365	
General loans	Kookmin Bank and others	0.45~7.46	2,164,988	3,685,555	
Loans on trade receivables collateral	Citi Bank and others	LIBOR+0.20~0.40	1,522,154	1,320,446	
Banker's Usance	Kookmin Bank and others	LIBOR+0.31~0.40	373,751	400,341	
Short-term debentures		1.59~2.04	239,867	439,557	
Commercial paper	Shinhan Bank and others	0.55~2.14	3,177,558	3,463,901	
			₩ 7,564,364	₩ 9,384,165	

(2) Long-term debt as of March 31, 2016 and December 31, 2015 consists of the following:

Description	Lender	Annual interest rate	March 31, 2016	March 31, 2016	December 31, 2015
		(%)			
General loans	Shinhan Bank and others	0.10~7.46		₩ 4,987,601	₩ 4,553,924
Facility loan	Korea Development Bank and others	1.00~5.85		345,224	347,066
Commercial paper	KTB Investment & Securities and others	1.88~1.89		250,000	-
Asset-backed securities	JP Morgan and others	0.74~1.56		6,235,257	7,055,970
Others	NH Investment & Securities and others			303,015	15,000
				12,121,097	11,971,960
Less: present value discounts				106,747	113,844
Less: current maturities				3,445,501	3,305,494
				₩ 8,568,849	₩ 8,552,622

(3) Debentures as of March 31, 2016 and December 31, 2015 consist of the following:

Description	Latest maturity date	Annual interest rate	March 31, 2016	March 31, 2016	December 31, 2015
		(%)			
Guaranteed public debentures	June 8, 2017	3.75~4.00		₩ 1,153,500	₩ 1,172,000
Non-guaranteed public debentures	March 6, 2026	0.00~6.53		23,086,630	22,954,336
Non-guaranteed private debentures	March 18, 2021	1.45~4.65		7,617,112	6,561,168
Asset-backed securities	July 15, 2022	0.39~3.32		13,739,755	13,093,193
				45,596,997	43,780,697
Less: discount on debentures				94,291	90,638
Less: current maturities				9,693,462	7,482,555
				₩ 35,809,244	₩ 36,207,504

16. PROVISIONS:

The changes in provisions for the three months ended March 31, 2016 are as follows:

Description	Other long-term employee benefits			Others
	Warranty	(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

The changes in provisions for the three months ended March 31, 2015 are as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)					
Beginning of the period	₩	5,613,785	₩	674,397	₩	438,688
Charged		205,200		18,073		80,879
Utilized		(239,883)		(17,227)		(56,557)
Amortization of present value discounts		30,038		-		787
Changes in expected reimbursements by third parties		22,700		-		-
Effect of foreign exchange differences		(50,209)		(42)		(17,794)
End of the period	₩	5,581,631	₩	675,201	₩	446,003

17. **OTHER FINANCIAL LIABILITIES:**

Other financial liabilities as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Financial liabilities at FVTPL	₩	15,637	₩	11,318	₩	37,276	₩	172
Derivative liabilities that are effective hedging instruments		42,865		166,383		16,180		145,110
Financial lease liabilities		-		-		714		-
Other (*)		621,267		-		621,267		-
	₩	679,769	₩	177,701	₩	675,437	₩	145,282

(*) The Company recognized the gross obligation in respect of the agreements written over the shares of a subsidiary and corresponding entry is recorded within shareholders equity in accordance with K-IFRS 1032.

18. **OTHER LIABILITIES:**

Other liabilities as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Advances received	₩	820,187	₩	107,744	₩	655,727	₩	103,059
Withholdings		910,780		411,711		1,153,527		417,223
Accrued expenses		2,786,324		-		3,051,435		-
Unearned income		391,817		872,000		404,359		821,813
Accrued dividends		815,922		-		78		-
Due to customers for contract work		470,249		-		462,675		-
Others		117,629		1,129,139		134,345		1,129,643
	₩	6,312,908	₩	2,520,594	₩	5,862,146	₩	2,471,738

(2) Financial liabilities by categories as of March 31, 2016 are as follows:

Description	Financial liabilities		Financial liabilities		Derivatives		Book value	Fair value
	at FVTPL		carried at amortized cost		designated as hedging instruments			
(In millions of Korean Won)								
Trade notes and accounts payable	₩	-	₩	6,876,233	₩	-	₩ 6,876,233	₩ 6,876,233
Other payables		-		3,267,003		-	3,267,003	3,267,003
Borrowings and debentures		-		65,081,420		-	65,081,420	65,112,101
Other financial liabilities		26,955		621,267		209,248	857,470	857,470
Other liabilities		-		3,602,246		-	3,602,246	3,602,246
	₩	26,955	₩	79,448,169	₩	209,248	₩ 79,684,372	₩ 79,715,053

Financial liabilities by categories as of December 31, 2015 are as follows:

Description	Financial liabilities		Financial liabilities		Derivatives		Book value	Fair value
	at FVTPL		carried at amortized cost		designated as hedging instruments			
(In millions of Korean Won)								
Trade notes and accounts payable	₩	-	₩	7,081,124	₩	-	₩ 7,081,124	₩ 7,081,124
Other payables		-		4,713,548		-	4,713,548	4,713,548
Borrowings and debentures		-		64,932,340		-	64,932,340	65,419,089
Other financial liabilities		37,448		621,981		161,290	820,719	820,719
Other liabilities		-		3,051,512		-	3,051,512	3,051,512
	₩	37,448	₩	80,400,505	₩	161,290	₩ 80,599,243	₩ 81,085,992

(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, 2016 are as follows:

Description	March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 92,990	₩ 8,352,387	₩ -	₩ 8,445,377
Derivatives designated as hedging instruments	-	215,008	-	215,008
AFS financial assets	1,891,766	137,582	232,069	2,261,417
	<u>₩ 1,984,756</u>	<u>₩ 8,704,977</u>	<u>₩ 232,069</u>	<u>₩ 10,921,802</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 26,955	₩ -	₩ 26,955
Derivatives designated as hedging instruments	-	209,248	-	209,248
	<u>₩ -</u>	<u>₩ 236,203</u>	<u>₩ -</u>	<u>₩ 236,203</u>

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2015 are as follows:

Description	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 90,363	₩ 10,044,865	₩ -	₩ 10,135,228
Derivatives designated as hedging instruments	-	220,824	-	220,824
AFS financial assets	2,202,249	171,011	232,557	2,605,817
	<u>₩ 2,292,612</u>	<u>₩ 10,436,700</u>	<u>₩ 232,557</u>	<u>₩ 12,961,869</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 37,448	₩ -	₩ 37,448
Derivatives designated as hedging instruments	-	161,290	-	161,290
	<u>₩ -</u>	<u>₩ 198,738</u>	<u>₩ -</u>	<u>₩ 198,738</u>

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

The changes in financial instruments classified as Level 3 for the three months ended March 31, 2015 are as follows:

Description	Beginning of the period						End of the period
	Purchases	Disposals	Valuation	Transfers			
	(In millions of Korean Won)						
AFS financial assets	₩ 247,483	₩ 330	₩ (98)	₩ (580)	₩ -	₩ 247,135	

- (4) Interest income, dividend income and interest expenses by categories of financial instruments for the three months ended March 31, 2016 and 2015 consist of the following:

Description	Three months ended March 31,					
	2016			2015		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)					
Non-financial services:						
Loans and receivables	₩ 54,373	₩ -	₩ -	₩ 60,339	₩ -	₩ -
Financial assets at FVTPL	38,982	-	-	86,897	-	-
AFS financial assets	-	34,777	-	333	13,597	-
Financial liabilities carried at amortized cost	-	-	51,295	-	-	49,764
	<u>₩ 93,355</u>	<u>₩ 34,777</u>	<u>₩ 51,295</u>	<u>₩ 147,569</u>	<u>₩ 13,597</u>	<u>₩ 49,764</u>
Financial services:						
Loans and receivables	₩ 806,347	₩ -	₩ -	₩ 598,686	₩ -	₩ -
Financial assets at FVTPL	6,117	1,182	-	7,582	-	-
AFS financial assets	300	1,839	-	298	-	-
Financial liabilities carried at amortized cost	-	-	343,504	-	-	325,665
	<u>₩ 812,764</u>	<u>₩ 3,021</u>	<u>₩ 343,504</u>	<u>₩ 606,566</u>	<u>₩ -</u>	<u>₩ 325,665</u>

- (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, 2016 and 2015 are ₩435,667 million and ₩404,613 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, 2016 and 2015 are ₩213,092 million and ₩197,945 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, 2016.
- (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 and options

Fair value of currency forwards and options 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 forward and option, 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 and options are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards and options as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

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

- Unlisted equity securities

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

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

Description	Fair value at March 31, 2016 (In millions of Korean Won)	Valuation Techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 224,695	Discounted cash flow and others	Sales growth rate Pre-tax operating income ratio 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, 2015.

20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of March 31, 2016 and December 31, 2015 consist of the following:

(1) Common stock

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won, except par value)	
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%
		<u>65,202,146 shares</u>	<u>₩ 331,011</u>	

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

21. CAPITAL SURPLUS:

Capital surplus as of March 31, 2016 and December 31, 2015 consists of the following:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	249,833	199,061
	₩ 3,571,167	₩ 3,520,395

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, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
	(Number of shares)	
Common stock	13,222,314	13,209,474
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, 2016 and December 31, 2015 consists of the following:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 523,139	₩ 784,129
Loss on valuation of AFS financial assets	(266,371)	(339,984)
Gain on valuation of cash flow hedge derivatives	28,118	2,540
Loss on valuation of cash flow hedge derivatives	(31,528)	(33,543)
Gain on share of the other comprehensive income of equity-accounted investees	206,901	245,806
Loss on share of the other comprehensive income of equity-accounted investees	(507,097)	(505,373)
Loss on foreign operations translation, net	(1,565,384)	(1,585,396)
	₩ (1,612,222)	₩ (1,431,821)

24. RETAINED EARNINGS:

Retained earnings as of March 31, 2016 and December 31, 2015 consist of the following:

Description	March 31,		December 31,	
	2016		2015	
	(In millions of Korean Won)			
Legal reserve (*)	₩	718,336	₩	610,380
Discretionary reserve		43,874,647		39,550,647
Unappropriated		16,270,679		19,874,061
	₩	60,863,662	₩	60,035,088

(*) 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, 2016 and 2015 consist of the following:

Description	Three months ended March 31,		Three months ended March 31,	
	2016		2015	
	(In millions of Korean Won)			
Sales of goods	₩	19,297,152	₩	18,339,660
Rendering of services		356,665		286,091
Royalties		47,475		36,476
Financial services revenue		2,543,684		2,210,723
Others		105,648		69,806
	₩	22,350,624	₩	20,942,756

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2016 and 2015 consist of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 162,889	₩ 204,213
Overseas market expenses	83,139	85,377
Advertisements and sales promotion	550,252	466,969
Sales commissions	154,953	142,218
Expenses for warranties	297,021	254,654
Transportation expenses	57,631	61,573
	<u>1,305,885</u>	<u>1,215,004</u>
Administrative expenses:		
Payroll	624,343	640,406
Post-employment benefits	43,957	43,838
Welfare expenses	105,536	102,483
Service charges	295,676	266,128
Research	189,778	167,284
Others	331,706	308,610
	<u>1,590,996</u>	<u>1,528,749</u>
	<u>₩ 2,896,881</u>	<u>₩ 2,743,753</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, 2016 and 2015 consist of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Gain on share of earnings of equity-accounted investees, net	₩ 470,365	₩ 616,188

28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three months ended March 31, 2016 and 2015 consists of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Interest income	₩ 93,356	₩ 147,569
Gain on foreign exchange transactions	13,983	12,673
Gain on foreign currency translation	43,848	63,760
Dividend income	34,777	13,597
Gain on disposals of AFS financial assets	264,890	206
Gain on valuation of derivatives	26,694	78,666
Others	262	2,597
	₩ 477,810	₩ 319,068

(2) Finance expenses for the three months ended March 31, 2016 and 2015 consist of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Interest expenses	₩ 67,754	₩ 69,688
Loss on foreign exchange transactions	28,662	9,571
Loss on foreign currency translation	42,983	129,221
Loss on valuation of derivatives	424	2,431
Loss on disposals of AFS financial assets	7,728	-
Impairment loss on AFS financial assets	7,630	-
Others	1,374	887
	₩ 156,555	₩ 211,798

29. OTHER INCOME AND EXPENSES:

(1) Other income for the three months ended March 31, 2016 and 2015 consists of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Gain on foreign exchange transactions	₩ 157,943	₩ 131,483
Gain on foreign currency translation	125,512	117,185
Gain on disposals of PP&E	4,056	4,770
Commission income	21,855	18,041
Rental income	22,280	19,143
Others	77,800	94,617
	₩ 409,446	₩ 385,239

(2) Other expenses for the three months ended March 31, 2016 and 2015 consist of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 162,342	₩ 188,559
Loss on foreign currency translation	110,085	110,242
Loss on disposals of PP&E	5,279	3,534
Impairment loss on non-current assets classified as held for sale	18,575	-
Donations	17,756	6,951
Others	65,989	66,436
	₩ 380,026	₩ 375,722

30. EXPENSES BY NATURE:

Expenses by nature for the three months ended March 31, 2016 and 2015 consist of the following:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Changes in inventories	₩ (1,358,316)	₩ (922,972)
Raw materials and merchandise used	13,242,758	11,860,167
Employee benefits	2,217,167	2,199,005
Depreciation	529,046	476,754
Amortization	272,836	182,748
Others	6,484,768	5,934,748
Total (*)	₩ 21,388,259	₩ 19,730,450

(*) 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, 2016 and 2015, since there are no dilutive items during the period.

Basic earnings per common stock and preferred stock for the three months ended March 31, 2016 and 2015 are computed as follows:

Description	March 31, 2016			March 31, 2015		
	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	₩ 1,299,272	206,734,081	₩ 6,285	₩ 1,470,289	207,303,929	₩ 7,092
1 st Preferred stock (*2)	144,034	22,907,923	6,288	162,945	22,941,700	7,103
2 nd Preferred stock	228,299	36,237,727	6,300	258,214	36,286,499	7,116
3 rd Preferred stock	15,427	2,453,517	6,288	17,451	2,456,498	7,104

(*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, 2016 and 2015 are 18.3% and 14.6%, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Paid in cash	₩ 1,585	₩ 1,328
Recognized liability	557	392
	<u>₩ 2,142</u>	<u>₩ 1,720</u>

- (2) The significant actuarial assumptions used by the Group as of March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
Discount rate	3.20%	3.30%
Rate of expected future salary increase	4.30%	4.34%

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, 2016 and December 31, 2015 consist of the following:

Description	March 31, 2016		December 31, 2015	
	(In millions of Korean Won)			
Present value of defined benefit obligations	₩	4,554,671	₩	4,464,399
Fair value of plan assets		(3,805,604)		(3,859,966)
	<u>₩</u>	<u>749,067</u>	<u>₩</u>	<u>604,433</u>

(4) 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	₩	<u>4,554,671</u>	₩	<u>(3,805,604)</u>	₩	<u>749,067</u>

Changes in net defined benefit assets and liabilities for the three months ended March 31, 2015 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	₩	4,065,742	₩	(3,471,803)	₩	593,939
Current service cost		132,590		-		132,590
Interest expenses (income)		35,251		(29,169)		6,082
		<u>4,233,583</u>		<u>(3,500,972)</u>		<u>732,611</u>
Remeasurements:						
Return on plan assets		-		(3,030)		(3,030)
Actuarial gains and losses arising from changes in financial assumptions		22,983		-		22,983
		<u>22,983</u>		<u>(3,030)</u>		<u>19,953</u>
Contributions		-		(2,279)		(2,279)
Benefits paid		(64,898)		44,032		(20,866)
Transfers in		164		121		285
Effect of foreign exchange differences and others		2,239		(1,069)		1,170
End of the period	₩	<u>4,194,071</u>	₩	<u>(3,463,197)</u>	₩	<u>730,874</u>

(5) The fair value of the plan assets as of March 31, 2016 and December 31, 2015 consists of the following:

Description	March 31, 2016		December 31, 2015	
	(In millions of Korean Won)			
Insurance instruments	₩	3,552,301	₩	3,616,437
Debt instruments		104,255		98,586
Others		149,048		144,943
	₩	<u>3,805,604</u>	₩	<u>3,859,966</u>

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the three months ended March 31, 2016 and 2015 is as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Profit for the period	₩ 1,768,131	₩ 1,983,285
Adjustments:		
Post-employment benefits	138,572	138,672
Depreciation	529,046	476,754
Amortization of intangible assets	272,836	182,748
Provision for warranties	255,495	205,200
Income tax expense	395,300	337,718
Loss (gain) on foreign currency translation, net	(16,292)	58,518
Loss (gain) on disposals of PP&E, net	1,223	(1,236)
Interest income, net	(25,602)	(77,881)
Gain on share of earnings of equity-accounted investees, net	(470,365)	(616,188)
Cost of sales from financial services, net	1,417,766	1,114,959
Others	(159,415)	33,824
	<u>2,338,564</u>	<u>1,853,088</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	567,956	(69,150)
Decrease (increase) in other receivables	571,842	(134,374)
Decrease (increase) in other financial assets	(319,770)	547,421
Increase in inventories	(1,570,992)	(1,155,640)
Decrease (increase) in other assets	(52,628)	9,937
Increase (decrease) in trade notes and accounts payable	(269,854)	276,280
Decrease in other payables	(830,268)	(937,899)
Increase (decrease) in other liabilities	(206,200)	643,822
Decrease in other financial liabilities	(9,056)	(3,875)
Changes in net defined benefit liabilities	536	(1,994)
Payment of severance benefits	(14,386)	(20,866)
Decrease in provisions	(387,625)	(313,667)
Changes in financial services receivables	(160,122)	390,659
Increase in operating lease assets	(1,404,128)	(1,171,177)
Others	(17,700)	11,700
	<u>(4,102,395)</u>	<u>(1,928,823)</u>
Cash generated from operations	₩ <u>4,300</u>	₩ <u>1,907,550</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, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
	(In millions of Korean Won)	
Total liabilities	₩ 97,626,205	₩ 98,486,545
Total equity	67,501,152	66,881,401
Debt-to-equity ratio	144.6%	147.3%

(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, 2016 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (36,596)	₩ 36,596
EUR	11,945	(11,945)
JPY	(5,490)	5,490

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, 2016 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 8,662	₩ (8,662)
Financial assets at FVTPL	(5,753)	6,012
Short-term and long-term financial instruments	5,712	(5,712)
Borrowings and debentures	(105,395)	105,395
Financial liabilities at FVTPL	3,952	(3,952)

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, 2016 and December 31, 2015, the amounts of interest rate risk measured at VaR are ₩138,634 million and ₩131,521 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of March 31, 2016, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩92,990 million and ₩2,066,518 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, 2016 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	₩ 14,365,341	₩ 634	₩ 774	₩ 14,366,749
Interest-bearing liabilities	22,052,696	44,566,189	1,672,193	68,291,078
Financial guarantee	1,316,742	51,626	24,856	1,393,224

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

As of March 31, 2016 and December 31, 2015, the Group deferred a net loss of ₩3,410 million and ₩31,003 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 71 months as of March 31, 2016.

For the three months ended March 31, 2016 and 2015, the Group recognizes a net loss of ₩94,163 million and a net profit of ₩77,814 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, 2016, 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	₩	₩	₩	₩
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
Joint ventures and associates	243,044	73,150	39,773	73,328
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

For the three months ended March 31, 2015, 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	Hyundai MOBIS Co., Ltd.	₩ 217,022	₩ 1,995	₩ 1,111,786	₩ 2,418
	Mobis Alabama, LLC	5,308	6,746	326,064	121
	Mobis Automotive Czech s.r.o.	6	94	271,361	-
	Mobis India, Ltd.	3,910	4,532	205,528	299
	Mobis Parts America, LLC	4,736	1,667	146,824	450
	Mobis Parts Europe N.V.	1,859	2,266	63,333	6
	Mobis Brasil Fabricacao De Auto Pecas Ltda	835	-	66,262	-
	Mobis Module CIS, LLC	-	70	33,675	-
	Others	8,961	43,742	156,488	6,592
	Joint ventures and associates	Kia Motors Corporation	234,072	74,083	30,411
Kia Motors Manufacturing Georgia, Inc.		162,262	303	667,919	98
Kia Motors Russia LLC		143,816	-	-	946
Kia Motors Slovakia s.r.o.		30,305	6,008	158,837	91
BHMC		266,859	15,236	13	-
HMGC		74,725	-	463	802
Hyundai WIA Corporation		67,040	345	251,356	220
Hyundai HYSCO Co., Ltd.		1,237	421	2,905	-
Others		122,627	8,576	731,111	395,321
Other related parties		818	5	-	-
Affiliates by the Act	248,528	9,324	1,172,569	390,565	

(2) As of March 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	Hyundai MOBIS Co., Ltd.	₩ 180,805	₩ 20,726	₩ 856,759	₩ 279,181	
	Mobis Alabama, LLC	79	7,032	109,239	-	
	Mobis Automotive Czech s.r.o.	41	590	171,271	-	
	Mobis India, Ltd.	235	19,795	112,266	3	
	Mobis Parts America, LLC	5,660	162,064	67,241	-	
	Mobis Parts Europe N.V.	326	2,517	27,366	-	
	Mobis Module CIS, LLC	-	63	19,078	-	
	Others	16,749	684	95,211	701	
	Joint ventures and associates	Kia Motors Corporation	259,864	271,033	36,616	109,419
		Kia Motors Manufacturing Georgia, Inc.	76,880	10,012	260,995	1,141
Kia Motors Russia LLC		75,841	56	-	-	
Kia Motors Slovakia s.r.o.		10,452	1,020	72,118	222	
Kia Motors America, Inc.		-	97,984	70	-	
BHMC		267,517	662,391	-	34,016	
HMGC		1,958	23	-	834	
Hyundai WIA Corporation		72,200	10,863	104,989	85,972	
Others		189,931	52,798	407,994	429,993	
Other related parties		324	217	-	-	
Affiliates by the Act	174,227	745,667	743,308	336,240		

As of December 31, 2015, 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	Hyundai MOBIS Co., Ltd.	₩ 133,440	₩ 18,876	₩ 793,887	₩ 196,617
	Mobis Alabama, LLC	23	5,762	98,090	-
	Mobis Automotive Czech s.r.o.	40	318	144,096	-
	Mobis India, Ltd.	218	14,109	126,719	65
	Mobis Parts America, LLC	3,492	164,618	53,276	-
	Mobis Parts Europe N.V.	997	2,021	36,536	-
	Mobis Module CIS, LLC	-	50	17,310	-
	Others	17,514	388	70,088	4,999
Joint ventures and associates	Kia Motors Corporation	265,226	325,440	33,332	119,272
	Kia Motors Manufacturing Georgia, Inc.	56,799	15,253	205,636	1,045
	Kia Motors Russia LLC	84,761	111	-	-
	Kia Motors Slovakia s.r.o.	10,139	2,313	68,321	1,116
	Kia Motors America, Inc.	-	102,629	85	-
	BHMC	300,828	18,659	-	4,505
	HMGC	-	136	-	693
	Hyundai WIA Corporation	99,080	11,884	143,774	89,589
	Others	306,524	22,850	324,016	588,537
Other related parties		223	291	-	-
Affiliates by the Act		315,440	710,805	793,969	372,458

(3) 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

Significant fund transactions and equity contribution transactions for the three months ended March 31, 2015, 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	\$ -	\$ -	\$ -	\$ -	₩ 8,745

For the three months ended March 31, 2016, the Group traded in other financial assets and others of ₩620,000 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,600,000 million in the consolidated statement of financial position as of March 31, 2016.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the three months ended March 31, 2016 and 2015 are as follows:

Description	Three months ended March 31,	
	2016	2015
	(In millions of Korean Won)	
Short-term employee salaries	₩ 44,786	₩ 43,316
Post-employment benefits	8,792	9,394
Other long-term benefits	76	99
	₩ 53,654	₩ 52,809

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of March 31, 2016, 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	₩ -	₩ -	₩ 51,626	₩ 51,626
To others	10,043	-	1,340,639	1,340,639
	₩ 10,043	-	₩ 1,392,265	₩ 1,392,265

(*) 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, 2016.

- (2) As of March 31, 2016, 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, 2016, 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, 2016, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩961,943 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.

- (4) Hyundai Capital Services, Inc., a subsidiary of the Company, has Revolving Credit Facility Agreements with the following financial institutions.

1) Credit Facility Agreement

Hyundai Capital Services, Inc. entered into a Credit Facility Agreement with GE Capital European Funding & CO (the "GE Capital") on January 9, 2015. The credit line of the agreement is Euro worth of USD 600 million. The agreement was expired at January 8, 2016.

2) Revolving Credit Facility

Hyundai Capital Services, Inc. has a Revolving Credit Facility Agreement which credit line is USD 250 million and ₩2,020,000 million with Kookmin Bank and 24 other financial institutions, as of March 31, 2016.

- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩490,000 million with Kookmin Bank and 9 other financial institutions, as of March 31, 2016.

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, 2016 and 2015 are as follows:

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

For the three months ended March 31, 2015					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total sales	₩ 24,688,674	₩ 2,943,855	₩ 1,732,266	₩ (8,422,039)	₩ 20,942,756
Inter-company sales	(8,153,724)	(59,318)	(208,997)	8,422,039	-
Net sales	16,534,950	2,884,537	1,523,269	-	20,942,756
Operating income	1,208,234	263,750	35,048	80,996	1,588,028

- (3) Assets and liabilities by operating segments as of March 31, 2016 and December 31, 2015 are as follows:

As of March 31, 2016					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total assets	₩ 94,621,270	₩ 75,907,040	₩ 7,739,185	₩ (13,140,138)	₩ 165,127,357
Total liabilities	33,615,370	66,393,910	4,993,248	(7,376,323)	97,626,205
Borrowings and debentures	5,697,912	58,687,852	2,917,534	(2,221,878)	65,081,420

As of December 31, 2015					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total assets	₩ 93,570,094	₩ 76,064,850	₩ 8,081,961	₩ (12,348,959)	₩ 165,367,946
Total liabilities	33,640,160	66,658,218	5,367,418	(7,179,251)	98,486,545
Borrowings and debentures	5,113,356	58,965,385	3,076,764	(2,223,165)	64,932,340

- (4) Sales by region where the Group's entities are located in for the three months ended March 31, 2016 and 2015 are as follows:

For the three months ended March 31, 2016							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
(In millions of Korean Won)							
Total sales	₩ 12,976,249	₩ 9,813,641	₩ 1,835,116	₩ 7,414,376	₩ 431,543	₩ (10,120,301)	₩ 22,350,624
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

For the three months ended March 31, 2015							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
(In millions of Korean Won)							
Total sales	₩ 13,158,388	₩ 8,054,193	₩ 1,621,469	₩ 5,968,676	₩ 562,069	₩ (8,422,039)	₩ 20,942,756
Inter-company sales	(3,485,296)	(1,668,578)	(94,628)	(3,173,487)	(50)	8,422,039	-
Net sales	9,673,092	6,385,615	1,526,841	2,795,189	562,019	-	20,942,756

- (5) Non-current assets by region where the Group's entities are located in as of March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
(In millions of Korean Won)		
Korea	₩ 27,599,792	₩ 27,735,116
North America	2,331,789	2,358,588
Asia	1,102,828	1,153,577
Europe	1,908,557	1,864,713
Others	314,685	294,438
	33,257,651	33,406,432
Consolidation adjustments	(122,351)	(117,993)
Total (*)	₩ 33,135,300	₩ 33,288,439

(*) 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, 2016 and 2015.

39. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
(In millions of Korean Won)		
Accumulated accrual cost	₩ 9,139,584	₩ 9,774,231
Accumulated income	928,341	961,631
Accumulated construction in process	10,067,925	10,735,862
Progress billing	(9,053,311)	(9,361,257)
Due from customers	1,484,863	1,837,280
Due to customers	(470,249)	(462,675)

- (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, 2016 are as follows:

Description	March 31, 2016	
	(In millions of Korean Won)	
Changes in accounting estimates of total contract revenue	₩	44,538
Changes in accounting estimates of total contract costs		84,484
Effects on profit or loss of current period		612
Effects on profit or loss of future periods		(40,558)
Changes in due from customers		(11,434)
Provision for construction loss		171,685

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, 2016 and the estimates of contract revenue as of March 31, 2016. Total contract revenue and costs are subject to change in future periods.