

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 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 November 11, 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 September 30, 2016, the related condensed consolidated statements of income and comprehensive income, for the three months and nine months ended September 30, 2016 and 2015, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the nine months ended September 30, 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 K-IFRS 1034, *Interim Financial Reporting*.

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

November 11, 2016

Notice to Readers

This report is effective as of November 11, 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 condensed consolidated financial statements and may result in modifications to the independent accountants’ review report.

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS
ENDED SEPTEMBER 30, 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 SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

ASSETS	NOTES	September 30, 2016	December 31, 2015
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 7,578,428	₩ 7,331,463
Short-term financial instruments	19	5,904,531	6,904,917
Other financial assets	5,19	12,243,338	10,334,803
Trade notes and accounts receivable	3,19	3,687,268	4,468,351
Other receivables	4,19	3,171,181	3,846,104
Inventories	6	9,884,674	9,198,999
Current tax assets		59,404	57,022
Financial services receivables	13,19	22,892,048	23,777,277
Non-current assets classified as held for sale	8	83,872	47,643
Other assets	7,19	1,436,853	1,562,631
Total current assets		66,941,597	67,529,210
Non-current assets:			
Long-term financial instruments	19	87,796	71,545
Other financial assets	5,19	2,324,720	2,804,842
Long-term trade notes and accounts receivable	3,19	121,912	67,591
Other receivables	4,19	1,162,052	1,163,566
Property, plant and equipment	9	28,586,637	28,698,927
Investment property	10	213,496	291,424
Intangible assets	11	4,350,081	4,298,088
Investments in joint ventures and associates	12	17,401,726	16,909,943
Deferred tax assets		932,460	764,733
Financial services receivables	13,19	25,622,655	24,559,123
Operating lease assets	14	18,779,820	17,719,606
Other assets	7,19	556,065	489,348
Total non-current assets		100,139,420	97,838,736
Total assets		₩ 167,081,017	₩ 165,367,946

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	September 30, 2016	December 31, 2015
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 5,715,110	₩ 7,081,124
Other payables	19	3,335,241	4,711,494
Short-term borrowings	15,19	7,867,193	9,384,165
Current portion of long-term debt and debentures	15,19	13,291,482	10,788,049
Income tax payable		340,531	1,000,763
Provisions	16	1,775,249	1,710,342
Other financial liabilities	17,19	783,026	675,437
Other liabilities	18,19	6,138,215	5,862,146
Total current liabilities		39,246,047	41,213,520
Non-current liabilities:			
Long-term other payables	19	20,424	2,054
Debentures	15,19	36,319,045	36,207,504
Long-term debt	15,19	9,396,525	8,552,622
Net defined benefit liabilities	33	761,793	604,433
Provisions	16	4,833,376	5,031,558
Other financial liabilities	17,19	252,624	145,282
Deferred tax liabilities		4,324,218	4,257,834
Other liabilities	18,19	2,679,681	2,471,738
Total non-current liabilities		58,587,686	57,273,025
Total liabilities		97,833,733	98,486,545
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	3,572,605	3,520,395
Other capital items	22	(1,625,388)	(1,588,697)
Accumulated other comprehensive loss	23	(2,425,423)	(1,431,821)
Retained earnings	24	63,253,189	60,035,088
Equity attributable to the owners of the Company		64,263,976	62,023,958
Non-controlling interests		4,983,308	4,857,443
Total equity		69,247,284	66,881,401
Total liabilities and equity		₩ 167,081,017	₩ 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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	NOTES	2016		2015	
		Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won, except per share amounts)					
Sales	25,38	₩ 22,083,670	₩ 69,111,020	₩ 23,429,581	₩ 67,193,964
Cost of sales	30	18,189,695	55,954,518	18,864,893	53,655,307
Gross profit		3,893,975	13,156,502	4,564,688	13,538,657
Selling and administrative expenses	26,30	2,825,871	8,984,168	3,060,769	8,695,802
Operating income		1,068,104	4,172,334	1,503,919	4,842,855
Gain on investments in joint ventures and associates, net	27	396,372	1,468,767	368,190	1,462,407
Finance income	28	265,617	895,890	166,171	665,780
Finance expenses	28	164,395	459,862	286,023	614,123
Other income	29	320,308	815,264	409,182	991,460
Other expenses	29,30	391,340	852,709	456,035	952,287
Income before income tax		1,494,666	6,039,684	1,705,404	6,396,092
Income tax expense	32	375,902	1,388,867	499,386	1,416,372
Profit for the period		₩ 1,118,764	₩ 4,650,817	₩ 1,206,018	₩ 4,979,720
Profit attributable to:					
Owners of the Company		1,061,440	4,406,429	1,174,268	4,785,884
Non-controlling interests		57,324	244,388	31,750	193,836
Earnings per share attributable to the owners of the Company:	31				
Basic earnings per share:					
Common stock		₩ 3,946	₩ 16,397	₩ 4,366	₩ 17,793
1 st preferred stock		₩ 3,959	₩ 16,426	₩ 4,379	₩ 17,829
Diluted earnings per share:					
Common stock		₩ 3,946	₩ 16,397	₩ 4,366	₩ 17,793
1 st preferred stock		₩ 3,959	₩ 16,426	₩ 4,379	₩ 17,829

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Profit for the period	₩ 1,118,764	₩ 4,650,817	₩ 1,206,018	₩ 4,979,720
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	(11,285)	(31,151)	(6,407)	(5,402)
Changes in retained earnings of equity-accounted investees, net	(8,033)	(84,752)	(26,769)	(56,542)
	<u>(19,318)</u>	<u>(115,903)</u>	<u>(33,176)</u>	<u>(61,944)</u>
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on available-for-sale ("AFS") financial assets, net	124,168	(153,374)	(253,822)	(49,898)
Gain (loss) on valuation of cash flow hedge derivatives, net	70,600	79,103	(14,342)	(18,016)
Changes in share of earnings of equity-accounted investees, net	(300,643)	(414,648)	293,549	255,024
Gain (loss) on foreign operations translation, net	(683,382)	(551,881)	418,832	367,727
	<u>(789,257)</u>	<u>(1,040,800)</u>	<u>444,217</u>	<u>554,837</u>
Total other comprehensive income (loss)	<u>(808,575)</u>	<u>(1,156,703)</u>	<u>411,041</u>	<u>492,893</u>
Total comprehensive income	<u>₩ 310,189</u>	<u>₩ 3,494,114</u>	<u>₩ 1,617,059</u>	<u>₩ 5,472,613</u>
Comprehensive income attributable to:				
Owners of the Company	302,177	3,303,983	1,548,427	5,234,407
Non-controlling interests	8,012	190,131	68,632	238,206
Total comprehensive income	<u>₩ 310,189</u>	<u>₩ 3,494,114</u>	<u>₩ 1,617,059</u>	<u>₩ 5,472,613</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	-	-	-	-	4,785,884	4,785,884	193,836	4,979,720
Gain (loss) on AFS financial assets, net	-	-	-	(54,436)	-	(54,436)	4,538	(49,898)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(15,540)	-	(15,540)	(2,476)	(18,016)
Changes in valuation of equity-accounted investees, net	-	-	-	250,494	(56,542)	193,952	4,530	198,482
Remeasurements of defined benefit plans	-	-	-	-	(3,941)	(3,941)	(1,461)	(5,402)
Gain on foreign operations translation, net	-	-	-	328,488	-	328,488	39,239	367,727
Total comprehensive income	-	-	-	509,006	4,725,401	5,234,407	238,206	5,472,613
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,085,983)	(1,085,983)	(157,787)	(1,243,770)
Increase in subsidiaries' stock	-	-	-	-	-	-	15,646	15,646
Disposals of subsidiaries' stock	-	7,067	-	-	-	7,067	17,065	24,132
Purchases of treasury stock	-	-	(314,945)	-	-	(314,945)	-	(314,945)
Others	-	45	-	-	731	776	243	1,019
Total transactions with owners, recorded directly in equity	-	7,112	(314,945)	-	(1,085,252)	(1,393,085)	(124,833)	(1,517,918)
Balance at September 30, 2015	₩ 1,488,993	₩ 4,141,662	₩ (1,588,697)	₩ (835,820)	₩ 58,290,012	₩ 61,496,150	₩ 5,079,110	₩ 66,575,260

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	-	-	-	-	4,406,429	4,406,429	244,388	4,650,817
Loss on AFS financial assets, net	-	-	-	(153,024)	-	(153,024)	(350)	(153,374)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	72,861	-	72,861	6,242	79,103
Changes in valuation of equity-accounted investees, net	-	-	-	(401,910)	(84,752)	(486,662)	(12,738)	(499,400)
Remeasurements of defined benefit plans	-	-	-	-	(24,092)	(24,092)	(7,059)	(31,151)
Loss on foreign operations translation, net	-	-	-	(511,529)	-	(511,529)	(40,352)	(551,881)
Total comprehensive income (loss)	-	-	-	(993,602)	4,297,585	3,303,983	190,131	3,494,114
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,079,544)	(1,079,544)	(5,002)	(1,084,546)
Increase in subsidiaries' stock	-	-	-	-	-	-	25,319	25,319
Purchases of subsidiaries' stock	-	15,664	-	-	-	15,664	(111,868)	(96,204)
Disposals of subsidiaries' stock	-	1,438	-	-	-	1,438	27,285	28,723
Purchases of treasury stock	-	-	(174,820)	-	-	(174,820)	-	(174,820)
Disposals of treasury stock	-	35,108	138,129	-	-	173,237	-	173,237
Others	-	-	-	-	60	60	-	60
Total transactions with owners, recorded directly in equity	-	52,210	(36,691)	-	(1,079,484)	(1,063,965)	(64,266)	(1,128,231)
Balance at September 30, 2016	₩ 1,488,993	₩ 3,572,605	₩ (1,625,388)	₩ (2,425,423)	₩ 63,253,189	₩ 64,263,976	₩ 4,983,308	₩ 69,247,284

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	NOTES	Nine months ended September 30,	
		2016	2015
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 4,650,817	₩ 4,979,720
Adjustments		7,913,863	7,082,764
Changes in operating assets and liabilities		(10,097,473)	(9,167,389)
		2,467,207	2,895,095
Interest received		354,706	591,277
Interest paid		(1,286,792)	(1,098,569)
Dividend received		921,524	1,143,524
Income tax paid		(1,972,006)	(1,442,398)
Net cash provided by operating activities		484,639	2,088,929
Cash flows from investing activities:			
Proceeds from disposals (purchases) of short-term financial instruments, net		976,544	(260,923)
Proceeds from disposals (purchases) of other financial assets (current), net		(1,192,330)	2,463,692
Proceeds from disposals of other financial assets (non-current)		575,933	159,308
Receipts from other receivables		101,582	56,104
Disposals of long-term financial instruments		26	210
Proceeds from disposals of property, plant and equipment		64,670	52,072
Proceeds from disposals of intangible assets		10,113	3,127
Proceeds from disposals of investments in subsidiaries		-	99,013
Proceeds from disposals of investments in joint ventures and associates		578	-
Acquisitions of other financial assets (non-current)		(216,282)	(118,670)
Increases in other receivables		(115,520)	(73,302)
Purchases of long-term financial instruments		(7,686)	(25,972)
Acquisitions of property, plant and equipment		(2,073,927)	(7,103,673)
Acquisitions of intangible assets		(906,100)	(777,378)
Cash outflows from business combinations		(2,370)	(86,613)
Acquisitions of investments in joint ventures and associates		(430,448)	(10,459)
Other cash receipts (payments) from investing activities, net		(2,116)	2,738
Net cash used in investing activities		(3,217,333)	(5,620,726)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (CONTINUED)

	NOTES	Nine months ended September 30,	
		2016	2015
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	(992,486)	₩ 1,917,993
Proceeds from long-term debt and debentures		21,702,876	19,215,510
Paid-in capital increase of subsidiaries' stock		25,536	15,646
Purchases of subsidiaries' stock		(96,204)	-
Disposals of subsidiaries' stock		34,206	27,153
Repayment of long-term debt and debentures		(16,164,603)	(16,685,266)
Purchases of treasury stock		(174,820)	(314,945)
Dividends paid		(1,084,546)	(1,222,234)
Other cash payments from financing activities, net		(30,332)	(41,832)
Net cash provided by financing activities		<u>3,219,627</u>	<u>2,912,025</u>
Effect of exchange rate changes on cash and cash equivalents		(239,968)	(9,523)
Net increase (decrease) in cash and cash equivalents		246,965	(629,295)
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><u>7,578,428</u></u>	<u><u>₩ 6,467,218</u></u>

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 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”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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

As of September 30, 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 September 30, 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%	
Hyundai 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	"	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.	"	"	90.00%	Hyundai KEFICO 90.00%
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	Hyundai KEFICO 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	70.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	"	100.00%	Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai Motor UK Limited (HMUK)	"	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo. O (HMP)	"	Poland	100.00%	
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%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.	Manufacturing	Brazil	100.00%	Hyundai Rotem 100.00%
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	Investment	Korea	100.00%	
UBS Hana Dynamic Balance Private Investment Trust 1	"	"	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
Autopia Forty-Fifth ~ 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-Second 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 ~ Second 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 nine months ended September 30, 2016 are as follows:

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

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

Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2015 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 23,455,332	₩ 19,751,608	₩ 2,405,567	₩ 244,895
Hyundai Card Co., Ltd. (*)	13,221,462	10,761,786	1,975,562	163,180
Hyundai Rotem Company (*)	5,046,172	3,371,389	2,529,210	(69,246)
Hyundai KEFICO Corporation (*)	1,070,213	507,902	1,279,676	53,562
HCA (*)	36,376,744	33,456,752	5,186,446	165,751
HMA	7,752,463	4,948,626	12,449,717	(142,827)
HMMA	3,949,594	1,661,456	5,493,408	197,592
HMMC	3,131,305	1,314,414	4,114,166	198,692
HMI (*)	2,386,104	1,214,781	3,836,474	128,958
HAOSVT	1,432,258	1,119,296	2,239,155	(34,911)
HME (*)	1,385,495	1,343,784	5,325,343	33,141
HMMR	896,308	610,993	1,344,234	(20,175)
HACC (*)	1,017,479	631,257	2,234,981	(46,358)
HMB	844,054	452,419	1,297,509	33,659
HMCA	680,205	483,277	1,458,569	13,577

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

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

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

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

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the nine months ended September 30, 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	₩ (214,589)	₩ 623,146	₩ (643,715)
Cash flows from investing activities	(27,209)	(47,958)	(36,188)
Cash flows from financing activities	602,006	250,303	713,194
Effect of exchange rate changes on cash and cash equivalents	(9)	-	(1,755)
Net increase in cash and cash equivalents	₩ 360,199	₩ 825,491	₩ 31,536

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of September 30, 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	₩ 1,510,617	₩ 1,672,575	₩ 885,946
Profit attributable to non-controlling interests	110,132	96,825	5,124
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 nine months ended September 30, 2016 are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Capital Australia Pty Limited	Acquisition
"	Hyundai Rotem Company - Hyundai EURotem Demiryolu Araclari	"
"	SAN. VE TIC. A.S ORTAK GIRISIMI	"
"	Autopia Sixtyth Asset Securitization Specialty Company	"
"	Autopia Sixty-First Asset Securitization Specialty Company	"
"	Autopia Sixty-Second Asset Securitization Specialty Company	"
"	Hyundai Rotem First Co., Ltd.	"
"	Super Series Second Securitization Specialty Co., Ltd.	"
"	Rosarito Property Management company (RPM)	"
Excluded	Autopia Forty-Fourth Asset Securitization Specialty Company	Liquidation
"	Autopia Forty-Seventh Asset Securitization Specialty Company	"
"	Rosarito Property Management company (RPM)	Merger

(7) Major changes in the Group's ownership interests in its subsidiaries and the consequent effects on the equity attributable to the owners of the Company for the nine months ended September 30, 2016 are as follows:

Description	Hyundai Capital Services, Inc. (*1)	HAOSVT (*2)
	(In millions of Korean Won)	
Ownership percentage before transaction	56.47%	78.54%
Ownership percentage after transaction	59.68%	70.00%
Amount received (paid) for transaction of shares	₩ (96,204)	₩ 34,206
Changes in non-controlling interests	(111,868)	27,285
Changes in capital surplus	15,664	1,438

(*1) The ownership percentage of the Group increased as the Group acquired its shares partially from owner of non-controlling interests for the nine months ended September 30, 2016.

(*2) The ownership percentage of the Group decreased as the Group disposed of its shares partially for the nine months ended September 30, 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 nine months ended September 30, 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 September 30, 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 September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,737,725	₩ 130,281	₩ 4,527,881	₩ 73,500
Allowance for doubtful accounts	(50,457)	-	(59,530)	-
Present value discount accounts	-	(8,369)	-	(5,909)
	<u>₩ 3,687,268</u>	<u>₩ 121,912</u>	<u>₩ 4,468,351</u>	<u>₩ 67,591</u>

(2) Aging analysis of trade notes and accounts receivable

As of September 30, 2016 and December 31, 2015, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩239,854 million and ₩415,702 million, respectively; of which ₩192,885 million and ₩370,450 million, respectively, are past due less than 90 days, but not impaired. As of September 30, 2016 and December 31, 2015, the impaired trade notes and accounts receivable amount to ₩50,457 million and ₩59,530 million, respectively.

(3) The changes in allowance for doubtful accounts for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 59,530	₩ 58,706
Impairment loss (gain)	(5,971)	1,348
Write-off	(2,734)	(487)
Effect of foreign exchange differences	(368)	552
End of the period	<u>₩ 50,457</u>	<u>₩ 60,119</u>

4. OTHER RECEIVABLES:

Other receivables as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 1,763,045	₩ 800,218	₩ 1,978,471	₩ 818,401
Due from customers for contract work	1,389,874	-	1,837,280	-
Lease and rental deposits	24,745	329,958	24,962	319,446
Deposits	3,529	32,260	3,157	26,566
Others	720	-	13,409	-
Allowance for doubtful accounts	(10,732)	-	(11,175)	-
Present value discount accounts	-	(384)	-	(847)
	<u>₩ 3,171,181</u>	<u>₩ 1,162,052</u>	<u>₩ 3,846,104</u>	<u>₩ 1,163,566</u>

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 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”)	₩ 12,086,640	₩ 1,968	₩ 10,112,034	₩ 23,194
Derivative assets that are effective hedging instruments	110,366	40,532	42,455	178,369
AFS financial assets	4,318	2,277,880	7,111	2,598,706
Loans	42,014	4,340	173,203	4,573
	<u>₩ 12,243,338</u>	<u>₩ 2,324,720</u>	<u>₩ 10,334,803</u>	<u>₩ 2,804,842</u>

(2) AFS financial assets that are measured at fair value as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015
	Acquisition cost	Book value	Book value
(In millions of Korean Won)			
Debt instruments	₩ 246,812	₩ 250,653	₩ 186,713
Equity instruments	1,683,576	2,031,545	2,419,104
	<u>₩ 1,930,388</u>	<u>₩ 2,282,198</u>	<u>₩ 2,605,817</u>

(3) Equity instruments classified into AFS financial assets as of September 30, 2016 and December 31, 2015 consist of the following:

Name of the company	Ownership percentage (%)	September 30, 2016		December 31, 2015
		Acquisition cost	Book value	Book value
(In millions of Korean Won)				
Hyundai Steel Company (*)	6.87	₩ 1,110,704	₩ 711,951	₩ 745,221
Korea Aerospace Industries, Ltd.	4.85	73,331	360,978	761,281
Hyundai Glovis Co., Ltd.	4.88	210,688	331,400	353,371
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	302,220	192,282
Hyundai Oilbank Co., Ltd.	4.35	53,734	137,266	137,266
Hyundai Green Food Co., Ltd.	2.36	15,005	37,154	57,231
Hyundai Development Company	0.60	9,025	23,085	17,460
Hyundai Finance Corporation	9.29	9,888	13,065	11,487
NICE Information Service Co., Ltd.	2.25	3,312	11,091	14,001
NICE Holdings Co., Ltd.	1.30	3,491	8,997	10,693
KT Corporation	0.09	8,655	7,659	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.	1.76	1,997	296	599
Others		85,161	80,790	104,506
		<u>₩ 1,683,576</u>	<u>₩ 2,031,545</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 nine months ended September 30, 2016.

6. INVENTORIES:

Inventories as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015	
	(In millions of Korean Won)			
Finished goods	₩	6,012,049	₩	5,451,895
Merchandise		68,528		60,890
Semi-finished goods		402,567		448,870
Work in progress		450,882		450,444
Raw materials		1,369,335		1,268,217
Supplies		260,481		252,282
Materials in transit		518,884		499,559
Others		801,948		766,842
Total (*)	₩	9,884,674	₩	9,198,999

(*) As of September 30, 2016 and December 31, 2015, the Group recognized a valuation allowance in amount of ₩85,340 million and ₩92,552 million, respectively.

7. OTHER ASSETS:

Other assets as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accrued income	₩ 290,204	₩ 4,826	₩ 300,415	₩ 6,206
Advanced payments	499,515	283	692,708	28
Prepaid expenses	382,113	546,223	349,805	478,594
Prepaid value added tax and others	265,021	4,733	219,703	4,520
	₩ 1,436,853	₩ 556,065	₩ 1,562,631	₩ 489,348

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

Non-current assets classified as held for sale as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30,	December 31,
	2016	2015
(In millions of Korean Won)		
Land	₩ 48,433	₩ -
Buildings	5,293	-
Structures	1,070	-
Machineries	8	-
Vehicles	29,068	47,643
	₩ 83,872	₩ 47,643

The Group has committed to a plan to sell land and others that were classified as held for sale as of September 30, 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 of vehicles is recognized as an impairment loss in the amount of ₩18,575 million for the nine months ended September 30, 2016.

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment (“PP&E”) for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 28,698,927	₩ 22,542,259
Acquisitions	1,743,630	6,901,215
Disposals	(75,341)	(61,542)
Depreciation	(1,583,360)	(1,447,264)
Others (*)	(197,219)	(22,819)
End of the period	₩ 28,586,637	₩ 27,911,849

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

10. INVESTMENT PROPERTY:

- (1) The changes in investment property for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 291,424	₩ 322,207
Transfers	(66,181)	(19,572)
Depreciation	(8,750)	(10,024)
Effect of foreign exchange differences	(2,997)	4,318
End of the period	₩ 213,496	₩ 296,929

- (2) Income and expenses related to investment property for the three months and nine months ended September 30, 2016 and 2015 are as follows:

Description	2016		2015	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Rental income	₩ 11,849	₩ 38,490	₩ 9,593	₩ 28,833
Operating and maintenance expenses	3,407	10,660	3,437	10,487

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 4,298,088	₩ 3,821,656
Internal developments and separate acquisitions	882,289	770,506
Disposals	(13,010)	(3,621)
Amortization	(860,655)	(578,719)
Others (*)	43,369	91,562
End of the period	₩ 4,350,081	₩ 4,101,384

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

(2) Research and development expenditures for the three months and nine months ended September 30, 2016 and 2015 are as follows:

Description	2016		2015	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 247,098	₩ 783,894	₩ 267,846	₩ 693,038
Research and development (manufacturing cost and administrative expenses)	271,922	740,650	239,202	681,920
Total (*)	₩ 519,020	₩ 1,524,544	₩ 507,048	₩ 1,374,958

(*) Amortization of development costs is not included.

(3) Impairment test of goodwill

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

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

- (1) Investments in joint ventures and associates as of September 30, 2016 and December 31, 2015 consist of the following:

Name of the company	Nature of business	Location	September 30, 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	₩ 1,962,407	₩ 2,189,321
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	414,945	220,475
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	179,050	184,255
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	123,387	135,000
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00	103,530	93,998
Kia Motors Corporation	Manufacturing	Korea	33.88	8,507,620	8,047,548
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,196,200	3,180,493
Hyundai WIA Corporation	Manufacturing	Korea	25.35	805,946	814,413
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	486,493	433,088
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	338,377	326,439
Hyundai Commercial Inc.	Financing	Korea	50.00	276,883	242,507
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	270,629	238,001
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	172,805	191,468
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	109,166	110,312
Others				454,288	502,625
				<u>₩ 17,401,726</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 September 30, 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 nine months ended September 30, 2016 are as follows:

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

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

The changes in investments in joint ventures and associates for the nine months ended September 30, 2015 are as follows:

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of	Dividends	Others (*)	End of the period
			profits (losses) for the period			
(In millions of Korean Won)						
BHMC	₩ 2,179,636	₩ -	₩ 367,958	₩ (936,483)	₩ 133,084	₩ 1,744,195
BHAF	193,624	-	24,928	-	13,144	231,696
WAE	164,090	8,745	15,690	(1,447)	11,696	198,774
HMGC	158,287	-	(15,282)	-	10,289	153,294
Kia Motors Corporation	7,482,972	-	728,864	(137,318)	(104,384)	7,970,134
Hyundai Engineering & Construction Co., Ltd.	3,130,886	-	40,299	(11,664)	3,363	3,162,884
Hyundai WIA Corporation	707,713	-	89,176	(5,515)	11,125	802,499
Hyundai Powertech Co., Ltd.	380,815	-	62,188	-	3,260	446,263
Hyundai Dymos Inc.	289,369	-	20,376	-	4,766	314,511
Hyundai Commercial Inc.	196,471	-	18,185	(3,850)	38,400	249,206
HMC Investment Securities Co., Ltd.	225,332	-	12,415	(1,210)	1,108	237,645
Eukor Car Carriers Inc.	170,132	-	20,896	(7,920)	15,303	198,411
Haevichi Hotels & Resorts Co., Ltd.	-	110,460	78	-	(4)	110,534
CHMC	155,573	-	(40,228)	-	8,011	123,356
Hyundai HYSCO Co., Ltd.	302,058	(347,206)	14,033	(2,010)	33,125	-
Others	420,376	1,070	59,327	(12,707)	17,528	485,594
	<u>₩ 16,157,334</u>	<u>₩ (226,931)</u>	<u>₩ 1,418,903</u>	<u>₩ (1,120,124)</u>	<u>₩ 199,814</u>	<u>₩ 16,428,996</u>

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

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

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

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

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

Summarized financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2015 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
	(In millions of Korean Won)			
BHMC	₩ 5,642,960	₩ 2,960,675	₩ 4,709,676	₩ 339,983
BHAF (*)	3,377,987	-	2,939,774	-
WAE	804,297	1,062,404	446,311	516,872
HMGC	594,354	414,305	506,998	168,075
Kia Motors Corporation	18,263,936	27,375,774	14,518,546	7,142,274
Hyundai Engineering & Construction Co., Ltd.	14,583,043	5,156,192	8,683,289	3,779,241
Hyundai WIA Corporation	3,607,396	2,948,488	1,761,657	1,610,199
Hyundai Powertech Co., Ltd.	884,354	1,393,661	638,233	448,993
Hyundai Dymos Inc.	1,200,069	858,524	808,720	569,845
Hyundai Commercial Inc. (*)	5,142,363	-	4,539,057	-
HMC Investment Securities Co., Ltd. (*)	7,806,483	-	7,087,772	-
Eukor Car Carriers Inc.	553,348	3,071,721	320,707	1,653,124
Haevichi Hotels & Resorts Co., Ltd.	13,442	433,353	121,284	157,066

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	₩ 12,888,066	₩ 754,928	₩ -	₩ 754,928
BHAF (*)	244,874	46,935	-	46,935
WAE	1,259,692	71,322	-	71,322
HMGC	754,727	(25,114)	-	(25,114)
Kia Motors Corporation	36,729,678	2,199,806	(154,512)	2,045,294
Hyundai Engineering & Construction Co., Ltd.	13,470,136	418,816	(8,158)	410,658
Hyundai WIA Corporation	5,808,312	323,461	32,055	355,516
Hyundai Powertech Co., Ltd.	2,602,013	150,975	12,691	163,666
Hyundai Dymos Inc.	2,297,128	61,166	11,790	72,956
Hyundai Commercial Inc. (*)	276,921	44,249	2,153	46,402
HMC Investment Securities Co., Ltd. (*)	448,383	45,156	4,032	49,188
Eukor Car Carriers Inc.	1,748,527	185,892	123,841	309,733
Haevichi Hotels & Resorts Co., Ltd.	49,829	2,261	-	2,261

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

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

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

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

Summarized additional financial information of the Group's major joint ventures as of and for the nine months ended September 30, 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	₩ 349,323	₩ -	₩ 263,522	₩ 218,140	₩ 36,866	₩ 61,184	₩ 251,643
BHAF (*)	442,143	2,619,825	-	1,635	236,819	92,225	15,663
HMGC	55,639	200,677	168,075	8,446	257	13,793	590

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

(5) The aggregate amounts of the Group's share of the joint ventures' and associates', that are not individually material, profit (loss) and comprehensive income (loss) for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
(In millions of Korean Won)		
Profit (loss) for the period	₩ (7,891)	₩ 59,327
Other comprehensive income (loss)	(25,935)	17,528
Total comprehensive income (loss)	<u>₩ (33,826)</u>	<u>₩ 76,855</u>

(6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of September 30, 2016 is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 2,013,392	₩ -	₩ (50,985)	₩ 1,962,407
BHAF	414,945	-	-	414,945
WAE	179,050	-	-	179,050
HMGC	126,573	-	(3,186)	123,387
PTS	103,530	-	-	103,530
Kia Motors Corporation	8,349,850	197,089	(39,319)	8,507,620
Hyundai Engineering & Construction Co., Ltd. (*)	2,058,843	1,137,357	-	3,196,200
Hyundai WIA Corporation	809,515	-	(3,569)	805,946
Hyundai Powertech Co., Ltd.	487,807	-	(1,314)	486,493
Hyundai Dymos Inc.	340,506	-	(2,129)	338,377
Hyundai Commercial Inc.	276,883	-	-	276,883
HMC Investment Securities Co., Ltd.	230,577	40,052	-	270,629
Eukor Car Carriers Inc.	172,543	-	262	172,805
Haevichi Hotels & Resorts Co., Ltd. (*)	105,590	3,576	-	109,166

(*) 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	Unrealized profit (loss) and others		Carrying amounts
		Goodwill		
		(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
PTS	93,998	-	-	93,998
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
Hyundai Commercial Inc.	242,507	-	-	242,507
HMC Investment Securities Co., Ltd.	197,949	40,052	-	238,001
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 September 30, 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	₩ 42,150	137,318,251	₩ 5,787,964	
Hyundai Engineering & Construction Co., Ltd.	39,250	23,327,400	915,600	
Hyundai WIA Corporation	86,600	6,893,596	596,985	
HMC Investment Securities Co., Ltd.	10,200	8,065,595	82,269	

13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30,		December 31,	
	2016		2015	
	(In millions of Korean Won)			
Loan obligations	₩	35,642,309	₩	35,018,152
Card receivables		11,332,718		11,512,949
Financial lease receivables		2,506,589		2,672,159
Others		27,469		23,224
		<u>49,509,085</u>		<u>49,226,484</u>
Allowance for doubtful accounts		(1,023,217)		(938,300)
Loan origination fee		37,743		58,215
Present value discount accounts		(8,908)		(9,999)
	₩	<u>48,514,703</u>	₩	<u>48,336,400</u>

(2) Aging analysis of financial services receivables

As of September 30, 2016 and December 31, 2015, total financial services receivables that are past due, but not impaired, amount to ₩1,622,494 million and ₩1,607,033 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,622,453 million and ₩1,607,006 million, respectively. As of September 30, 2016 and December 31, 2015, the impaired financial services receivables amount to ₩560,032 million and ₩463,846 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the three months and nine months ended September 30, 2016 and 2015 are as follows:

Description	2016		2015	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 970,906	₩ 938,300	₩ 872,407	₩ 845,566
Impairment loss	172,329	478,343	148,263	414,187
Write-off	(83,426)	(324,483)	(118,360)	(328,473)
Disposals and others	(22,444)	(53,114)	(20,170)	(53,400)
Effect of foreign exchange differences	(14,148)	(15,829)	12,206	16,466
End of the period	<u>₩ 1,023,217</u>	<u>₩ 1,023,217</u>	<u>₩ 894,346</u>	<u>₩ 894,346</u>

(4) Gross investments in financial leases and their present value of minimum lease receipts as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 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	₩ 1,233,208	₩ 1,102,625	₩ 1,261,488	₩ 1,108,473
Later than one year and not later than five years	1,509,619	1,401,297	1,680,201	1,560,693
Later than five years	430	428	409	407
	<u>₩ 2,743,257</u>	<u>₩ 2,504,350</u>	<u>₩ 2,942,098</u>	<u>₩ 2,669,573</u>

- (5) Unearned interest income of financial leases as of September 30, 2016 and December 31, 2015 is as follows:

Description	September 30, 2016	December 31, 2015
(In millions of Korean Won)		
Gross investments in financial lease	₩ 2,743,257	₩ 2,942,098
Net lease investments:		
Present value of minimum lease receipts	2,504,350	2,669,573
Present value of unguaranteed residual value	2,239	2,586
	2,506,589	2,672,159
Unearned interest income	₩ 236,668	₩ 269,939

14. OPERATING LEASE ASSETS:

- (1) Operating lease assets as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016	December 31, 2015
(In millions of Korean Won)		
Acquisition cost	₩ 21,570,873	₩ 20,483,754
Accumulated depreciation	(2,664,694)	(2,692,378)
Accumulated impairment loss	(126,359)	(71,770)
	₩ 18,779,820	₩ 17,719,606

- (2) Future minimum lease receipts related to operating lease assets as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 2016	December 31, 2015
(In millions of Korean Won)		
Not later than one year	₩ 3,347,815	₩ 3,097,758
Later than one year and not later than five years	3,959,375	3,636,986
Later than five years	14	2
	₩ 7,307,204	₩ 6,734,746

15. BORROWINGS AND DEBENTURES:

- (1) Short-term borrowings as of September 30, 2016 and December 31, 2015 consist of the following:

Description	Lender	Annual interest rate	September 30, 2016	September 30, 2016	December 31, 2015
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.10~2.64	₩	206,284	₩ 74,365
General loans	Kookmin Bank and others	0.60~11.10		3,491,776	3,685,555
Loans on trade receivables collateral	Citi Bank and others	LIBOR+0.17~0.40		848,751	1,320,446
Banker's Usance	Kookmin Bank and others	LIBOR+0.31~0.40		400,981	400,341
Short-term debentures		1.97~2.04		159,974	439,557
Commercial paper	Shinhan Bank and others	0.55~1.99		2,759,427	3,463,901
			₩	7,867,193	₩ 9,384,165

(2) Long-term debt as of September 30, 2016 and December 31, 2015 consists of the following:

Description	Lender	Annual interest rate	September 30,	September 30,	December 31,
		September 30, 2016 (%)	2016	2016	2015
General loans	Shinhan Bank and others	0.10~8.11	₩ 4,904,954	₩ 4,553,924	
Facility loan	Korea Development Bank and others	1.00~5.85	312,648	347,066	
Commercial paper	KTB Investment & Securities and others	1.62~1.89	550,000	-	
Asset-backed securities	JP Morgan and others	0.74~1.91	6,215,967	7,055,970	
Others	NH Investment & Securities and others		243,996	15,000	
			12,227,565	11,971,960	
Less: present value discounts			103,103	113,844	
Less: current maturities			2,727,937	3,305,494	
			₩ 9,396,525	₩ 8,552,622	

(3) Debentures as of September 30, 2016 and December 31, 2015 consist of the following:

Description	Latest maturity date	Annual interest rate	September 30,	September 30,	December 31,
		September 30, 2016 (%)	2016	2016	2015
Guaranteed public debentures	June 8, 2017	4.00	₩ 548,150	₩ 1,172,000	
Non-guaranteed public debentures	September 26, 2026	0.00~6.53	22,733,408	22,954,336	
Non-guaranteed private debentures	June 15, 2021	0.87~4.65	9,102,666	6,561,168	
Asset-backed securities	September 15, 2023	0.61~4.00	14,596,980	13,093,193	
			46,981,204	43,780,697	
Less: discount on debentures			98,614	90,638	
Less: current maturities			10,563,545	7,482,555	
			₩ 36,319,045	₩ 36,207,504	

16. PROVISIONS:

The changes in provisions for the nine months ended September 30, 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	871,005	45,836	224,712	
Utilized	(1,004,581)	(55,863)	(173,999)	
Amortization of present value discounts	74,395	-	1,637	
Changes in expected reimbursements by third parties	(34,487)	-	-	
Effect of foreign exchange differences	(76,099)	(1)	(5,830)	
End of the period	₩ 5,469,828	₩ 633,246	₩ 505,551	

The changes in provisions for the nine months ended September 30, 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		798,679		50,616		208,117
Utilized		(815,833)		(40,270)		(125,241)
Amortization of present value discounts		83,773		-		2,153
Changes in expected reimbursements by third parties		44,847		-		-
Effect of foreign exchange differences		50,393		(51)		(9,078)
End of the period	₩	5,775,644	₩	684,692	₩	514,639

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Financial liabilities at FVTPL	₩	8,838	₩	3,240	₩	37,276	₩	172
Derivative liabilities that are effective hedging instruments		152,921		249,384		16,180		145,110
Financial lease liabilities		-		-		714		-
Other (*)		621,267		-		621,267		-
	₩	783,026	₩	252,624	₩	675,437	₩	145,282

(*) The Company recognized the gross obligation in respect of the agreement written over the shares of a subsidiary in accordance with K-IFRS 1032. The agreement is expired as the shareholder of the subsidiary dispose of the residual shares on October 17, 2016.

18. OTHER LIABILITIES:

Other liabilities as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016		December 31, 2015					
	Current	Non-current	Current	Non-current				
(In millions of Korean Won)								
Advances received	₩	820,289	₩	122,799	₩	655,727	₩	103,059
Withholdings		940,510		382,844		1,153,527		417,223
Accrued expenses		3,647,329		-		3,051,435		-
Unearned income		277,194		995,845		404,359		821,813
Due to customers for contract work		294,305		-		462,675		-
Others		158,588		1,178,193		134,423		1,129,643
	₩	6,138,215	₩	2,679,681	₩	5,862,146	₩	2,471,738

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of September 30, 2016 are as follows:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 7,578,428	₩ -	₩ -	₩ 7,578,428	₩ 7,578,428
Short-term and long-term financial instruments	-	5,992,327	-	-	5,992,327	5,992,327
Trade notes and accounts receivable	-	3,809,180	-	-	3,809,180	3,809,180
Other receivables	-	2,943,359	-	-	2,943,359	2,943,359
Other financial assets	12,088,608	46,354	2,282,198	150,898	14,568,058	14,568,058
Other assets	-	295,030	-	-	295,030	295,030
Financial services receivables	-	48,514,703	-	-	48,514,703	50,020,068
	<u>₩ 12,088,608</u>	<u>₩ 69,179,381</u>	<u>₩ 2,282,198</u>	<u>₩ 150,898</u>	<u>₩ 83,701,085</u>	<u>₩ 85,206,450</u>

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

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 7,331,463	₩ -	₩ -	₩ 7,331,463	₩ 7,331,463
Short-term and long-term financial instruments	-	6,976,462	-	-	6,976,462	6,976,462
Trade notes and accounts receivable	-	4,535,942	-	-	4,535,942	4,535,942
Other receivables	-	3,172,390	-	-	3,172,390	3,172,390
Other financial assets	10,135,228	177,776	2,605,817	220,824	13,139,645	13,139,645
Other assets	-	306,621	-	-	306,621	306,621
Financial services receivables	-	48,336,400	-	-	48,336,400	49,122,390
	<u>₩ 10,135,228</u>	<u>₩ 70,837,054</u>	<u>₩ 2,605,817</u>	<u>₩ 220,824</u>	<u>₩ 83,798,923</u>	<u>₩ 84,584,913</u>

(2) Financial liabilities by categories as of September 30, 2016 are as follows:

Description	Financial liabilities at FVTPL		Financial liabilities carried at amortized cost		Derivatives designated as hedging instruments		Book value	Fair value
(In millions of Korean Won)								
Trade notes and accounts payable	₩	-	₩	5,715,110	₩	-	₩ 5,715,110	₩ 5,715,110
Other payables		-		3,355,665		-	3,355,665	3,355,665
Borrowings and debentures		-		66,874,245		-	66,874,245	67,504,060
Other financial liabilities		12,078		621,267		402,305	1,035,650	1,035,650
Other liabilities		-		3,647,400		-	3,647,400	3,647,400
	₩	12,078	₩	80,213,687	₩	402,305	₩ 80,628,070	₩ 81,257,885

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

Description	Financial liabilities at FVTPL		Financial liabilities carried at amortized cost		Derivatives designated as hedging instruments		Book value	Fair value
(In millions of Korean Won)								
Trade notes and accounts payable	₩	-	₩	7,081,124	₩	-	₩ 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 September 30, 2016 are as follows:

Description	September 30, 2016			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 82,014	₩ 12,006,594	₩ -	₩ 12,088,608
Derivatives designated as hedging instruments	-	150,898	-	150,898
AFS financial assets	1,820,114	213,871	248,213	2,282,198
	<u>₩ 1,902,128</u>	<u>₩ 12,371,363</u>	<u>₩ 248,213</u>	<u>₩ 14,521,704</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 12,078	₩ -	₩ 12,078
Derivatives designated as hedging instruments	-	402,305	-	402,305
	<u>₩ -</u>	<u>₩ 414,383</u>	<u>₩ -</u>	<u>₩ 414,383</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 nine months ended September 30, 2016 are as follows:

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

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2015 are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfers	End of the period
		(In millions of Korean Won)				
AFS financial assets	₩ 247,483	₩ 2,857	₩ (9,501)	₩ (331)	₩ -	₩ 240,508

- (4) Interest income, dividend income and interest expenses by categories of financial instruments for the nine months ended September 30, 2016 and 2015 consist of the following:

Description	Nine months ended September 30,					
	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	₩ 163,499	₩ -	₩ -	₩ 153,578	₩ -	₩ -
Financial assets (liabilities) at FVTPL	115,649	-	5,259	242,606	-	-
AFS financial assets	-	35,135	-	981	13,782	-
Financial liabilities carried at amortized cost	-	-	157,487	-	-	146,287
	<u>₩ 279,148</u>	<u>₩ 35,135</u>	<u>₩ 162,746</u>	<u>₩ 397,165</u>	<u>₩ 13,782</u>	<u>₩ 146,287</u>
Financial services:						
Loans and receivables	₩ 2,398,941	₩ -	₩ -	₩ 1,802,691	₩ -	₩ -
Financial assets at FVTPL	17,961	1,258	-	18,270	-	-
AFS financial assets	901	4,081	-	901	-	-
Financial liabilities carried at amortized cost	-	-	1,032,425	-	-	967,297
	<u>₩ 2,417,803</u>	<u>₩ 5,339</u>	<u>₩ 1,032,425</u>	<u>₩ 1,821,862</u>	<u>₩ -</u>	<u>₩ 967,297</u>

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2016 and 2015 are ₩1,197,528 million and ₩1,262,050 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2016 and 2015 are ₩690,828 million and ₩606,042 million, respectively.
- (6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 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 forward, options and swaps

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

- Debt instruments including corporate bonds

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

- Unlisted equity securities

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

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

Description	Fair value at September 30, 2016 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 225,480	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 September 30, 2016 and December 31, 2015 consist of the following:

(1) Common stock

Description	September 30, 2016 (In millions of Korean Won, except par value)	December 31, 2015
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 September 30, 2016 and December 31, 2015 consists of the following:

Description	September 30, 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	251,271	199,061
	<u>₩ 3,572,605</u>	<u>₩ 3,520,395</u>

22. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 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 September 30, 2016 and December 31, 2015 consists of the following:

Description	September 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 595,420	₩ 784,129
Loss on valuation of AFS financial assets	(304,299)	(339,984)
Gain on valuation of cash flow hedge derivatives	61,674	2,540
Loss on valuation of cash flow hedge derivatives	(19,816)	(33,543)
Gain on share of the other comprehensive income of equity-accounted investees	156,249	245,806
Loss on share of the other comprehensive income of equity-accounted investees	(817,726)	(505,373)
Loss on foreign operations translation, net	(2,096,925)	(1,585,396)
	<u>₩ (2,425,423)</u>	<u>₩ (1,431,821)</u>

24. RETAINED EARNINGS:

Retained earnings as of September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30,		December 31,	
	2016		2015	
	(In millions of Korean Won)			
Legal reserve (*)	₩	718,336	₩	610,380
Discretionary reserve		43,874,647		39,550,647
Unappropriated		18,660,206		19,874,061
	₩	63,253,189	₩	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 and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	(In millions of Korean Won)			
Sales of goods	₩ 18,843,825	₩ 59,817,958	₩ 20,406,631	₩ 58,785,158
Rendering of services	355,289	1,089,767	370,819	984,722
Royalties	48,293	151,867	29,587	112,841
Financial services revenue	2,739,110	7,729,976	2,536,950	7,074,119
Others	97,153	321,452	85,594	237,124
	₩ 22,083,670	₩ 69,111,020	₩ 23,429,581	₩ 67,193,964

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 160,997	₩ 516,794	₩ 209,645	₩ 620,657
Overseas market expenses	119,363	329,617	84,881	251,403
Advertisements and sales promotion	504,705	1,606,271	515,733	1,427,265
Sales commissions	131,026	458,683	155,506	465,263
Expenses for warranties	182,322	994,910	409,569	1,008,049
Transportation expenses	58,597	178,158	61,150	185,771
	<u>1,157,010</u>	<u>4,084,433</u>	<u>1,436,484</u>	<u>3,958,408</u>
Administrative expenses:				
Payroll	639,289	1,898,320	656,001	1,924,892
Post-employment benefits	43,532	131,638	45,858	136,573
Welfare expenses	97,553	307,208	98,485	304,374
Service charges	282,849	868,653	287,048	844,412
Research	245,526	665,161	211,812	586,308
Others	360,112	1,028,755	325,081	940,835
	<u>1,668,861</u>	<u>4,899,735</u>	<u>1,624,285</u>	<u>4,737,394</u>
	<u>₩ 2,825,871</u>	<u>₩ 8,984,168</u>	<u>₩ 3,060,769</u>	<u>₩ 8,695,802</u>

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three months and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain on share of earnings of equity-accounted investees, net	₩ 396,671	₩ 1,469,066	₩ 324,686	₩ 1,418,903
Gain on disposals of investments in associates	-	-	43,504	43,504
Loss on disposals of investments in associates	(299)	(299)	-	-
	<u>₩ 396,372</u>	<u>₩ 1,468,767</u>	<u>₩ 368,190</u>	<u>₩ 1,462,407</u>

28. FINANCE INCOME AND EXPENSES:

- (1) Finance income for the three months and nine months ended September 30, 2016 and 2015 consists of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Interest income	₩ 97,541	₩ 279,148	₩ 119,849	₩ 397,165
Gain on foreign exchange transactions	36,065	91,309	19,768	126,534
Gain on foreign currency translation	84,019	169,971	24,362	120,762
Dividend income	-	35,135	139	13,782
Gain on valuation of derivatives	34,915	41,246	845	1,276
Gain on disposals of AFS financial assets and others	13,077	279,081	1,208	6,261
	<u>₩ 265,617</u>	<u>₩ 895,890</u>	<u>₩ 166,171</u>	<u>₩ 665,780</u>

- (2) Finance expenses for the three months and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Interest expenses	₩ 89,061	₩ 226,252	₩ 69,251	₩ 194,399
Loss on foreign exchange transactions	17,853	83,245	44,235	141,876
Loss on foreign currency translation	53,213	109,086	93,525	189,744
Loss on valuation of derivatives	2,497	8,757	76,699	84,132
Impairment loss on AFS financial assets	-	7,630	-	-
Loss on disposals of AFS financial assets and others	1,771	24,892	2,313	3,972
	<u>₩ 164,395</u>	<u>₩ 459,862</u>	<u>₩ 286,023</u>	<u>₩ 614,123</u>

29. OTHER INCOME AND EXPENSES:

- (1) Other income for the three months and nine months ended September 30, 2016 and 2015 consists of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Gain on foreign exchange transactions	₩ 139,279	₩ 326,926	₩ 149,558	₩ 361,322
Gain on foreign currency translation	57,189	129,360	127,663	220,095
Gain on disposals of PP&E	15,891	25,487	4,455	23,754
Commission income	23,883	71,161	32,379	73,001
Rental income	19,725	61,283	20,443	56,671
Others	64,341	201,047	74,684	256,617
	<u>₩ 320,308</u>	<u>₩ 815,264</u>	<u>₩ 409,182</u>	<u>₩ 991,460</u>

- (2) Other expenses for the three months and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Loss on foreign exchange transactions	₩ 191,105	₩ 386,762	₩ 168,338	₩ 404,207
Loss on foreign currency translation	103,329	146,802	144,990	233,149
Loss on disposals of PP&E	20,864	36,158	12,684	31,295
Impairment loss on non-current assets classified as held for sale	-	18,575	-	-
Donations	9,755	47,571	7,095	38,412
Others	66,287	216,841	122,928	245,224
	<u>₩ 391,340</u>	<u>₩ 852,709</u>	<u>₩ 456,035</u>	<u>₩ 952,287</u>

30. EXPENSES BY NATURE:

Expenses by nature for the three months and nine months ended September 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Changes in inventories	₩ 958,156	₩ (514,289)	₩ 124,996	₩ (1,825,583)
Raw materials and merchandise used	10,900,234	37,842,462	12,229,328	37,273,837
Employee benefits	2,101,219	6,546,193	2,215,585	6,610,417
Depreciation	536,597	1,592,110	492,360	1,457,288
Amortization	303,469	860,655	206,589	578,719
Others	6,607,231	19,464,264	7,112,839	19,208,718
Total (*)	<u>₩ 21,406,906</u>	<u>₩ 65,791,395</u>	<u>₩ 22,381,697</u>	<u>₩ 63,303,396</u>

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

31. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

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

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

Description	2016					
	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 817,121	207,054,165	₩ 3,946	₩ 3,393,257	206,947,860	₩ 16,397
1 st preferred stock (*2)	90,691	22,907,923	3,959	376,280	22,907,923	16,426
2 nd preferred stock	143,915	36,237,727	3,971	596,591	36,237,727	16,463
3 rd preferred stock	9,713	2,453,517	3,959	40,301	2,453,517	16,426

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

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

Basic earnings per common stock and preferred stock for the three months and nine months ended September 30, 2015 are computed as follows:

Description	2015					
	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 904,092	207,067,005	₩ 4,366	₩ 3,685,760	207,145,112	₩ 17,793
1 st preferred stock (*2)	100,306	22,907,923	4,379	408,616	22,919,058	17,829
2 nd preferred stock	159,126	36,237,727	4,391	647,744	36,253,806	17,867
3 rd preferred stock	10,744	2,453,517	4,379	43,764	2,454,500	17,830

(*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'.

The Group does not compute diluted earnings per common stock for three and nine months ended September 30, 2016 and 2015 since there are no dilutive items during the period.

32. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the nine months ended September 30, 2016 and 2015 are 23.0% and 22.1%, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Paid in cash	₩ 5,494	₩ 4,921
Recognized liability	773	531
	₩ 6,267	₩ 5,452

- (2) The significant actuarial assumptions used by the Group as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 2016	December 31, 2015
Discount rate	3.07%	3.30%
Rate of expected future salary increase	4.37%	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 September 30, 2016 and December 31, 2015 consist of the following:

Description	September 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 4,852,145	₩ 4,464,399
Fair value of plan assets	(4,090,352)	(3,859,966)
Net defined benefit liabilities	₩ 761,793	₩ 604,433

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

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

Changes in net defined benefit liabilities for the nine months ended September 30, 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		396,810		-		396,810
Interest expenses (income)		105,938		(90,971)		14,967
		<u>4,568,490</u>		<u>(3,562,774)</u>		<u>1,005,716</u>
Remeasurements:						
Return on plan assets		-		13,752		13,752
Actuarial gains arising from changes in demographic assumptions		11		-		11
Actuarial gains arising from changes in financial assumptions		(2,390)		-		(2,390)
Actuarial gains arising from experience adjustments and others		3,361		-		3,361
		<u>982</u>		<u>13,752</u>		<u>14,734</u>
Contributions		-		(6,915)		(6,915)
Benefits paid		(127,409)		92,824		(34,585)
Transfers in (out)		588		389		977
Effect of foreign exchange differences and others		26,898		(15,329)		11,569
End of the period	₩	<u>4,469,549</u>	₩	<u>(3,478,053)</u>	₩	<u>991,496</u>

(5) The fair value of the plan assets as of September 30, 2016 and December 31, 2015 consists of the following:

Description	September 30, 2016		December 31, 2015	
	(In millions of Korean Won)			
Insurance instruments	₩	3,831,043	₩	3,616,437
Debt instruments		107,199		98,586
Others		152,110		144,943
	₩	<u>4,090,352</u>	₩	<u>3,859,966</u>

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the nine months ended September 30, 2016 and 2015 is as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Profit for the period	₩ 4,650,817	₩ 4,979,720
Adjustments:		
Post-employment benefits	414,657	412,308
Depreciation	1,592,110	1,457,288
Amortization of intangible assets	860,655	578,719
Provision for warranties	871,005	798,679
Income tax expense	1,388,867	1,416,372
Loss (gain) on foreign currency translation, net	(43,443)	82,036
Loss on disposals of PP&E, net	10,671	7,541
Interest income, net	(52,896)	(202,766)
Gain on disposals of AFS financial assets, net	(254,463)	(4,694)
Gain on share of earnings of equity-accounted investees, net	(1,469,066)	(1,418,903)
Loss (gain) on disposals of investments in associates, net	299	(43,504)
Cost of sales from financial services, net	4,285,052	3,536,350
Others	310,415	463,338
	7,913,863	7,082,764
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	528,179	(104,497)
Decrease (increase) in other receivables	509,483	(335,677)
Decrease (increase) in other financial assets	(557,691)	452,429
Increase in inventories	(1,207,493)	(2,175,960)
Decrease (increase) in other assets	50,099	(257,449)
Decrease in trade notes and accounts payable	(1,065,006)	(546,078)
Decrease in other payables	(782,599)	(585,002)
Increase in other liabilities	866,808	1,957,568
Decrease in other financial liabilities	(11,096)	(17,830)
Changes in net defined benefit liabilities	(276,074)	1,198
Payment of severance benefits	(22,195)	(34,585)
Decrease in provisions	(1,234,443)	(981,344)
Changes in financial services receivables	(2,082,416)	(2,030,419)
Increase in operating lease assets	(4,782,270)	(4,524,734)
Others	(30,759)	14,991
	(10,097,473)	(9,167,389)
Cash generated from operations	₩ 2,467,207	₩ 2,895,095

35. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Total liabilities	₩ 97,833,733	₩ 98,486,545
Total equity	69,247,284	66,881,401
Debt-to-equity ratio	141.3%	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 September 30, 2016 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (18,275)	₩ 18,275
EUR	(23,120)	23,120
JPY	(5,996)	5,996

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 September 30, 2016 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 12,199	₩ (12,199)
Financial assets at FVTPL	(5,375)	5,600
Short-term and long-term financial instruments	10,667	(10,667)
Borrowings and debentures	(118,321)	118,321
Financial liabilities at FVTPL	7,381	(7,381)

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of September 30, 2016 and December 31, 2015, the amounts of interest rate risk measured at VaR are ₩164,972 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 September 30, 2016, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩82,014 million and ₩2,031,545 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 September 30, 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	₩ 13,319,019	₩ 21,105	₩ 693	₩ 13,340,817
Interest-bearing liabilities	22,339,536	45,744,629	1,869,572	69,953,737
Financial guarantee	1,159,586	37,767	24,150	1,221,503

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 September 30, 2016 and December 31, 2015, the Group deferred a net profit of ₩41,858 million and a net loss ₩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 65 months as of September 30, 2016.

For the nine months ended September 30, 2016 and 2015, the Group recognizes a net loss of ₩341,723 million and a net profit of ₩252,630 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

36. RELATED-PARTY TRANSACTIONS:

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

- (1) For the nine months ended September 30, 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)			
Entities with significant influence over the Company	₩	₩	₩	₩
Hyundai MOBIS Co., Ltd.	691,317	6,618	3,099,755	17,102
Mobis Alabama, LLC	38,212	3,281	1,076,607	10,101
Mobis Automotive Czech s.r.o.	1	340	1,220,984	4
Mobis India, Ltd.	35,737	1,460	757,651	1,908
Mobis Parts America, LLC	26,432	5,065	567,867	753
Mobis Parts Europe N.V.	8,980	7,793	230,225	27
Mobis Brasil Fabricacao De Auto Pecas Ltda	3,005	-	188,836	-
Mobis Module CIS, LLC	196	224	156,509	-
Others	26,754	1,734	531,208	2,384
Joint ventures and associates	716,887	328,664	102,716	214,017
Kia Motors Corporation				
Kia Motors Manufacturing Georgia, Inc.	560,710	1,241	2,163,232	2,810
Kia Motors Russia LLC	603,782	27	-	-
Kia Motors Slovakia s.r.o.	87,330	8,362	614,701	3
BHMC	1,018,868	55,461	227	-
HMGC	11,510	1	479	2,562
Hyundai WIA Corporation	149,747	535	652,511	739
Others	332,472	27,533	1,873,994	1,330,436
Other related parties	1,544	1,991	15	-
Affiliates by the Act	594,895	81,558	4,226,117	1,177,742

For the nine months ended September 30, 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.	₩ 687,382	₩ 6,127	₩ 3,361,648	₩ 29,414
	Mobis Alabama, LLC	14,598	4,138	980,419	1,666
	Mobis Automotive Czech s.r.o.	20	344	927,396	-
	Mobis India, Ltd.	29,806	1,667	662,111	1,063
	Mobis Parts America, LLC	25,353	5,071	485,241	1,347
	Mobis Parts Europe N.V.	5,456	2,689	190,844	11
	Mobis Brasil Fabricacao De Auto Pecas Ltda	2,108	-	188,788	-
	Mobis Module CIS, LLC	148	229	128,229	1
	Others	40,623	46,132	510,521	16,438
	Joint ventures and associates	Kia Motors Corporation	746,699	296,070	100,621
Kia Motors Manufacturing Georgia, Inc.		506,814	1,045	2,026,551	4,659
Kia Motors Russia LLC		551,295	-	-	2,964
Kia Motors Slovakia s.r.o.		87,807	15,616	524,476	207
BHMC		750,227	47,096	917	-
HMGC		138,037	3	1,699	2,270
Hyundai WIA Corporation		208,443	803	755,019	456
Hyundai HYSCO Co., Ltd.		8,372	770	6,855	-
Others		367,665	28,960	2,121,536	1,237,364
Other related parties		2,143	612	-	-
Affiliates by the Act	805,480	53,013	3,759,795	1,231,487	

(2) As of September 30, 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)						
Entities with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 135,428	₩ 14,787	₩ 501,227	₩ 79,712	
	Mobis Alabama, LLC	54	4,645	130,547	-	
	Mobis Automotive Czech s.r.o.	39	482	175,656	-	
	Mobis India, Ltd.	566	10,402	121,804	6	
	Mobis Parts America, LLC	4,112	58	61,297	-	
	Mobis Parts Europe N.V.	8,379	73	27,626	-	
	Mobis Module CIS, LLC	-	67	29,080	-	
	Others	22,581	584	106,317	5,456	
	Joint ventures and associates	Kia Motors Corporation	252,031	142,952	26,160	88,307
		Kia Motors Manufacturing Georgia, Inc.	59,655	8,258	204,779	4,691
Kia Motors Russia LLC		100,852	62	-	-	
Kia Motors Slovakia s.r.o.		8,079	1,502	76,817	2,031	
Kia Motors America, Inc.		-	87,869	68	18,831	
BHMC		273,849	47,276	-	25,015	
HMGC		4,646	14	25	1,018	
Hyundai WIA Corporation		42,172	11,765	90,128	77,565	
Others		194,960	62,060	286,841	464,326	
Other related parties		149	381	9	-	
Affiliates by the Act	186,088	733,805	772,258	297,990		

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)				
Entities with significant influence over the Company	₩ 133,440	₩ 18,876	₩ 793,887	₩ 196,617
Hyundai MOBIS Co., Ltd.				
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	265,226	325,440	33,332	119,272
Kia Motors Corporation				
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 nine months ended September 30, 2016, between the Group and related parties are as follows:

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

Significant fund transactions and equity contribution transactions for the nine months ended September 30, 2015, between the Group and related parties are as follows:

Description	Loans		Borrowings		Acquisition	Equity contribution
	Lending	Collection	Borrowing	Repayment		
(In thousands of U.S. Dollars)						
Entities with significant influence over the Company	\$ -	\$ 60,000	\$ -	\$ -	\$ -	₩ -
Joint ventures and associates	\$ -	\$ -	\$ -	\$ -	\$ -	₩ 120,275

For the nine months ended September 30, 2016, the Group traded in other financial assets and others of ₩1,584,920 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,594,970 million in the consolidated statement of financial position as of September 30, 2016.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the nine months ended September 30, 2016 and 2015 are as follows:

Description	Nine months ended September 30,	
	2016	2015
	(In millions of Korean Won)	
Short-term employee salaries	₩ 135,696	₩ 136,005
Post-employment benefits	26,710	27,876
Other long-term benefits	317	270
	₩ 162,723	₩ 164,151

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 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	₩ 1,311	₩ 33,576		
To others	12,888	1,178,345		
	₩ 14,199	₩ 1,211,921		

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2016.
- (2) As of September 30, 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 September 30, 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 September 30, 2016, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩753,558 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 a Revolving Credit Facility Agreement which credit line is USD 250 million, JPY 60,000 million, EUR 50 million and ₩2,100,000 million with Kookmin Bank and 26 other financial institutions, as of September 30, 2016.
- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩610,000 million with Kookmin Bank and 10 other financial institutions, as of September 30, 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 nine months ended September 30, 2016 and 2015 are as follows:

	For the nine months ended September 30, 2016				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 81,013,963	₩ 11,069,677	₩ 5,786,783	₩ (28,759,403)	₩ 69,111,020
Inter-company sales	(27,736,225)	(212,697)	(810,481)	28,759,403	-
Net sales	53,277,738	10,856,980	4,976,302	-	69,111,020
Operating income	2,655,875	619,683	400,422	496,354	4,172,334

	For the nine months ended September 30, 2015				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 78,293,979	₩ 9,629,803	₩ 5,804,658	₩ (26,534,476)	₩ 67,193,964
Inter-company sales	(25,649,831)	(178,530)	(706,115)	26,534,476	-
Net sales	52,644,148	9,451,273	5,098,543	-	67,193,964
Operating income	3,678,341	770,370	199,727	194,417	4,842,855

- (3) Assets and liabilities by operating segments as of September 30, 2016 and December 31, 2015 are as follows:

	As of September 30, 2016				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 92,621,599	₩ 78,892,579	₩ 7,609,355	₩ (12,042,516)	₩ 167,081,017
Total liabilities	30,864,331	69,165,384	4,754,992	(6,950,974)	97,833,733
Borrowings and debentures	5,583,045	61,204,684	2,741,268	(2,654,752)	66,874,245

	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 nine months ended September 30, 2016 and 2015 are as follows:

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

For the nine months ended September 30, 2015							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
(In millions of Korean Won)							
Total sales	₩ 40,866,175	₩ 26,765,575	₩ 5,384,451	₩ 19,156,514	₩ 1,555,725	₩ (26,534,476)	₩ 67,193,964
Inter-company sales	(11,138,341)	(5,307,283)	(269,504)	(9,818,928)	(420)	26,534,476	-
Net sales	29,727,834	21,458,292	5,114,947	9,337,586	1,555,305	-	67,193,964

- (5) Non-current assets by region where the Group's entities are located in as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 2016	December 31, 2015
(In millions of Korean Won)		
Korea	₩ 27,774,669	₩ 27,735,116
North America	2,245,313	2,358,588
Asia	979,077	1,153,577
Europe	1,860,055	1,864,713
Others	414,485	294,438
	33,273,599	33,406,432
Consolidation adjustments	(123,385)	(117,993)
Total (*)	₩ 33,150,214	₩ 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 nine months ended September 30, 2016 and 2015.

39. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of September 30, 2016 and December 31, 2015 are as follows:

Description	September 30, 2016	December 31, 2015
(In millions of Korean Won)		
Accumulated accrual cost	₩ 10,100,926	₩ 9,774,231
Accumulated income	938,368	961,631
Accumulated construction in process	11,039,294	10,735,862
Progress billing	(9,943,725)	(9,361,257)
Due from customers	1,389,874	1,837,280
Due to customers	(294,305)	(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 September 30, 2016 are as follows:

Description	September 30, 2016
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ (61,675)
Changes in accounting estimates of total contract costs	124,627
Effects on profit or loss of current period	(10,736)
Effects on profit or loss of future periods	(175,566)
Changes in due from customers	(29,426)
Provision for construction loss	97,401

Effects on profit or loss of current and future periods were calculated by total contract costs estimated based on the situation occurred since the commencement of the contract to September 30, 2016 and the estimates of contract revenue as of September 30, 2016. Total contract revenue and costs are subject to change in future periods.

- (3) There is no contract more than 5% of the Group's revenue in the prior period that is recognized in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs for the nine months ended September 30, 2016.

40. BUSINESS COMBINATIONS:

HT, a subsidiary of the Company, acquired 100% of the shares in RPM from Kia Motors America, Inc. and obtained control over RPM on May 19, 2016. In addition, HYMEX, a subsidiary of HT merged with RPM on June 30, 2016.

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

Description	Amounts	
	(In millions of Korean Won)	
Considerations transferred	₩	22,340
Assets acquired:		
Current assets		466
Non-current assets		21,874
Fair value of identifiable net assets		22,340
Goodwill	₩	-

For the nine months ended September 30, 2016, arising from the acquisition, the Group recognized no sales and net loss of ₩390 million.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

The Company issued ₩300,000 million of corporate bonds on October 5, 2016 which expire on October 5, 2021.