



# **HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED  
JUNE 30, 2018 AND 2017**

**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 August 14, 2018

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 June 30, 2018, the related condensed consolidated statements of income and comprehensive income for the three months and six months ended June 30, 2018 and 2017, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, 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, 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 (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 28, 2018. The condensed consolidated statement of financial position as of December 31, 2017, 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, 2017.

A handwritten signature in black ink that reads "Deloitte Anjin Ue". The signature is written in a cursive, flowing style.

August 14, 2018

## Notice to Readers

This report is effective as of August 14, 2018, 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 SIX MONTHS  
ENDED JUNE 30, 2018 AND 2017**

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

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

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

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2018 AND DECEMBER 31, 2017

| ASSETS   | NOTES | June 30, 2018 | December 31, 2017 |
|--|-------|---------------|-------------------|
| (In millions of Korean Won)                    |       |               |                   |
| Current assets:                                |       |               |                   |
| Cash and cash equivalents                      | 19    | ₩ 8,776,808   | ₩ 8,821,529       |
| Short-term financial instruments               | 19    | 8,300,888     | 7,745,829         |
| Other financial assets                         | 5,19  | 10,458,788    | 12,886,769        |
| Trade notes and accounts receivable            | 3,19  | 3,769,975     | 3,838,043         |
| Other receivables                              | 4,19  | 3,162,212     | 3,007,869         |
| Inventories                                    | 6     | 10,631,184    | 10,279,904        |
| Current tax assets                             |       | 85,224        | 91,263            |
| Financial services receivables                 | 13,19 | 25,770,255    | 25,536,188        |
| Non-current assets classified as held for sale | 8     | 29,068        | 29,068            |
| Other assets                                   | 7,19  | 1,923,601     | 1,739,452         |
| Total current assets                           |       | 72,908,003    | 73,975,914        |
| Non-current assets:                            |       |               |                   |
| Long-term financial instruments                | 19    | 104,388       | 145,277           |
| Other financial assets                         | 5,19  | 2,248,311     | 2,512,409         |
| Long-term trade notes and accounts receivable  | 3,19  | 132,070       | 123,933           |
| Other receivables                              | 4,19  | 1,141,885     | 1,227,602         |
| Property, plant and equipment("PP&E")          | 9     | 29,816,167    | 29,827,142        |
| Investment property                            | 10    | 195,651       | 199,498           |
| Intangible assets                              | 11    | 4,753,997     | 4,809,336         |
| Investments in joint ventures and associates   | 12    | 17,640,251    | 17,252,338        |
| Deferred tax assets                            |       | 1,489,235     | 1,123,902         |
| Financial services receivables                 | 13,19 | 27,133,932    | 25,631,830        |
| Operating lease assets                         | 14    | 21,061,060    | 20,727,950        |
| Other assets                                   | 7,19  | 706,863       | 642,323           |
| Total non-current assets                       |       | 106,423,810   | 104,223,540       |
| Total assets                                   |       | ₩ 179,331,813 | ₩ 178,199,454     |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2018 AND DECEMBER 31, 2017 (CONTINUED)

| LIABILITIES AND EQUITY                           | NOTES | June 30, 2018               | December 31, 2017 |
|--|-------|-----------------------------|-------------------|
|  |       | (In millions of Korean Won) |                   |
| Current liabilities:                             |       |                             |                   |
| Trade notes and accounts payable                 | 19    | ₩ 7,135,844                 | ₩ 6,483,875       |
| Other payables                                   | 19    | 3,938,704                   | 5,040,057         |
| Short-term borrowings                            | 15,19 | 9,613,818                   | 9,959,654         |
| Current portion of long-term debt and debentures | 15,19 | 14,768,706                  | 13,098,547        |
| Income tax payable                               |       | 346,151                     | 151,525           |
| Provisions                                       | 16    | 2,008,588                   | 1,809,978         |
| Other financial liabilities                      | 17,19 | 49,395                      | 25,652            |
| Other liabilities                                | 18,19 | 6,403,353                   | 6,591,421         |
| Total current liabilities                        |       | 44,264,559                  | 43,160,709        |
| Non-current liabilities:                         |       |                             |                   |
| Long-term other payables                         | 19    | 20,194                      | 19,189            |
| Debentures                                       | 15,19 | 39,306,781                  | 36,454,192        |
| Long-term debt                                   | 15,19 | 9,243,201                   | 12,488,137        |
| Net defined benefit liabilities                  | 33    | 326,839                     | 157,213           |
| Provisions                                       | 16    | 4,805,964                   | 4,844,463         |
| Other financial liabilities                      | 17,19 | 288,954                     | 438,070           |
| Deferred tax liabilities                         |       | 3,335,720                   | 3,234,707         |
| Other liabilities                                | 18,19 | 2,786,421                   | 2,645,420         |
| Total non-current liabilities                    |       | 60,114,074                  | 60,281,391        |
| Total liabilities                                |       | 104,378,633                 | 103,442,100       |
| Equity:  |       |                             |                   |
| Capital stock                                    | 20    | 1,488,993                   | 1,488,993         |
| Capital surplus                                  | 21    | 4,201,214                   | 4,201,214         |
| Other capital items                              | 22    | (2,010,783)                 | (1,640,096)       |
| Accumulated other comprehensive loss             | 23    | (2,482,808)                 | (2,278,955)       |
| Retained earnings                                | 24    | 68,064,680                  | 67,332,328        |
| Equity attributable to the owners of the Company |       | 69,261,296                  | 69,103,484        |
| Non-controlling interests                        |       | 5,691,884                   | 5,653,870         |
| Total equity                                     |       | 74,953,180                  | 74,757,354        |
| Total liabilities and equity                     |       | ₩ 179,331,813               | ₩ 178,199,454     |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

|  |       | 2018                           |                              | 2017                           |                              |
|--|-------|--------------------------------|------------------------------|--------------------------------|------------------------------|
|  | NOTES | Three months<br>ended June 30, | Six months<br>ended June 30, | Three months<br>ended June 30, | Six months<br>ended June 30, |
| (In millions of Korean Won, except per share amounts)            |       |                                |                              |                                |                              |
| Sales  | 25,38 | ₩ 24,711,802                   | ₩ 47,148,363                 | ₩ 24,308,002                   | ₩ 47,673,961                 |
| Cost of sales  | 30    | 20,785,311                     | 39,754,359                   | 19,581,166                     | 38,653,822                   |
| Gross profit   |       | 3,926,491                      | 7,394,004                    | 4,726,836                      | 9,020,139                    |
| Selling and administrative expenses                              | 26,30 | 2,975,674                      | 5,761,896                    | 3,382,366                      | 6,424,908                    |
| Operating income   |       | 950,817                        | 1,632,108                    | 1,344,470                      | 2,595,231                    |
| Gain on investments in joint ventures and<br>associates, net     | 27    | 235,670                        | 478,165                      | 143,359                        | 545,782                      |
| Finance income   | 28    | 204,123                        | 400,375                      | 254,255                        | 514,756                      |
| Finance expenses   | 28    | 195,108                        | 303,995                      | 561,048                        | 649,306                      |
| Other income   | 29    | 316,673                        | 525,947                      | 349,131                        | 646,448                      |
| Other expenses   | 29,30 | 383,345                        | 677,884                      | 365,197                        | 730,888                      |
| Income before income tax   |       | 1,128,830                      | 2,054,716                    | 1,164,970                      | 2,922,023                    |
| Income tax expense   | 32    | 318,103                        | 512,354                      | 251,344                        | 602,703                      |
| Profit for the period  |       | ₩ 810,727                      | ₩ 1,542,362                  | ₩ 913,626                      | ₩ 2,319,320                  |
| Profit attributable to:  |       |                                |                              |                                |                              |
| Owners of the Company  |       | 700,599                        | 1,368,613                    | 816,877                        | 2,147,443                    |
| Non-controlling interests  |       | 110,128                        | 173,749                      | 96,749                         | 171,877                      |
| Earnings per share attributable to the owners<br>of the Company: | 31    |                                |                              |                                |                              |
| Basic earnings per share:  |       |                                |                              |                                |                              |
| Common stock   |       | ₩ 2,614                        | ₩ 5,096                      | ₩ 3,036                        | ₩ 7,984                      |
| 1 <sup>st</sup> preferred stock                                  |       | ₩ 2,626                        | ₩ 5,119                      | ₩ 3,049                        | ₩ 8,009                      |
| Diluted earnings per share:                                      |       |                                |                              |                                |                              |
| Common stock   |       | ₩ 2,614                        | ₩ 5,096                      | ₩ 3,036                        | ₩ 7,984                      |
| 1 <sup>st</sup> preferred stock                                  |       | ₩ 2,626                        | ₩ 5,119                      | ₩ 3,049                        | ₩ 8,009                      |

See accompanying notes to consolidated financial statements



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

|  | 2018                           |                              | 2017                           |                              |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
|  | Three months<br>ended June 30, | Six months<br>ended June 30, | Three months<br>ended June 30, | Six months<br>ended June 30, |
|  | (In millions of Korean Won)    |                              |                                |                              |
| Profit for the period  | ₩ 810,727                      | ₩ 1,542,362                  | ₩ 913,626                      | ₩ 2,319,320                  |
| Other comprehensive income (loss):                                     |                                |                              |                                |                              |
| Items that will not be reclassified subsequently to<br>profit or loss: |                                |                              |                                |                              |
| Loss on financial assets measured at<br>FVOCI, net                     | (121,259)                      | (115,374)                    | -                              | -                            |
| Remeasurements of defined benefit plans                                | 3,110                          | 996                          | (4,393)                        | (2,980)                      |
| Changes in retained earnings of equity-accounted<br>investees, net     | (1,947)                        | (1,556)                      | 704                            | (3,786)                      |
| Changes in share of earnings of equity-accounted<br>investees, net     | (28,130)                       | (20,959)                     | -                              | -                            |
|  | <u>(148,226)</u>               | <u>(136,893)</u>             | <u>(3,689)</u>                 | <u>(6,766)</u>               |
| Items that may be reclassified subsequently to<br>profit or loss:      |                                |                              |                                |                              |
| Loss on financial assets measured at<br>FVOCI, net                     | (2,022)                        | (5,617)                      | -                              | -                            |
| Gain on available-for-sale ("AFS")<br>financial assets, net            | -                              | -                            | 339,991                        | 346,938                      |
| Gain (loss) on valuation of cash flow hedge<br>derivatives, net        | (76,621)                       | (133,087)                    | (16,861)                       | 8,947                        |
| Changes in share of earnings of equity-accounted<br>investees, net     | 14,394                         | 139,084                      | 227,818                        | (144,811)                    |
| Gain (loss) on foreign operations translation, net                     | 246,309                        | 236,688                      | 421,656                        | (402,692)                    |
|  | <u>182,060</u>                 | <u>237,068</u>               | <u>972,604</u>                 | <u>(191,618)</u>             |
| Total other comprehensive income (loss)                                | <u>33,834</u>                  | <u>100,175</u>               | <u>968,915</u>                 | <u>(198,384)</u>             |
| Total comprehensive income   | <u>₩ 844,561</u>               | <u>₩ 1,642,537</u>           | <u>₩ 1,882,541</u>             | <u>₩ 2,120,936</u>           |
| Comprehensive income attributable to:                                  |                                |                              |                                |                              |
| Owners of the Company  | 727,225                        | 1,476,723                    | 1,754,563                      | 1,979,275                    |
| Non-controlling interests  | 117,336                        | 165,814                      | 127,978                        | 141,661                      |
| Total comprehensive income   | <u>₩ 844,561</u>               | <u>₩ 1,642,537</u>           | <u>₩ 1,882,541</u>             | <u>₩ 2,120,936</u>           |

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

|   | Capital<br>stock            | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Company | Non-<br>controlling<br>interests | Total<br>equity     |
|---|-----------------------------|--------------------|---------------------------|--|----------------------|---|----------------------------------|---------------------|
|   | (In millions of Korean Won) |                    |                           |  |                      |   |                                  |                     |
| Balance at<br>January 1, 2017                                     | ₩ 1,488,993                 | ₩ 4,202,597        | ₩ (1,640,096)             | ₩ (1,223,244)  | ₩ 64,361,408         | ₩ 67,189,658  | ₩ 5,154,920                      | ₩ 72,344,578        |
| Comprehensive<br>income:  |                             |                    |                           |  |                      |   |                                  |                     |
| Profit for the period   | -                           | -                  | -                         | -  | 2,147,443            | 2,147,443   | 171,877                          | 2,319,320           |
| Gain on AFS<br>financial assets, net                              | -                           | -                  | -                         | 345,451  | -                    | 345,451   | 1,487                            | 346,938             |
| Gain on<br>valuation of<br>cash flow hedge<br>derivatives, net    | -                           | -                  | -                         | 630  | -                    | 630   | 8,317                            | 8,947               |
| Changes in valuation<br>of equity-accounted<br>investees, net     | -                           | -                  | -                         | (141,095)  | (3,786)              | (144,881)   | (3,716)                          | (148,597)           |
| Remeasurements of<br>defined benefit plans                        | -                           | -                  | -                         | -  | (2,394)              | (2,394)   | (586)                            | (2,980)             |
| Loss on foreign<br>operations<br>translation, net                 | -                           | -                  | -                         | (366,974)  | -                    | (366,974)   | (35,718)                         | (402,692)           |
| Total comprehensive<br>income (loss)                              | -                           | -                  | -                         | (161,988)  | 2,141,263            | 1,979,275   | 141,661                          | 2,120,936           |
| Transactions with<br>owners, recorded<br>directly in equity:      |                             |                    |                           |  |                      |   |                                  |                     |
| Payment of cash<br>dividends                                      | -                           | -                  | -                         | -  | (810,851)            | (810,851)   | (35,595)                         | (846,446)           |
| Increase in<br>subsidiaries' stock                                | -                           | (1,406)            | -                         | -  | -                    | (1,406)   | 27,746                           | 26,340              |
| Purchases of<br>subsidiaries' stock                               | -                           | -                  | -                         | -  | -                    | -   | 32,609                           | 32,609              |
| Others  | -                           | -                  | -                         | -  | (4)                  | (4)   | -                                | (4)                 |
| Total transactions with<br>owners, recorded<br>directly in equity | -                           | (1,406)            | -                         | -  | (810,855)            | (812,261)   | 24,760                           | (787,501)           |
| Balance at<br>June 30, 2017                                       | <u>₩ 1,488,993</u>          | <u>₩ 4,201,191</u> | <u>₩ (1,640,096)</u>      | <u>₩ (1,385,232)</u>                                   | <u>₩ 65,691,816</u>  | <u>₩ 68,356,672</u>   | <u>₩ 5,321,341</u>               | <u>₩ 73,678,013</u> |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)

|   | Capital<br>stock            | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Company | Non-<br>controlling<br>interests | Total<br>equity |
|---|-----------------------------|--------------------|---------------------------|--|----------------------|---|----------------------------------|-----------------|
|   | (In millions of Korean Won) |                    |                           |  |                      |   |                                  |                 |
| Balance at<br>January 1, 2018                                     | ₩ 1,488,993                 | ₩ 4,201,214        | ₩ (1,640,096)             | ₩ (2,278,955)  | ₩ 67,332,328         | ₩ 69,103,484  | ₩ 5,653,870                      | ₩ 74,757,354    |
| Changes in<br>accounting standards                                | -                           | -                  | -                         | (331,080)  | 193,954              | (137,126)   | (77,022)                         | (214,148)       |
| Balances after<br>adjustments                                     | 1,488,993                   | 4,201,214          | (1,640,096)               | (2,610,035)  | 67,526,282           | 68,966,358  | 5,576,848                        | 74,543,206      |
| Comprehensive<br>income:  |                             |                    |                           |  |                      |   |                                  |                 |
| Profit for the period   | -                           | -                  | -                         | -  | 1,368,613            | 1,368,613   | 173,749                          | 1,542,362       |
| Gain (loss) on financial<br>assets measured at<br>FVOCI, net      | -                           | -                  | -                         | (101,666)  | (19,423)             | (121,089)   | 98                               | (120,991)       |
| Loss on valuation of<br>cash flow hedge<br>derivatives, net       | -                           | -                  | -                         | (83,479)   | -                    | (83,479)  | (49,608)                         | (133,087)       |
| Changes in valuation of<br>equity-accounted<br>investees, net     | -                           | -                  | -                         | 113,555  | (1,556)              | 111,999   | 4,570                            | 116,569         |
| Remeasurements of<br>defined benefit plans                        | -                           | -                  | -                         | -  | 1,862                | 1,862   | (866)                            | 996             |
| Gain on foreign<br>operations<br>translation, net                 | -                           | -                  | -                         | 198,817  | -                    | 198,817   | 37,871                           | 236,688         |
| Total comprehensive<br>Income                                     | -                           | -                  | -                         | 127,227  | 1,349,496            | 1,476,723   | 165,814                          | 1,642,537       |
| Transactions with<br>owners, recorded<br>directly in equity:      |                             |                    |                           |  |                      |   |                                  |                 |
| Payment of cash<br>dividends                                      | -                           | -                  | -                         | -  | (810,851)            | (810,851)   | (50,727)                         | (861,578)       |
| Acquisitions of<br>subsidiaries                                   | -                           | -                  | -                         | -  | -                    | -   | 10                               | 10              |
| Purchases of treasury<br>stocks                                   | -                           | -                  | (370,687)                 | -  | -                    | (370,687)   | -                                | (370,687)       |
| Others  | -                           | -                  | -                         | -  | (247)                | (247)   | (61)                             | (308)           |
| Total transactions with<br>owners, recorded<br>directly in equity | -                           | -                  | (370,687)                 | -  | (811,098)            | (1,181,785)   | (50,778)                         | (1,232,563)     |
| Balance at<br>June 30, 2018                                       | ₩ 1,488,993                 | ₩ 4,201,214        | ₩ (2,010,783)             | ₩ (2,482,808)  | ₩ 68,064,680         | ₩ 69,261,296  | ₩ 5,691,884                      | ₩ 74,953,180    |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

|  | NOTES | Six months ended June 30,   |             |
|--|-------|-----------------------------|-------------|
|  |       | 2018                        | 2017        |
|  |       | (In millions of Korean Won) |             |
| Cash flows from operating activities:                            |       |                             |             |
| Cash generated from operations:                                  | 34    |                             |             |
| Profit for the period  |       | ₩ 1,542,362                 | ₩ 2,319,320 |
| Adjustments  |       | 6,382,290                   | 6,769,087   |
| Changes in operating assets and liabilities                      |       | (4,297,135)                 | (5,905,954) |
|  |       | 3,627,517                   | 3,182,453   |
| Interest received  |       | 290,858                     | 235,010     |
| Interest paid  |       | (954,683)                   | (903,150)   |
| Dividend received  |       | 192,010                     | 206,267     |
| Income tax paid  |       | (520,998)                   | (781,005)   |
| Net cash provided by operating activities                        |       | 2,634,704                   | 1,939,575   |
| Cash flows from investing activities:                            |       |                             |             |
| Decrease from purchase of short-term financial instruments, net  |       | (527,680)                   | (314,640)   |
| Proceeds from disposals of other financial assets (current), net |       | 1,845,718                   | 345,601     |
| Proceeds from disposals of other financial assets (non-current)  |       | 73,669                      | 22,291      |
| Receipts from other receivables                                  |       | 69,423                      | 120,127     |
| Disposals of long-term financial instruments                     |       | 1                           | 10          |
| Proceeds from disposals of property, plant and equipment         |       | 34,237                      | 64,887      |
| Proceeds from disposals of intangible assets                     |       | 645                         | 459         |
| Acquisitions of subsidiaries                                     |       | 10                          | -           |
| Acquisitions of other financial assets (non-current)             |       | (78,103)                    | (93,380)    |
| Increases in other receivables                                   |       | (32,017)                    | (117,956)   |
| Purchases of long-term financial instruments                     |       | (8,128)                     | (11,447)    |
| Acquisitions of property, plant and equipment                    |       | (1,468,534)                 | (1,429,663) |
| Acquisitions of intangible assets                                |       | (605,479)                   | (585,739)   |
| Cash outflows from business combinations                         |       | -                           | (13,086)    |
| Acquisitions of investments in joint ventures and associates     |       | (16,781)                    | (57,400)    |
| Other cash receipts (payments) from investing activities, net    |       | (423)                       | 40,467      |
| Net cash used in investing activities                            |       | (713,442)                   | (2,029,469) |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)

|  | NOTES | Six months ended June 30,   |                    |
|--|-------|-----------------------------|--------------------|
|  |       | 2018                        | 2017               |
|  |       | (In millions of Korean Won) |                    |
| Cash flows from financing activities:                        |       |                             |                    |
| Proceeds from (repayment of) short-term borrowings, net      | ₩     | (698,202)                   | ₩ 1,917,280        |
| Proceeds from long-term debt and debentures                  |       | 10,461,217                  | 13,931,125         |
| Paid-in capital increase of subsidiaries                     |       | -                           | 26,340             |
| Repayment of long-term debt and debentures                   |       | (10,480,250)                | (15,434,537)       |
| Purchases of treasury stocks                                 |       | (370,687)                   | -                  |
| Dividends paid   |       | (861,578)                   | (846,397)          |
| Other cash payments from financing activities, net           |       | (35,174)                    | (35,572)           |
| Net cash used in financing activities                        |       | <u>(1,984,674)</u>          | <u>(441,761)</u>   |
| Effect of exchange rate changes on cash and cash equivalents |       | 18,691                      | (112,420)          |
| Net decrease in cash and cash equivalents                    |       | (44,721)                    | (644,075)          |
| Cash and cash equivalents, beginning of the period           |       | <u>8,821,529</u>            | <u>7,890,089</u>   |
| Cash and cash equivalents, end of the period                 | ₩     | <u>8,776,808</u>            | <u>₩ 7,246,014</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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017

### 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 June 30, 2018, 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 June 30, 2018, are as follows:

| Name of subsidiaries                                      | Nature of business | Location | Ownership percentage | Indirect ownership                      |
|---|--------------------|----------|----------------------|---|
| Hyundai Capital Services, Inc.                            | Financing          | Korea    | 59.68%               |   |
| Hyundai Card Co., Ltd. (*1)                               | “                  | “        | 36.96%               |   |
| Hyundai Rotem Company (Hyundai Rotem) (*2)                | 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%              |   |
| Genesis Motor America LLC                                 | Sales              | “        | 100.00%              | HMA 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          | “        | 70.00%               | Hyundai Capital Services 20.00%         |
| Hyundai Capital Lease Inc. (HCLI)                         | “                  | “        | 100.00%              | HCCA 100.00%                            |
| HK Lease Funding LP                                       | “                  | “        | 100.00%              | HCLI 99.99%,<br>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%              |   |

| Name of 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%                                     |
| Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.                             | Real estate development | "           | 99.00%               | CMEs 99.00%                                       |
| Rotem equipments (Beijing) Co., Ltd.   | Sales                   | "           | 100.00%              | Hyundai Rotem 100.00%                             |
| KEFICO Automotive Systems (Beijing) Co., Ltd.  | Manufacturing           | "           | 100.00%              | Hyundai KEFICO 100.00%                            |
| KEFICO Automotive Systems (Chongqing) Co., Ltd.  | "                       | "           | 90.00%               | Hyundai KEFICO 90.00%                             |
| KEFICO VIETNAM COMPANY LIMITED   | "                       | Vietnam     | 100.00%              | Hyundai KEFICO 100.00%                            |
| HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV) (*1)                      | "                       | "           | 50.00%               |   |
| Hyundai Thanh cong Commercial Vehicle Joint Stock Company (HTCV) (*1)                      | "                       | "           | 50.00%               |   |
| Hyundai Motor Company Australia Pty Limited (HMCA)   | Sales                   | Australia   | 100.00%              |   |
| Hyundai Capital Australia Pty Limited  | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                  |
| HR Mechanical Services Limited   | Services                | New Zealand | 100.00%              | Hyundai Rotem 100.00%                             |
| Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)   | Manufacturing           | Czech       | 100.00%              |   |
| Hyundai Motor Czech s.r.o (HMCZ)   | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Europe GmbH (HME)  | Marketing and sales     | Germany     | 100.00%              |   |
| Hyundai Motor Deutschland GmbH (HMD)   | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Europe Technical Center GmbH (HMETC)   | R&D                     | "           | 100.00%              |   |
| Hyundai Motor Sport GmbH (HMSG)  | Marketing               | "           | 100.00%              | HME 100.00%                                       |
| Hyundai Capital Europe GmbH  | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                  |
| Hyundai Capital Bank Europe GmbH   | "                       | "           | 85.00%               | Hyundai Capital Services 65.00%                   |
| Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)                           | Holding company         | Netherlands | 100.00%              | HMMR 1.40%  |
| Hyundai Motor Netherlands B.V. (HMNL)  | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Manufacturing Rus LLC (HMMR)   | Manufacturing           | Russia      | 70.00%               |   |
| Hyundai Motor Commonwealth of Independent States (HMCIS)                                   | Sales                   | "           | 100.00%              | HMCIS B.V 100.00%                                 |
| Hyundai Capital Services Limited Liability Company   | Financing               | "           | 100.00%              | Hyundai Capital Europe 100.00%                    |
| Hyundai Truck And Bus Rus LLC (HTBR)   | Sales                   | "           | 100.00%              |   |
| Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)                                     | Manufacturing           | Turkey      | 70.00%               |   |
| Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S.                                  | "                       | "           | 50.50%               | Hyundai Rotem 50.50%                              |
| Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI | Sales                   | "           | 100.00%              | Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00% |
| Hyundai Rotem Company – Hyundai EUrotem Mahmutbey Projesi ORTAK GIRISIMI                   | "                       | "           | 100.00%              | Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00% |
| Hyundai Motor UK Limited (HMUK)  | "                       | UK          | 100.00%              |   |
| Hyundai Motor Company Italy S.r.l (HMCI)   | "                       | Italy       | 100.00%              |   |
| Hyundai Motor Espana. S.L.U. (HMES)  | "                       | Spain       | 100.00%              |   |
| Hyundai Motor France SAS (HMF)   | "                       | France      | 100.00%              |   |
| Hyundai Motor Poland Sp. Zo. O (HMP)   | "                       | Poland      | 100.00%              |   |
| Hyundai Motor DE Mexico S DE RL DE CV (HMM)  | "                       | Mexico      | 100.00%              | HT 0.01%  |

| Name of subsidiaries  | Nature of business      | Location       | Ownership percentage | Indirect ownership               |
|---|-------------------------|----------------|----------------------|----------------------------------|
| Hyundai de Mexico, SA DE C.V., (HYMEX)  | Manufacturing           | Mexico         | 99.99%               | HT 99.99%                        |
| HYUNDAI KEFICO MEXICO S DE RL DE CV   | "                       | "              | 100.00%              | Hyundai KEFICO 100.00%           |
| Hyundai Rio Vista, Inc.   | Real estate development | USA            | 100.00%              | HT 100.00%                       |
| Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)                         | Manufacturing           | Brazil         | 100.00%              |                                  |
| Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda                  | Financing               | "              | 100.00%              | Hyundai Capital Services 100.00% |
| Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.                        | Manufacturing           | "              | 100.00%              | Hyundai Rotem 100.00%            |
| HMB Holding Participacoes Financeiras Ltda.                                     | Holding company         | "              | 99.99%               | HMB 99.99%                       |
| China Millennium Corporations (CMEs)  | "                       | Cayman Islands | 59.60%               |                                  |
| KyoboAXA Private Tomorrow Securities Investment Trust No.12                     | Investment              | Korea          | 100.00%              |                                  |
| Shinhan BNPP Private Corporate Security Investment Trust No.34                  | "                       | "              | 100.00%              |                                  |
| Shinhan BNPP Private Corporate Security Investment Trust No.36 (*3)             | "                       | "              | 100.00%              |                                  |
| Miraasset Triumph Private Equity Security Investment Trust No.15                | "                       | "              | 100.00%              |                                  |
| ZERO1NE Accelerator Investment Fund No.1  | "                       | "              | 99.00%               |                                  |
| Autopia Fifty-Fourth ~ Sixty-Fourth Asset Securitization Specialty Company (*1) | Financing               | "              | 0.50%                | Hyundai Capital Services 0.50%   |
| Privia the Fifth Securitization Specialty Co., Ltd. (*1)                        | "                       | "              | 0.50%                | Hyundai Card 0.50%               |
| Super Series First ~ Fifth Securitization Specialty Co., Ltd. (*1)              | "                       | "              | 0.50%                | "                                |
| Bluewalnut Co., Ltd.  | "                       | "              | 100.00%              | Hyundai Card 100.00%             |
| Hyundai CHA Funding, LLC  | "                       | USA            | 100.00%              | HCA 100.00%                      |
| Hyundai Lease Titling Trust   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Two, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Three, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Four, LLC  | "                       | "              | 100.00%              | "                                |
| Hyundai ABS Funding, LLC  | "                       | "              | 100.00%              | "                                |
| HK Real Properties, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Auto Lease Offering, LLC  | "                       | "              | 100.00%              | "                                |
| Hyundai HK Lease, LLC   | "                       | "              | 100.00%              | "                                |
| Extended Term Amortizing Program, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Asset Backed Lease, LLC   | "                       | "              | 100.00%              | "                                |
| HCA Exchange, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Protection Plan, Inc.   | Insurance               | "              | 100.00%              | "                                |
| Hyundai Protection Plan Florida, Inc.   | "                       | "              | 100.00%              | "                                |
| Hyundai Capital Insurance Services, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Capital Insurance Company   | "                       | "              | 100.00%              | "                                |
| Power Protect Extended Services, Inc.   | "                       | "              | 100.00%              | "                                |
| Power Protect Extended Services Florida, Inc.                                   | "                       | "              | 100.00%              | "                                |

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

(\*2) Even though the shareholding ratio of ownership is less than half, the Group has de facto control over the entity due to the relative size of the voting rights held and the degree of share dispersion of other voting rights holders.

(\*3) Name of company has been changed due to change of fund management company for the year ended December 31, 2017.



- (2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the six months ended June 30, 2018 are as follows:

| Name of subsidiaries               | Assets       | Liabilities                 | Sales       | Profit (loss)<br>for the period |
|------------------------------------|--------------|-----------------------------|-------------|---------------------------------|
|                                    |              | (In millions of Korean Won) |             |                                 |
| Hyundai Capital Services, Inc. (*) | ₩ 28,829,679 | ₩ 24,783,307                | ₩ 1,632,261 | ₩ 186,437                       |
| Hyundai Card Co., Ltd. (*)         | 15,694,409   | 12,865,716                  | 1,529,572   | 77,390                          |
| Hyundai Rotem Company (*)          | 3,813,257    | 2,416,008                   | 1,148,750   | (8,870)                         |
| Hyundai KEFICO Corporation (*)     | 1,685,020    | 1,073,284                   | 900,587     | 17,395                          |
| HCA (*)                            | 38,295,909   | 33,874,033                  | 4,803,376   | 138,170                         |
| HMA                                | 6,304,345    | 5,101,791                   | 7,035,183   | (390,576)                       |
| HMMA                               | 4,512,112    | 1,794,541                   | 2,899,268   | 84,482                          |
| HMMC                               | 3,691,953    | 1,727,874                   | 3,247,329   | 187,353                         |
| HMI (*)                            | 3,382,850    | 1,431,031                   | 3,319,990   | 203,881                         |
| HME (*)                            | 1,866,445    | 1,840,422                   | 4,741,410   | 3,411                           |
| HAOSVT                             | 1,603,830    | 1,234,624                   | 1,533,949   | (8,842)                         |
| HMMR                               | 1,454,849    | 873,634                     | 1,485,216   | 81,527                          |
| HACC (*)                           | 1,294,615    | 835,432                     | 1,334,113   | (27,411)                        |
| HMB                                | 1,113,195    | 692,836                     | 1,042,251   | 66,639                          |
| HMCA                               | 720,495      | 559,658                     | 949,242     | 689                             |

(\*) 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 six months ended June 30, 2017 are as follows:

| Name of subsidiaries               | Assets       | Liabilities                 | Sales       | Profit (loss)<br>for the period |
|------------------------------------|--------------|-----------------------------|-------------|---------------------------------|
|                                    |              | (In millions of Korean Won) |             |                                 |
| Hyundai Capital Services, Inc. (*) | ₩ 26,157,413 | ₩ 22,239,452                | ₩ 1,581,279 | ₩ 162,334                       |
| Hyundai Card Co., Ltd. (*)         | 14,315,507   | 11,488,539                  | 1,521,442   | 130,804                         |
| Hyundai Rotem Company (*)          | 4,100,865    | 2,629,515                   | 1,320,412   | 7,648                           |
| Hyundai KEFICO Corporation (*)     | 1,324,370    | 714,799                     | 855,260     | 25,826                          |
| HCA (*)                            | 40,256,262   | 37,299,545                  | 4,585,808   | 33,250                          |
| HMA                                | 8,830,739    | 6,752,595                   | 8,315,946   | (245,385)                       |
| HMMA                               | 4,752,952    | 2,180,629                   | 4,057,010   | 16,886                          |
| HMMC                               | 3,776,229    | 1,729,416                   | 3,498,235   | 257,073                         |
| HMI (*)                            | 2,991,240    | 1,316,095                   | 2,917,762   | 136,805                         |
| HAOSVT                             | 1,638,162    | 1,295,642                   | 1,547,730   | 3,408                           |
| HME (*)                            | 1,554,437    | 1,530,185                   | 4,475,309   | 7,046                           |
| HACC (*)                           | 1,427,293    | 989,304                     | 1,339,579   | (67,414)                        |
| HMMR                               | 1,298,535    | 840,177                     | 1,422,858   | 65,085                          |
| HMB                                | 1,150,344    | 768,040                     | 1,086,546   | 8,397                           |
| HMCA                               | 888,928      | 718,244                     | 1,023,569   | (6,233)                         |

(\*) 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 six months ended June 30, 2018 are as follows:

| Description  | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|--|-----------------------------------|---------------------------|--------------------------|
| (In millions of Korean Won)                                  |                                   |                           |                          |
| Cash flows from operating activities                         | ₩ (657,669)                       | ₩ (358,485)               | ₩ (131,976)              |
| Cash flows from investing activities                         | (35,129)                          | (30,623)                  | (7,980)                  |
| Cash flows from financing activities                         | 1,010,206                         | 670,337                   | (52,103)                 |
| Effect of exchange rate changes on cash and cash equivalents | -                                 | -                         | 211                      |
| Net increase (decrease) in cash and cash equivalents         | ₩ 317,408                         | ₩ 281,229                 | ₩ (191,848)              |

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the six months ended June 30, 2017 are as follows:

| Description  | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|--|-----------------------------------|---------------------------|--------------------------|
| (In millions of Korean Won)                                  |                                   |                           |                          |
| Cash flows from operating activities                         | ₩ (805,023)                       | ₩ 257,796                 | ₩ 234,700                |
| Cash flows from investing activities                         | (58,436)                          | (30,920)                  | 32,944                   |
| Cash flows from financing activities                         | 1,031,895                         | (72,246)                  | (436,132)                |
| Effect of exchange rate changes on cash and cash equivalents | -                                 | -                         | (953)                    |
| Net increase (decrease) in cash and cash equivalents         | ₩ 168,436                         | ₩ 154,630                 | ₩ (169,441)              |

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of June 30, 2018 are as follows:

| Description   | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|---|-----------------------------------|---------------------------|--------------------------|
| (In millions of Korean Won)                             |                                   |                           |                          |
| Ownership percentage of non-controlling interests       | 40.32%                            | 63.04%                    | 56.64%                   |
| Non-controlling interests                               | ₩ 1,631,942                       | ₩ 1,783,313               | ₩ 855,488                |
| Profit (loss) attributable to non-controlling interests | 74,987                            | 48,790                    | (6,171)                  |
| Dividends paid to non-controlling interests             | 34,319                            | 12,241                    | 4,120                    |

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2017 are as follows:

| Description   | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|---|-----------------------------------|---------------------------|--------------------------|
| (In millions of Korean Won)                             |                                   |                           |                          |
| Ownership percentage of non-controlling interests       | 40.32%                            | 63.04%                    | 56.64%                   |
| Non-controlling interests                               | ₩ 1,641,343                       | ₩ 1,809,592               | ₩ 870,219                |
| Profit (loss) attributable to non-controlling interests | 119,873                           | 120,770                   | (36,761)                 |
| Dividends paid to non-controlling interests             | 33,438                            | 23,571                    | 2,110                    |

(6) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the six months ended June 30, 2018 are as follows:

| Changes  | Name of subsidiaries  | Description |
|----------|---|-------------|
| Included | HCA Exchange, LLC   | Acquisition |
| "        | ZER01NE Accelerator Investment Fund No.1                    | "           |
| Excluded | Privia the Fourth Securitization Specialty Co., Ltd.        | Liquidation |
| "        | Autopia Fifty-Second Asset Securitization Specialty Company | "           |

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

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the six months ended June 30, 2018 and 2017, 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, 2017, 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, 2017, 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, 2018 are as follows:

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

The enactments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. This enactment supersedes K-IFRS 1039 - Financial Instruments: Recognition and Measurement.

The Group elects not to restate comparative information for the prior period when applying this enactment for the first time.

The main contents of this enactment and impacts on the Group's consolidated financial statements are as follows:

#### A. Classification and measurement of financial assets

The Group classifies financial assets as seen in the table below based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). If the host contract is determined in a hybrid contract, an entity may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract.

| Business model   | Contractual cash flows characteristic |           |
|--|---------------------------------------|-----------|
|  | Principal and Interest                | Otherwise |
| Financial assets for contractual cash inflows              | Measured at amortised cost (*1)       |           |
| Financial assets for contractual cash inflows and for sale | FVOCI (*1)                            | FVPL (*2) |
| Financial assets for sale and others                       | FVPL                                  |           |

(\*1) An entity may measure at FVPL to eliminate or reduce accounting mismatch (irrevocable).

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

The Group has evaluated and reviewed financial assets held in relation to classification and measurement based on the information available at the date of initial application, and financial impacts on financial assets are as follows:

The objective of financial assets held that are recognized as measured at amortised cost under K-IFRS 1039, such as held-to-maturity or loans and receivables is to collect contractual cash flows and the nature of their cash flows are solely payments of principal and interest on the principal amount outstanding. Therefore, loans and receivables are classified as financial assets measured at amortised cost under K-IFRS 1109, and there is no significant impact on the Group's consolidated financial statements.

The Group holds debt instruments recognized as AFS financial assets under K-IFRS 1039 for contractual cash inflows and for sale. The Group classified those debt instruments as financial assets measured at FVOCI only when cash flows are solely payments of principal and interest on the principal amount outstanding; otherwise, as financial assets measured at FVPL. The fair value change of debt instruments measured at FVOCI shall be cumulatively recognized in other comprehensive income, until derecognised or reclassified. The fair value change of debt instruments measured at FVPL shall be recognized in profit or loss. The Group deems above impact is not material.

K-IFRS 1109 permits an entity to make an irrevocable election to designate at other comprehensive income for changes in the fair value of an investment in an equity instrument that is not held for trading. Gains and losses presented in other comprehensive income cannot be subsequently recycled to profit or loss.

The Group designated AFS financial assets held for long-term investments as financial assets measured at FVOCI. Therefore, the opening retained earnings as of January 1, 2018 increased by ₩331,080 million due to retrospective adjustment of impairment in AFS financial asset.

Financial assets at FVPL under K-IFRS 1039 are classified as financial assets measured at FVPL under K-IFRS 1109. Therefore, there is no significant impact on the Group's consolidated financial statements.

#### B. Classification and measurement of financial liabilities

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

Except for the above-mentioned changes, there is no significant impact on the Group's classification and measurement of financial liabilities.

#### C. Impairment: Financial assets and contract assets

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

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

|         | Case  | Allowance   |
|---------|---|---|
| Stage 1 | Non-significant increase in credit risk since initial recognition | Twelve months expected credit losses: The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the twelve months after the reporting date. |
| Stage 2 | Significant increase in credit risk since initial recognition     | Lifetime expected credit losses: The expected credit losses that result from all possible default events within the expected life of a financial instrument.  |
| Stage 3 | Credit-impaired financial assets                                  |   |

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

The Group shall recognise allowance of trade notes, accounts receivable and contract assets that have a significant financing component for lifetime expected credit losses from initial recognition until derecognition (the simplified approach) for low credit risk.

The Group assessed the impairment of the financial assets held at the date of initial application using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognised and to compare that to the credit risk at the date of initial application.

Due to application of this enactment, the Group recognised additional impairment at the date of initial application. The impact is described in the Note E.

#### D. Hedge Accounting

Although this enactment retains the mechanics of hedge accounting (fair value hedges, cash flow hedges, hedges of a net investment in a foreign operation) in K-IFRS 1039, the Group eliminated the complex and rule-based requirements for hedge accounting in K-IFRS 1039 and changed to principle-based approach focusing on risk management activities. This new approach broadened the types of hedging instrument and hedged items, and it provided relief for the Group by eliminating consequent assessment to evaluate hedge effectiveness (80 – 125%) test and quantitative assessment.

The Group applies the hedge accounting requirements of this enactment prospectively from the date of initial application in accordance with transition. As of date of initial application, the Group evaluated that hedging relationship in accordance with K-IFRS 1039 is still eligible under K-IFRS 1109 and therefore noted the hedging relationship is continuous.

The above-mentioned the hedge accounting requirements of this standard did not have any significant effect on the Group's consolidated financial statements.

E. The effects that are attributable to this enactment on equity as of the date of initial application are as follows:

| Description  | The Group's ownership interests      |                   | Non-controlling interests |
|--|--------------------------------------|-------------------|---------------------------|
|  | Accumulated other comprehensive loss | Retained earnings |                           |
|  | (In millions of Korean Won)          |                   |                           |
| December 31, 2017<br>(Reported amounts)              | ₩ (2,278,955)                        | ₩ 67,332,328      | ₩ 5,653,870               |
| Initial application of K-IFRS 1109:                  |                                      |                   |                           |
| Effect by Classification and Measurement (*1)        | (331,080)                            | 331,080           | -                         |
| Effect by impairment (*2)                            | -                                    | (131,535)         | (77,082)                  |
| January 1, 2018<br>(The date of initial application) | ₩ (2,610,035)                        | ₩ 67,531,873      | ₩ 5,576,788               |

(\*1) Adjustment of retained earnings related to impairment recognition in the past as designating AFS equity instruments to measure at FVOCI in accordance with K-IFRS 1109.

(\*2) Adjustment of retained earnings by additional impairment recognition on financial assets such as financial services receivables.

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

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard supersedes 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 main contents of this enactment and the Group's accounting policies are as follows:

A. Identify the performance obligations in the contract

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

B. Allocation of the transaction price

The Group allocates the transaction price of multiple performance obligation identified in one contract based on relative standalone selling price. The Group uses an expected cost plus margin approach by estimating the expected costs for each transaction and adding an appropriate profit margin.

C. Variable consideration

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

In accordance with transition in this enactment, the Group applies this enactment retrospectively with the cumulative effect of initially applying this standard as of January 1, 2018. The Group elects to apply this standard retrospectively only to contracts that are not completed at the date of initial application. The Group does not restate all contract modifications that occurred before the date of initial application in accordance with the following practical expedients. The effect of a ₩5,591 million reduction in the opening balance of retained earnings at the date of initial application is not significant on consolidated financial statements.

The effects of the application of this enactment on the consolidated financial statements for the six-month period ended June 30, 2018 are as follows:

|  | June 30, 2018               |             |             |               |
|--|-----------------------------|-------------|-------------|---------------|
| Description                              | Previous Revenue            |             | Adjustments | K-IFRS 1115   |
|  | Recognition Standard        |             |             |               |
|  | (In millions of Korean Won) |             |             |               |
| Assets (*1,6)                            | ₩                           | 179,262,334 | ₩ 69,479    | ₩ 179,331,813 |
| Liabilities (*2,6)                       |                             | 104,301,575 | 77,058      | 104,378,633   |
| Equity (*3)                              |                             | 74,960,759  | (7,579)     | 74,953,180    |
| Revenue (*4)                             |                             | 47,243,415  | (95,052)    | 47,148,363    |
| Cost of sales (*5)                       |                             | 39,347,978  | 406,381     | 39,754,359    |
| Selling and administrative expenses (*5) |                             | 6,264,803   | (502,907)   | 5,761,896     |

(\*1) The effect of expenses recognition on costs to fulfil a contract that do not meet the asset recognition, and the effect of the amount paid to the supplier among cost of sales of additional services, and others.

(\*2) The effect of deferred revenue that is attributable to performance obligations of additional services, additional warranties which are not satisfied yet, and others.

(\*3) The cumulative effect of an adjustment to the opening balance of retained earnings in accordance with initially applying K-IFRS 1115, and others.

(\*4) The effect of deferred revenue that is attributable to performance obligations of additional services, additional warranties which are not satisfied yet, and others.

(\*5) The effect of reclassification from selling and administrative expenses to cost of sales related to performance obligations of additional services, additional warranties, and others.

(\*6) The effect of reclassifying provision for construction loss which belonged to 'due from customers for contract work' ('due to customers for contract work') to other provisions as separate account is included.

The application of this enactment did not have any significant effect on the consolidated cash flow statement for the six-month period ended June 30, 2018.

#### - K-IFRS 1040 (Amendment): 'Investment Property'

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in K-IFRS 1040 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The above-mentioned change in amendment did not have any significant effect on the Group's interim consolidated financial statements.

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

The enactment addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. The enactment specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the enactment requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The above-mentioned change in enactment did not have any significant effect on the Group's interim consolidated financial statements.

#### - Annual Improvements to K-IFRS 2014-2016 cycle

The Annual Improvements include amendments to K-IFRS 1101 - First-time Adoption and K-IFRS 1028 - Investment in Associates and Joint Ventures. The amendments to K-IFRS 1028 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity(IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The above-mentioned changes in amendment 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 June 30, 2018, and that have not been applied earlier by the Group are as follows:

- K-IFRS 1116 (Enactment): 'Leases'

This enactment provides a single lessee accounting model that operating lease recognises a right-of-use asset and a lease liability. This enactment will supersede K-IFRS 1017 - Leases, K-IFRS 2104 - Determining whether an Arrangement contains a Lease, K-IFRS 2015 - Operating Leases-Incentives, K-IFRS 2027 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The enactment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

At inception of a contract, the entity assesses whether the contract is, or contains, a lease. The entity also assesses it at the date of initial application. However, the entity is not required to reassess whether a contract before at the date of initial application is, or contains if the entity adopts a practical expedient.

For a contract that is, or contains, a lease, an entity accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

At the commencement date, a lessee recognises a right-of-use asset and a lease liability. A lessee may elect not to apply the requirements to short-term leases that, at the commencement date, has a maximum possible term of 12 months or less and leases for which the underlying asset is of low value (e.g below USD 5,000). As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

In lessor accounting, this standard is not significantly changed from K-IFRS 1017 - Leases.

The Group is currently evaluating the impacts of the above-mentioned enactment on the Group's consolidated financial statements.

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

In the preparation of the Group's interim consolidated financial statements, management is required to apply accounting policies and make judgements, estimation and assumptions affecting the carrying amounts of assets and liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgements about the application of the Group's accounting policies and the main resources of the uncertainty are consistent with those of the annual consolidated financial statements for the year ended December 31, 2017, except for the new significant judgements related to the application of K-IFRS 1109: 'Financial Instruments' and K-IFRS 1115: 'Revenue from Contracts with Customers' as described in Note 2.



### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                         | June 30, 2018               |                  | December 31, 2017  |                  |
|-------------------------------------|-----------------------------|------------------|--------------------|------------------|
|                                     | Current                     | Non-current      | Current            | Non-current      |
|                                     | (In millions of Korean Won) |                  |                    |                  |
| Trade notes and accounts receivable | ₩ 3,837,158                 | ₩ 137,850        | ₩ 3,903,210        | ₩ 129,739        |
| Loss allowance                      | (67,183)                    | -                | (65,167)           | -                |
| Present value discount accounts     | -                           | (5,780)          | -                  | (5,806)          |
|                                     | <u>₩ 3,769,975</u>          | <u>₩ 132,070</u> | <u>₩ 3,838,043</u> | <u>₩ 123,933</u> |

(2) Aging analysis of trade notes and accounts receivable

As of June 30, 2018 and December 31, 2017, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩249,576 million and ₩246,961 million, respectively; of which ₩177,860 million and ₩187,740 million, respectively, are past due less than 90 days, but not impaired.

(3) The changes in loss allowance for the six months ended June 30, 2018 and 2017 are as follows:

| Description                            | Six months ended June 30,   |                 |
|--|-----------------------------|-----------------|
|  | 2018                        | 2017            |
|  | (In millions of Korean Won) |                 |
| Beginning of the period                | ₩ 65,167                    | ₩ 49,800        |
| Impairment loss                        | 1,802                       | 4,015           |
| Write-off                              | (187)                       | (96)            |
| Effect of foreign exchange differences | 401                         | 77              |
| End of the period                      | <u>₩ 67,183</u>             | <u>₩ 53,796</u> |

### 4. OTHER RECEIVABLES:

Other receivables as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                          | June 30, 2018               |                    | December 31, 2017  |                    |
|--------------------------------------|-----------------------------|--------------------|--------------------|--------------------|
|                                      | Current                     | Non-current        | Current            | Non-current        |
|                                      | (In millions of Korean Won) |                    |                    |                    |
| Accounts receivable – others         | ₩ 2,042,036                 | ₩ 792,364          | ₩ 1,952,871        | ₩ 841,803          |
| Due from customers for contract work | 1,095,659                   | -                  | 1,024,899          | -                  |
| Lease and rental deposits            | 30,917                      | 304,371            | 34,953             | 335,918            |
| Deposits                             | 2,532                       | 34,947             | 2,368              | 34,822             |
| Others                               | 1,588                       | 10,203             | 3,906              | 15,059             |
| Loss allowance                       | (10,520)                    | -                  | (11,128)           | -                  |
|                                      | <u>₩ 3,162,212</u>          | <u>₩ 1,141,885</u> | <u>₩ 3,007,869</u> | <u>₩ 1,227,602</u> |

## 5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of June 30, 2018 consist of the following:

| Description  | June 30, 2018               |                    |
|--|-----------------------------|--------------------|
|  | Current                     | Non-current        |
|  | (In millions of Korean Won) |                    |
| Financial assets measured at fair value through profit or loss ("FVPL")              | ₩ 10,345,569                | ₩ 266,084          |
| Derivative assets that are effective hedging instruments                             | 18,561                      | 29,370             |
| Financial assets measured at fair value through other comprehensive income ("FVOCI") | 9,265                       | 1,947,239          |
| Financial assets measured at amortised cost  | 85,393                      | 5,618              |
|  | <u>₩ 10,458,788</u>         | <u>₩ 2,248,311</u> |

Other financial assets as of December 31, 2017 consist of the following:

| Description  | December 31, 2017           |                    |
|--|-----------------------------|--------------------|
|  | Current                     | Non-current        |
|  | (In millions of Korean Won) |                    |
| Financial assets at fair value through profit or loss    | ₩ 12,770,096                | ₩ 194,341          |
| Derivative assets that are effective hedging instruments | 23,411                      | 14,786             |
| Available-for-sale ("AFS") financial assets              | 11,833                      | 2,297,122          |
| Loans  | 81,429                      | 6,160              |
|  | <u>₩ 12,886,769</u>         | <u>₩ 2,512,409</u> |

(2) Financial assets measured at FVOCI as of June 30, 2018 (AFS financial assets that are measured at fair value as of December 31, 2017) consist of the following:

| Description            | June 30, 2018               |                    | December 31, 2017  |
|------------------------|-----------------------------|--------------------|--------------------|
|                        | Acquisition cost            | Book value         | Book value         |
|                        | (In millions of Korean Won) |                    |                    |
| Debt instruments       | ₩ 292,659                   | ₩ 284,263          | ₩ 309,969          |
| Equity instruments (*) | 1,544,464                   | 1,672,241          | 1,998,986          |
|                        | <u>₩ 1,837,123</u>          | <u>₩ 1,956,504</u> | <u>₩ 2,308,955</u> |

(\*) The Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading at the date of initial application.

- (3) Equity instruments classified into financial assets measured at FVOCI as of June 30, 2018 (AFS financial assets as of December 31, 2017) consist of the following:

| Name of the company                                 | Ownership<br>percentage<br>(%) | June 30,<br>2018 |             | December 31,<br>2017 |
|---|--------------------------------|------------------|-------------|----------------------|
|   |                                | Acquisition      |             |                      |
|   |                                | cost             | Book value  | Book value           |
| (In millions of Korean Won)                         |                                |                  |             |                      |
| Hyundai Steel Company (*1)                          | 6.87                           | ₩ 903,897        | ₩ 599,919   | ₩ 821,266            |
| Hyundai Glovis Co., Ltd.                            | 4.88                           | 210,688          | 211,473     | 249,008              |
| Korea Aerospace Industries, Ltd. (*2)               | -                              | 73,331           | 194,918     | 224,487              |
| Hyundai Oilbank Co., Ltd.                           | 4.35                           | 53,734           | 147,930     | 147,930              |
| Hyundai Heavy Industries<br>Co., Ltd. (*3)          | 2.36                           | 42,443           | 133,078     | 164,102              |
| Hyundai Heavy Industries<br>Holdings Co., Ltd. (*3) | 2.13                           | 9,018            | 122,648     | 132,189              |
| Hyundai Green Food Co., Ltd.                        | 2.36                           | 15,005           | 32,885      | 34,500               |
| NICE Information Service Co., Ltd.                  | 2.25                           | 3,312            | 15,025      | 11,870               |
| Hyundai Development Company (*4)                    | 0.60                           | 5,260            | 14,137      | -                    |
| Hyundai M Partners Co., Ltd.                        | 9.29                           | 9,888            | 11,949      | 12,153               |
| NICE Holdings Co., Ltd.                             | 1.30                           | 3,491            | 8,185       | 7,202                |
| KT Corporation                                      | 0.09                           | 8,655            | 6,578       | 7,263                |
| HDC Holdings Co., Ltd. (*4)                         | 0.60                           | 3,765            | 5,369       | 17,348               |
| Hyundai Asan Corporation                            | 1.88                           | 22,500           | 2,117       | 2,117                |
| Hyundai Merchant Marine Company                     | 0.03                           | 9,161            | 445         | 444                  |
| Hyundai Electric & Energy Systems<br>Co., Ltd. (*3) | -                              | -                | -           | 22,997               |
| Others  |                                | 170,316          | 165,585     | 144,110              |
|   |                                | ₩ 1,544,464      | ₩ 1,672,241 | ₩ 1,998,986          |

- (\*1) The Group entered into a total return swap agreement to transfer 5,745,741 shares out of total 14,919,336 shares to a third party and partial shares have been disposed of.
- (\*2) The Group entered into a total return swap agreement to transfer total shares to a third party.
- (\*3) Hyundai Heavy Industries Co., Ltd. was spun off into Hyundai Heavy Industries Co., Ltd., Hyundai Robotics Co., Ltd., Hyundai Construction Equipment Co., Ltd., and Hyundai Electric & Energy Systems Co., Ltd. for the year ended December 31, 2017. Name of the company has been changed from Hyundai Robotics Co., Ltd. to Hyundai Heavy Industries Holdings Co., Ltd. and the Group fully disposed the shares of Hyundai Electric & Energy Systems Co., Ltd. for the six months ended June 30, 2018.
- (\*4) Hyundai Development Company was spun off into HDC Holdings Co., Ltd. and Hyundai Development Company for the six months ended June 30, 2018.

## 6. INVENTORIES:

Inventories as of June 30, 2018 and December 31, 2017 consist of the following:

| Description          | June 30, 2018               |            | December 31, 2017 |            |
|----------------------|-----------------------------|------------|-------------------|------------|
|                      | (In millions of Korean Won) |            |                   |            |
| Finished goods       | ₩                           | 6,031,724  | ₩                 | 6,065,752  |
| Merchandise          |                             | 68,698     |                   | 50,575     |
| Semifinished goods   |                             | 672,995    |                   | 638,802    |
| Work in progress     |                             | 445,025    |                   | 387,816    |
| Raw materials        |                             | 1,293,897  |                   | 1,314,902  |
| Supplies             |                             | 293,902    |                   | 285,264    |
| Materials in transit |                             | 697,861    |                   | 583,055    |
| Others               |                             | 1,127,082  |                   | 953,738    |
| Total (*)            | ₩                           | 10,631,184 | ₩                 | 10,279,904 |

(\*) As of June 30, 2018 and December 31, 2017, the Group recognized a valuation allowance in amount of ₩119,801 million and ₩88,945 million, respectively.

## 7. OTHER ASSETS:

Other assets as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                        | June 30, 2018               |             | December 31, 2017 |             |
|------------------------------------|-----------------------------|-------------|-------------------|-------------|
|                                    | Current                     | Non-current | Current           | Non-current |
|                                    | (In millions of Korean Won) |             |                   |             |
| Accrued income                     | ₩ 393,328                   | ₩ 2,373     | ₩ 357,228         | ₩ 2,714     |
| Advanced payments                  | 608,450                     | -           | 535,677           | -           |
| Prepaid expenses                   | 497,513                     | 669,206     | 472,732           | 609,958     |
| Prepaid value-added tax and others | 424,310                     | 35,284      | 373,815           | 29,651      |
|                                    | ₩ 1,923,601                 | ₩ 706,863   | ₩ 1,739,452       | ₩ 642,323   |

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

Non-current assets classified as held for sale as of June 30, 2018 and December 31, 2017 consist of the following:

| Description | June 30, 2018               | December 31, 2017 |
|-------------|-----------------------------|-------------------|
|             | (In millions of Korean Won) |                   |
| Vehicles    | ₩ 29,068                    | ₩ 29,068          |

The Group has committed to a plan to sell vehicles that were classified as held for sale as of June 30, 2018 and has initiated active programs to complete the plan. The assets will be disposed within 12 months.

## 9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment (“PP&E”) for the six months ended June 30, 2018 and 2017 are as follows:

| Description             | Six months ended June 30,   |              |
|-------------------------|-----------------------------|--------------|
|                         | 2018                        | 2017         |
|                         | (In millions of Korean Won) |              |
| Beginning of the period | ₩ 29,827,142                | ₩ 29,405,716 |
| Acquisitions            | 1,167,365                   | 1,294,662    |
| Disposals               | (77,322)                    | (141,331)    |
| Depreciation            | (1,141,253)                 | (1,092,126)  |
| Others (*)              | 40,235                      | (94,531)     |
| End of the period       | ₩ 29,816,167                | ₩ 29,372,390 |

- (\*) 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 six months ended June 30, 2018 and 2017 are as follows:

| Description                            | Six months ended June 30,   |           |
|--|-----------------------------|-----------|
|  | 2018                        | 2017      |
|  | (In millions of Korean Won) |           |
| Beginning of the period                | ₩ 199,498                   | ₩ 211,671 |
| Transfers(*)                           | 657                         | 300       |
| Depreciation                           | (5,437)                     | (5,389)   |
| Effect of foreign exchange differences | 933                         | (1,088)   |
| End of the period                      | ₩ 195,651                   | ₩ 205,494 |

- (\*) Transfers include the effect of transfer from PP&E.

- (2) Income and expenses related to investment property for the three months and six months ended June 30, 2018 and 2017 are as follows:

| Description                        | 2018                        |                           | 2017                        |                           |
|------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                    | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                    | (In millions of Korean Won) |                           |                             |                           |
| Rental income                      | ₩ 11,687                    | ₩ 23,717                  | ₩ 11,607                    | ₩ 23,106                  |
| Operating and maintenance expenses | 4,332                       | 8,614                     | 3,906                       | 7,668                     |

## 11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the six months ended June 30, 2018 and 2017 are as follows:

| Description                                     | Six months ended June 30,   |           |      |           |
|---|-----------------------------|-----------|------|-----------|
|   | 2018                        |           | 2017 |           |
|   | (In millions of Korean Won) |           |      |           |
| Beginning of the period                         | ₩                           | 4,809,336 | ₩    | 4,586,172 |
| Internal developments and separate acquisitions |                             | 599,015   |      | 563,651   |
| Disposals                                       |                             | (958)     |      | (556)     |
| Amortization                                    |                             | (696,130) |      | (612,703) |
| Impairment loss                                 |                             | (8,064)   |      | (7,348)   |
| Others (*)                                      |                             | 50,798    |      | 46,074    |
| End of the period                               | ₩                           | 4,753,997 | ₩    | 4,575,290 |

(\*) 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 six months ended June 30, 2018 and 2017 are as follows:

| Description                           | 2018                        |                           | 2017                        |                           |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                       | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                       | (In millions of Korean Won) |                           |                             |                           |
| Development costs (intangible assets) | ₩ 293,603                   | ₩ 539,270                 | ₩ 286,671                   | ₩ 503,307                 |
| Research and development (*1)         | 267,768                     | 501,374                   | 255,434                     | 491,973                   |
| Total (*2)                            | ₩ 561,371                   | ₩ 1,040,644               | ₩ 542,105                   | ₩ 995,280                 |

(\*1) Manufacturing costs, administrative expenses and other expenses are included.

(\*2) 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 June 30, 2018 and December 31, 2017 consist of the following:

| Name of the company                                    | Nature of business   | Location | Ownership percentage (%) | June 30, 2018 |   | December 31, 2017 |            |
|--|----------------------|----------|--------------------------|---------------|---|-------------------|------------|
|  |                      |          |                          |               | Book value<br>(In millions of Korean Won) |                   | Book value |
| Beijing-Hyundai Motor Company (BHMC) (*1)              | Manufacturing        | China    | 50.00                    | ₩             | 1,563,587                                 | ₩                 | 1,456,579  |
| Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)  | Financing            | China    | 53.00                    |               | 530,718                                   |                   | 480,353    |
| Hyundai WIA Automotive Engine (Shandong) Company (WAE) | Manufacturing        | China    | 22.00                    |               | 173,278                                   |                   | 167,805    |
| Hyundai Powertech (Shandong) Co., Ltd (PTS)            | Manufacturing        | China    | 30.00                    |               | 134,126                                   |                   | 120,256    |
| Kia Motors Corporation                                 | Manufacturing        | Korea    | 33.88                    |               | 9,010,626                                 |                   | 8,882,325  |
| Hyundai Engineering & Construction Co., Ltd.           | Construction         | Korea    | 20.95                    |               | 2,934,642                                 |                   | 2,959,910  |
| Hyundai WIA Corporation                                | Manufacturing        | Korea    | 25.35                    |               | 787,415                                   |                   | 794,150    |
| Hyundai Powertech Co., Ltd.                            | Manufacturing        | Korea    | 37.58                    |               | 561,609                                   |                   | 547,295    |
| Hyundai Dymos Inc.                                     | Manufacturing        | Korea    | 47.27                    |               | 429,849                                   |                   | 399,724    |
| Hyundai Commercial Inc.                                | Financing            | Korea    | 50.00                    |               | 407,215                                   |                   | 373,797    |
| HYUNDAI MOTOR SECURITIES Co., Ltd. (*4)                | Securities brokerage | Korea    | 27.49                    |               | 259,084                                   |                   | 254,766    |
| Eukor Car Carriers Inc. (*2)                           | Transportation       | Korea    | 12.00                    |               | 160,800                                   |                   | 160,255    |
| Hyundai Autoever Corp.                                 | IT service           | Korea    | 28.96                    |               | 122,088                                   |                   | 119,162    |
| Haevichi Hotels & Resorts Co., Ltd                     | Hotelkeeping         | Korea    | 41.90                    |               | 104,863                                   |                   | 106,531    |
| Others (*5)  |                      |          |                          |               | 460,351                                   |                   | 429,430    |
|  |                      |          |                          | ₩             | 17,640,251                                | ₩                 | 17,252,338 |

(\*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) 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.

(\*4) Name of the company has been changed from HMC Securities Co., Ltd. to HYUNDAI MOTOR SECURITIES Co., Ltd. as of July 1, 2018.

(\*5) For the year ended December 31, 2017, the Group has stopped recognising its share of losses of the Sichuan Hyundai Motor Company (CHMC) and unrecognised share of losses of a joint venture, for the six months ended June 30, 2018 and cumulatively are ₩39,425 million and ₩59,862 million, respectively.

(2) The changes in investments in joint ventures and associates for the six months ended June 30, 2018 are as follows:

| Name of the company                          | Beginning of the period | Acquisitions (disposals) | Share of profits (losses) for the period | Dividends          | Others (*)      | End of the period   |
|--|-------------------------|--------------------------|--|--------------------|-----------------|---------------------|
| (In millions of Korean Won)                  |                         |                          |  |                    |                 |                     |
| BHMC   | ₩ 1,456,579             | ₩ -                      | ₩ 53,753                                 | ₩ -                | ₩ 53,255        | ₩ 1,563,587         |
| BHAF   | 480,353                 | -                        | 33,370                                   | -                  | 16,995          | 530,718             |
| WAE  | 167,805                 | -                        | (432)                                    | -                  | 5,905           | 173,278             |
| PTS  | 120,256                 | -                        | 9,612                                    | -                  | 4,258           | 134,126             |
| Kia Motors Corporation                       | 8,882,325               | -                        | 260,140                                  | (109,855)          | (21,984)        | 9,010,626           |
| Hyundai Engineering & Construction Co., Ltd. | 2,959,910               | -                        | 38,912                                   | (11,664)           | (52,516)        | 2,934,642           |
| Hyundai WIA Corporation                      | 794,150                 | -                        | (5,303)                                  | (4,136)            | 2,704           | 787,415             |
| Hyundai Powertech Co., Ltd.                  | 547,295                 | -                        | 10,836                                   | -                  | 3,478           | 561,609             |
| Hyundai Dymos Inc.                           | 399,724                 | -                        | 24,603                                   | -                  | 5,522           | 429,849             |
| Hyundai Commercial Inc.                      | 373,797                 | -                        | 25,824                                   | (10,000)           | 17,594          | 407,215             |
| HYUNDAI MOTOR SECURITIES Co., Ltd.           | 254,766                 | -                        | 7,585                                    | (3,226)            | (41)            | 259,084             |
| Eukor Car Carriers Inc.                      | 160,255                 | -                        | 2,871                                    | (8,976)            | 6,650           | 160,800             |
| Hyundai Autoever Corp.                       | 119,162                 | -                        | 6,602                                    | (4,126)            | 450             | 122,088             |
| Haevichi Hotels & Resorts Co., Ltd.          | 106,531                 | -                        | (1,671)                                  | -                  | 3               | 104,863             |
| Others                                       | 429,430                 | 16,781                   | 11,463                                   | (3,722)            | 6,399           | 460,351             |
|  | <u>₩ 17,252,338</u>     | <u>₩ 16,781</u>          | <u>₩ 478,165</u>                         | <u>₩ (155,705)</u> | <u>₩ 48,672</u> | <u>₩ 17,640,251</u> |

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

The changes in investments in joint ventures and associates for the six months ended June 30, 2017 are as follows:

| Name of the company                          | Beginning of the period | Acquisitions (disposals) | Share of profits (losses) for the period | Dividends          | Others (*)         | End of the period   |
|--|-------------------------|--------------------------|--|--------------------|--------------------|---------------------|
| (In millions of Korean Won)                  |                         |                          |  |                    |                    |                     |
| BHMC   | ₩ 2,225,824             | ₩ -                      | ₩ (110,889)                              | ₩ -                | ₩ (73,161)         | ₩ 2,041,774         |
| BHAF   | 445,735                 | -                        | 41,173                                   | -                  | (13,736)           | 473,172             |
| WAE  | 186,929                 | -                        | (3,268)                                  | -                  | (5,928)            | 177,733             |
| PTS  | 111,997                 | -                        | 12,729                                   | -                  | (3,432)            | 121,294             |
| Kia Motors Corporation                       | 8,811,840               | -                        | 374,938                                  | (151,050)          | (47,334)           | 8,988,394           |
| Hyundai Engineering & Construction Co., Ltd. | 3,267,243               | -                        | 20,130                                   | (11,664)           | (10,097)           | 3,265,612           |
| Hyundai WIA Corporation                      | 821,861                 | -                        | 17,326                                   | (7,583)            | (5,108)            | 826,496             |
| Hyundai Powertech Co., Ltd.                  | 502,891                 | -                        | 50,457                                   | -                  | (3,843)            | 549,505             |
| Hyundai Dymos Inc.                           | 371,499                 | -                        | 26,105                                   | -                  | 1,302              | 398,906             |
| Hyundai Commercial Inc.                      | 256,078                 | -                        | 112,111                                  | -                  | 24,870             | 393,059             |
| HYUNDAI MOTOR SECURITIES Co., Ltd.           | 245,501                 | -                        | 6,642                                    | (3,226)            | 289                | 249,206             |
| Eukor Car Carriers Inc.                      | 174,100                 | -                        | 4,901                                    | -                  | (11,220)           | 167,781             |
| Hyundai Autoever Corp.                       | 107,382                 | -                        | 7,605                                    | (4,126)            | (393)              | 110,468             |
| Haevichi Hotels & Resorts Co., Ltd.          | 108,082                 | -                        | (909)                                    | -                  | (74)               | 107,099             |
| Others                                       | 433,159                 | 57,400                   | (13,269)                                 | (9,149)            | (6,638)            | 461,503             |
|  | <u>₩ 18,070,121</u>     | <u>₩ 57,400</u>          | <u>₩ 545,782</u>                         | <u>₩ (186,798)</u> | <u>₩ (154,503)</u> | <u>₩ 18,332,002</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 six months ended June 30, 2018 is as follows:

| Name of the company                          | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
|--|----------------|--------------------|---------------------|-------------------------|
| (In millions of Korean Won)                  |                |                    |                     |                         |
| BHMC   | ₩ 4,574,296    | ₩ 4,195,041        | ₩ 4,944,812         | ₩ 593,074               |
| BHAF (*)                                     | 5,480,146      | -                  | 4,478,791           | -                       |
| WAE  | 809,501        | 733,890            | 335,722             | 420,053                 |
| PTS  | 883,993        | 334,448            | 572,172             | 199,183                 |
| Kia Motors Corporation                       | 21,719,144     | 30,989,299         | 15,287,018          | 10,191,404              |
| Hyundai Engineering & Construction Co., Ltd. | 13,120,808     | 5,026,421          | 6,899,014           | 2,896,444               |
| Hyundai WIA Corporation                      | 3,873,105      | 3,285,657          | 1,668,081           | 2,373,836               |
| Hyundai Powertech Co., Ltd.                  | 1,168,670      | 1,663,663          | 1,023,901           | 314,099                 |
| Hyundai Dymos Inc.                           | 1,659,812      | -                  | -                   | -                       |
| Hyundai Commercial Inc. (*)                  | 8,141,307      | -                  | 7,129,433           | -                       |
| HYUNDAI MOTOR SECURITIES Co., Ltd. (*)       | 7,879,709      | -                  | 7,018,837           | -                       |
| Eukor Car Carriers Inc.                      | 350,969        | 2,641,158          | 531,425             | 1,122,888               |
| Hyundai Autoever Corp.                       | 633,779        | 127,474            | 325,172             | 9,614                   |
| Haevichi Hotels & Resorts Co., Ltd.          | 20,257         | 430,978            | 189,628             | 86,830                  |

| 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   | ₩ 5,995,102 | ₩ 54,487  | ₩ -                               | ₩ 54,487                          |
| BHAF (*)                                     | 131,194     | 62,962  | -                                 | 62,962                            |
| WAE  | 663,115     | (1,963)   | 26,841                            | 24,878                            |
| PTS  | 569,359     | 32,038  | -                                 | 32,038                            |
| Kia Motors Corporation                       | 26,622,328  | 763,855   | (74,266)                          | 689,589                           |
| Hyundai Engineering & Construction Co., Ltd. | 7,778,261   | 341,802   | -                                 | -                                 |
| Hyundai WIA Corporation                      | 3,798,181   | (23,081)  | 15,766                            | (7,315)                           |
| Hyundai Powertech Co., Ltd.                  | 1,405,312   | 14,368  | 9,771                             | 24,139                            |
| Hyundai Dymos Inc.                           | -           | -   | -                                 | -                                 |
| Hyundai Commercial Inc. (*)                  | 227,465     | 47,692  | -                                 | -                                 |
| HYUNDAI MOTOR SECURITIES Co., Ltd. (*)       | 312,916     | 27,401  | 261                               | 27,662                            |
| Eukor Car Carriers Inc.                      | 835,008     | 18,258  | 60,178                            | 78,436                            |
| Hyundai Autoever Corp.                       | 651,264     | 23,819  | 1,140                             | 24,959                            |
| Haevichi Hotels & Resorts Co., Ltd.          | 54,925      | 25  | (8)                               | 17                                |

(\*) 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 six months ended June 30, 2017 is as follows:

| Name of the company                          | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
|--|----------------|--------------------|---------------------|-------------------------|
| (In millions of Korean Won)                  |                |                    |                     |                         |
| BHMC   | ₩ 4,929,060    | ₩ 4,077,192        | ₩ 3,983,631         | ₩ 800,104               |
| BHAF (*)                                     | 5,029,651      | -                  | 4,136,874           | -                       |
| WAE  | 716,659        | 825,412            | 215,453             | 518,741                 |
| PTS  | 643,208        | 214,074            | 354,080             | 98,889                  |
| Kia Motors Corporation                       | 22,781,863     | 30,026,851         | 17,060,611          | 8,597,849               |
| Hyundai Engineering & Construction Co., Ltd. | 13,864,805     | 5,100,728          | 7,976,043           | 2,762,074               |
| Hyundai WIA Corporation                      | 3,627,939      | 3,270,111          | 1,440,317           | 2,205,893               |
| Hyundai Powertech Co., Ltd.                  | 1,376,270      | 1,608,623          | 1,206,457           | 311,874                 |
| Hyundai Dymos Inc.                           | 1,417,938      | 1,027,511          | 1,093,715           | 493,057                 |
| Hyundai Commercial Inc. (*)                  | 6,868,623      | -                  | 5,980,587           | -                       |
| HYUNDAI MOTOR SECURITIES Co., Ltd. (*)       | 8,110,956      | -                  | 7,285,637           | -                       |
| Eukor Car Carriers Inc.                      | 436,032        | 2,886,742          | 461,509             | 1,465,270               |
| Hyundai Autoever Corp.                       | 605,445        | 101,405            | 311,704             | 10,317                  |
| Haevichi Hotels & Resorts Co., Ltd.          | 30,570         | 429,319            | 187,951             | 99,048                  |

  

| Name of the company                          | Sales       | Profit (loss) for the period from continuing operations | Other comprehensive income (loss) | Total comprehensive income (loss) |
|--|-------------|---|-----------------------------------|-----------------------------------|
| (In millions of Korean Won)                  |             |   |                                   |                                   |
| BHMC   | ₩ 4,570,971 | ₩ (210,038)   | ₩ -                               | ₩ (210,038)                       |
| BHAF (*)                                     | 162,344     | 77,685  | -                                 | 77,685                            |
| WAE  | 453,768     | (14,854)  | (26,946)                          | (41,800)                          |
| PTS  | 739,844     | 42,430  | -                                 | 42,430                            |
| Kia Motors Corporation                       | 26,422,339  | 1,154,976   | (143,122)                         | 1,011,854                         |
| Hyundai Engineering & Construction Co., Ltd. | 8,347,504   | 259,389   | (39,161)                          | 220,228                           |
| Hyundai WIA Corporation                      | 3,685,096   | 42,278  | (19,809)                          | 22,469                            |
| Hyundai Powertech Co., Ltd.                  | 1,803,155   | 136,857   | (10,229)                          | 126,628                           |
| Hyundai Dymos Inc.                           | 2,031,493   | 53,855  | (3,064)                           | 50,791                            |
| Hyundai Commercial Inc. (*)                  | 216,461     | 224,910   | 7,316                             | 232,226                           |
| HYUNDAI MOTOR SECURITIES Co., Ltd. (*)       | 263,817     | 23,970  | (3,125)                           | 20,845                            |
| Eukor Car Carriers Inc.                      | 882,958     | 36,210  | (86,365)                          | (50,155)                          |
| Hyundai Autoever Corp.                       | 660,305     | 26,848  | -                                 | 26,848                            |
| Haevichi Hotels & Resorts Co., Ltd.          | 59,554      | 884   | 31                                | 915                               |

(\*) 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 six months ended June 30, 2018 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                        | ₩ 281,294                 | ₩ 694,445                     | ₩ -                               | ₩ 215,835                     | ₩ 8,191         | ₩ 56,117          | ₩ 16,571           |
| BHAF (*)                    | 1,349,633                 | 3,876,039                     | -                                 | 2,434                         | 225,307         | 96,008            | 20,748             |

- (\*) 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 six months ended June 30, 2017 is as follows:

| Name of the company         | Cash and cash equivalents | Current financial liabilities | Non-current financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|-----------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
| (In millions of Korean Won) |                           |                               |                                   |                               |                 |                   |                    |
| BHMC                        | ₩ 1,733,409               | ₩ 1,107,414                   | ₩ 234,738                         | ₩ 195,943                     | ₩ 16,338        | ₩ 77,951          | ₩ 79,786           |
| BHAF (*)                    | 981,105                   | 2,969,392                     | -                                 | 1,887                         | 244,429         | 86,727            | 25,942             |

- (\*) 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 six months ended June 30, 2018 and 2017 are as follows:

| Description                       | Six months ended June 30, |            |
|-----------------------------------|---------------------------|------------|
|                                   | 2018                      | 2017       |
| (In millions of Korean Won)       |                           |            |
| Profit (loss) for the period      | ₩ 11,463                  | ₩ (13,269) |
| Other comprehensive income (loss) | 6,399                     | (6,638)    |
| Total comprehensive income (loss) | ₩ 17,862                  | ₩ (19,907) |

- (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 June 30, 2018 is as follows:

| Name of the company                              | Group's<br>share of<br>net assets | Goodwill | Unrealized<br>profit (loss)<br>and others | Carrying<br>amounts |
|--|-----------------------------------|----------|---|---------------------|
| (In millions of Korean Won)                      |                                   |          |   |                     |
| BHMC   | ₩ 1,615,725                       | ₩ -      | ₩ (52,138)                                | ₩ 1,563,587         |
| BHAF   | 530,718                           | -        | -   | 530,718             |
| WAE  | 173,278                           | -        | -   | 173,278             |
| PTS  | 134,126                           | -        | -   | 134,126             |
| Kia Motors Corporation                           | 8,863,292                         | 197,089  | (49,755)                                  | 9,010,626           |
| Hyundai Engineering & Construction Co., Ltd. (*) | 2,099,809                         | 834,821  | 12  | 2,934,642           |
| Hyundai WIA Corporation                          | 789,586                           | -        | (2,171)                                   | 787,415             |
| Hyundai Powertech Co., Ltd.                      | 562,339                           | -        | (730)                                     | 561,609             |
| Hyundai Dymos Inc.                               | 432,602                           | -        | (2,753)                                   | 429,849             |
| Hyundai Commercial Inc.                          | 407,215                           | -        | -   | 407,215             |
| HYUNDAI MOTOR SECURITIES Co., Ltd.               | 219,032                           | 40,052   | -   | 259,084             |
| Eukor Car Carriers Inc.                          | 160,538                           | -        | 262                                       | 160,800             |
| Hyundai Autoever Corp.                           | 122,088                           | -        | -   | 122,088             |
| Haevichi Hotels & Resorts Co., Ltd. (*)          | 101,287                           | 3,576    | -   | 104,863             |

- (\*) 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, 2017 is as follows:

| Name of the company                              | Group's<br>share of<br>net assets | Goodwill | Unrealized<br>profit (loss)<br>and others | Carrying<br>amounts |
|--|-----------------------------------|----------|---|---------------------|
| (In millions of Korean Won)                      |                                   |          |   |                     |
| BHMC   | ₩ 1,514,932                       | ₩ -      | ₩ (58,353)                                | ₩ 1,456,579         |
| BHAF   | 480,353                           | -        | -   | 480,353             |
| WAE  | 167,805                           | -        | -   | 167,805             |
| PTS  | 120,256                           | -        | -   | 120,256             |
| Kia Motors Corporation                           | 8,749,248                         | 197,089  | (64,012)                                  | 8,882,325           |
| Hyundai Engineering & Construction Co., Ltd. (*) | 2,125,080                         | 834,821  | 9   | 2,959,910           |
| Hyundai WIA Corporation                          | 797,455                           | -        | (3,305)                                   | 794,150             |
| Hyundai Powertech Co., Ltd.                      | 548,330                           | -        | (1,035)                                   | 547,295             |
| Hyundai Dymos Inc.                               | 401,195                           | -        | (1,471)                                   | 399,724             |
| Hyundai Commercial Inc.                          | 373,797                           | -        | -   | 373,797             |
| HYUNDAI MOTOR SECURITIES Co., Ltd.               | 214,714                           | 40,052   | -   | 254,766             |
| Eukor Car Carriers Inc.                          | 159,993                           | -        | 262                                       | 160,255             |
| Hyundai Autoever Corp.                           | 119,162                           | -        | -   | 119,162             |
| Haevichi Hotels & Resorts Co., Ltd. (*)          | 102,955                           | 3,576    | -   | 106,531             |

- (\*) 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 June 30, 2018 is as follows:

| Name of the company                                 | Price per share | Total number of<br>shares | Market value |
|---|-----------------|---------------------------|--------------|
| (In millions of Korean Won, except price per share) |                 |                           |              |
| Kia Motors Corporation                              | ₩ 30,850        | 137,318,251               | ₩ 4,236,268  |
| Hyundai Engineering & Construction Co., Ltd.        | 57,500          | 23,327,400                | 1,341,326    |
| Hyundai WIA Corporation                             | 40,750          | 6,893,596                 | 280,914      |
| HYUNDAI MOTOR SECURITIES Co., Ltd.                  | 9,940           | 8,065,595                 | 80,172       |

### 13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                     | June 30,<br>2018            | December 31,<br>2017 |
|---------------------------------|-----------------------------|----------------------|
|                                 | (In millions of Korean Won) |                      |
| Loan obligations                | ₩ 38,723,851                | ₩ 36,848,028         |
| Card receivables                | 13,088,768                  | 12,979,942           |
| Financial lease receivables     | 2,510,687                   | 2,437,466            |
| Others                          | 40,377                      | 36,668               |
|                                 | 54,363,683                  | 52,302,104           |
| Loss allowance                  | (1,347,226)                 | (1,133,967)          |
| Loan origination fee            | (96,976)                    | 13,182               |
| Present value discount accounts | (15,294)                    | (13,301)             |
|                                 | ₩ 52,904,187                | ₩ 51,168,018         |

(2) Aging analysis of financial services receivables

As of June 30, 2018 and December 31, 2017, total financial services receivables that are past due, but not impaired, amount to ₩1,394,579 million and ₩1,513,093 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,356,285 million and ₩1,512,976 million, respectively. As of June 30, 2018 and December 31, 2017, the impaired financial services receivables amount to ₩623,602 million and ₩523,274 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the six months ended June 30, 2018 and 2017 are as follows:

| Description                            | Six months ended June 30,<br>2018 | 2017        |
|--|-----------------------------------|-------------|
|  | (In millions of Korean Won)       |             |
| Beginning of the period                | ₩ 1,133,967                       | ₩ 1,078,002 |
| Changes in accounting standards        | 170,597                           | -           |
| Impairment loss                        | 335,279                           | 378,144     |
| Write-off                              | (182,062)                         | (216,135)   |
| Disposals and others                   | (122,809)                         | (99,291)    |
| Effect of foreign exchange differences | 12,254                            | (15,211)    |
| End of the period                      | ₩ 1,347,226                       | ₩ 1,125,509 |

(4) Gross investments in financial leases and their present value of minimum lease payment receivable as of June 30, 2018 and December 31, 2017 are as follows:

| Description                                       | June 30, 2018                         |   | December 31, 2017                     |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | Gross investments in financial leases | Present value of minimum lease payment receivable | Gross investments in financial leases | Present value of minimum lease payment receivable |
|   | (In millions of Korean Won)           |   |                                       |   |
| Not later than one year                           | ₩ 1,161,321                           | ₩ 1,035,902                                       | ₩ 1,173,541                           | ₩ 1,050,165                                       |
| Later than one year and not later than five years | 1,582,491                             | 1,469,383   | 1,489,664                             | 1,384,980   |
| Later than five years                             | 3,197                                 | 3,170   | 281                                   | 277   |
|   | ₩ 2,747,009                           | ₩ 2,508,455                                       | ₩ 2,663,486                           | ₩ 2,435,422                                       |

(5) Unearned interest income of financial leases as of June 30, 2018 and December 31, 2017 is as follows:

| Description                                       | June 30, 2018               | December 31, 2017 |
|---|-----------------------------|-------------------|
|   | (In millions of Korean Won) |                   |
| Gross investments in financial lease              | ₩ 2,747,009                 | ₩ 2,663,486       |
| Net lease investments:                            |                             |                   |
| Present value of minimum lease payment receivable | 2,508,455                   | 2,435,422         |
| Present value of unguaranteed residual value      | 2,232                       | 2,044             |
|   | <u>2,510,687</u>            | <u>2,437,466</u>  |
| Unearned interest income                          | <u>₩ 236,322</u>            | <u>₩ 226,020</u>  |

#### 14. OPERATING LEASE ASSETS:

(1) Operating lease assets as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                 | June 30, 2018               | December 31, 2017   |
|-----------------------------|-----------------------------|---------------------|
|                             | (In millions of Korean Won) |                     |
| Acquisition cost            | ₩ 25,118,497                | ₩ 24,345,256        |
| Accumulated depreciation    | (3,935,861)                 | (3,517,368)         |
| Accumulated impairment loss | (121,576)                   | (99,938)            |
|                             | <u>₩ 21,061,060</u>         | <u>₩ 20,727,950</u> |

(2) Future minimum lease payment receivable related to operating lease assets as of June 30, 2018 and December 31, 2017 are as follows:

| Description                                       | June 30, 2018               | December 31, 2017  |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Not later than one year                           | ₩ 3,883,917                 | ₩ 3,765,437        |
| Later than one year and not later than five years | 3,777,724                   | 3,869,709          |
| Later than five years                             | 7                           | 7                  |
|   | <u>₩ 7,661,648</u>          | <u>₩ 7,635,153</u> |

#### 15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                           | Lender                   | Annual interest rate | June 30, 2018               | June 30, 2018    | December 31, 2017  |
|---------------------------------------|--------------------------|----------------------|-----------------------------|------------------|--------------------|
|                                       |                          |                      | 2018                        | 2018             | 2017               |
|                                       |                          | (%)                  | (In millions of Korean Won) |                  |                    |
| Overdrafts                            | Citi Bank and others     | 0.05~1.72            | ₩                           | 219,890          | ₩ 317,189          |
| General loans                         | Woori Bank and others    | 0.47~7.46            |                             | 2,575,419        | 3,727,189          |
| Loans on trade receivables collateral | KEB Hana Bank and others | LIBOR + 0.18~0.45    |                             | 2,062,660        | 1,338,160          |
| Banker's Usance                       | KEB Hana Bank and others | LIBOR + 0.25~0.40    |                             | 310,509          | 376,547            |
| Short-term debentures                 |                          |                      |                             | -                | 69,993             |
| Commercial paper                      | Shinhan Bank and others  | 1.94~2.65            |                             | 3,846,495        | 3,570,389          |
| Asset-backed securities               | RBC and others           | 1.71~1.76            |                             | 598,845          | 560,187            |
|                                       |                          |                      | <u>₩</u>                    | <u>9,613,818</u> | <u>₩ 9,959,654</u> |

(2) Long-term debt as of June 30, 2018 and December 31, 2017 consists of the following:

| Description                   | Lender                                    | Annual<br>interest rate | June 30,<br>2018 | June 30,<br>2018 | December 31,<br>2017 |
|-------------------------------|---|-------------------------|------------------|------------------|----------------------|
|                               |   | (%)                     |                  |                  |                      |
| (In millions of Korean Won)   |   |                         |                  |                  |                      |
| General loans                 | Mizuho Bank and others                    | 0.40~15.40              | ₩                | 6,472,050        | ₩ 6,368,138          |
| Facility loan                 | Korea Development Bank<br>and others      | 0.32~8.50               |                  | 235,248          | 255,281              |
| Commercial paper              | KTB Investment & Securities<br>and others | 1.62~2.55               |                  | 2,620,000        | 2,070,000            |
| Asset-backed securities       | JP Morgan and others                      | 2.68~2.89               |                  | 3,448,125        | 6,782,232            |
| Others                        | NH Investment & Securities<br>and others  |                         |                  | 435,608          | 567,125              |
|                               |   |                         |                  | 13,211,031       | 16,042,776           |
| Less: present value discounts |   |                         |                  | 104,837          | 107,752              |
| Less: current maturities      |   |                         |                  | 3,862,993        | 3,446,887            |
|                               |   |                         | ₩                | 9,243,201        | ₩ 12,488,137         |

(3) Debentures as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                       | Latest maturity date | Annual interest rate | June 30, 2018 | June 30, 2018 | December 31, 2017 |
|-----------------------------------|----------------------|----------------------|---------------|---------------|-------------------|
|                                   |                      | (%)                  |               |               |                   |
| (In millions of Korean Won)       |                      |                      |               |               |                   |
| Non-guaranteed public debentures  | March 23, 2028       | 1.44~5.15            | ₩ 25,023,376  | ₩ 22,956,764  |                   |
| Non-guaranteed private debentures | September 27, 2026   | 1.56~4.13            | 12,082,650    | 10,107,160    |                   |
| Asset-backed securities           | June 17, 2024        | 1.12~3.31            | 13,209,895    | 13,140,350    |                   |
|                                   |                      |                      | 50,315,921    | 46,204,274    |                   |
| Less: discount on debentures      |                      |                      | 103,427       | 98,422        |                   |
| Less: current maturities          |                      |                      | 10,905,713    | 9,651,660     |                   |
|                                   |                      |                      | ₩ 39,306,781  | ₩ 36,454,192  |                   |

## 16. PROVISIONS:

The changes in provisions for the six months ended June 30, 2018 are as follows:

| Description                            | Warranty                    |           | Other long-term<br>employee benefits |          | Others |           |
|--|-----------------------------|-----------|--------------------------------------|----------|--------|-----------|
|  | (In millions of Korean Won) |           |                                      |          |        |           |
| Beginning of the period                | ₩                           | 5,226,297 | ₩                                    | 636,380  | ₩      | 791,764   |
| Changes in accounting standards (*)    |                             | -         |                                      | -        |        | 128,266   |
| Charged                                |                             | 822,652   |                                      | 32,464   |        | 282,264   |
| Utilized                               |                             | (765,749) |                                      | (32,572) |        | (344,813) |
| Effect of foreign exchange differences |                             | 32,524    |                                      | 26       |        | 5,049     |
| End of the period                      | ₩                           | 5,315,724 | ₩                                    | 636,298  | ₩      | 862,530   |

(\*) Due to adoption of K-IFRS 1115, the effect of reclassifying provision for construction loss which belonged to 'due from customers for contract work' ('due to customers for contract work') to other provisions as separate account is included.

The changes in provisions for the six months ended June 30, 2017 are as follows:

| Description                            | Warranty |           | Other long-term employee benefits |          | Others |           |
|--|----------|-----------|-----------------------------------|----------|--------|-----------|
|  |          |           | (In millions of Korean Won)       |          |        |           |
| Beginning of the period                | ₩        | 5,612,978 | ₩                                 | 641,193  | ₩      | 718,469   |
| Charged                                |          | 965,293   |                                   | 32,181   |        | 322,057   |
| Utilized                               |          | (728,383) |                                   | (32,153) |        | (322,826) |
| Effect of foreign exchange differences |          | (42,185)  |                                   | 17       |        | (5,109)   |
| End of the period                      | ₩        | 5,807,703 | ₩                                 | 641,238  | ₩      | 712,591   |

#### 17. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of June 30, 2018 consist of the following:

| Description   | June 30, 2018               |             |
|---|-----------------------------|-------------|
|   | Current                     | Non-current |
|   | (In millions of Korean Won) |             |
| Financial liabilities measured at FVPL                        | ₩ -                         | ₩ 530       |
| Derivative liabilities that are effective hedging instruments | 49,395                      | 288,424     |
|   | ₩ 49,395                    | ₩ 288,954   |

(2) Other financial liabilities as of December 31, 2017 consist of the following:

| Description   | December 31, 2017           |             |
|---|-----------------------------|-------------|
|   | Current                     | Non-current |
|   | (In millions of Korean Won) |             |
| Financial liabilities at FVPL                                 | ₩ 555                       | ₩ -         |
| Derivative liabilities that are effective hedging instruments | 25,097                      | 438,070     |
|   | ₩ 25,652                    | ₩ 438,070   |

#### 18. OTHER LIABILITIES:

Other liabilities as of June 30, 2018 and December 31, 2017 consist of the following:

| Description                        | June 30, 2018               |             | December 31, 2017 |             |
|------------------------------------|-----------------------------|-------------|-------------------|-------------|
|                                    | Current                     | Non-current | Current           | Non-current |
|                                    | (In millions of Korean Won) |             |                   |             |
| Advances received                  | ₩ 1,055,714                 | ₩ 106,608   | ₩ 746,977         | ₩ 86,359    |
| Withholdings                       | 993,865                     | 265,674     | 964,884           | 301,247     |
| Accrued expenses                   | 3,259,360                   | -           | 3,830,729         | -           |
| Unearned income                    | 372,526                     | 1,192,044   | 315,035           | 1,075,434   |
| Due to customers for contract work | 277,126                     | -           | 438,977           | -           |
| Others                             | 444,762                     | 1,222,095   | 294,819           | 1,182,380   |
|                                    | ₩ 6,403,353                 | ₩ 2,786,421 | ₩ 6,591,421       | ₩ 2,645,420 |



## 19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of June 30, 2018 are as follows:

| Description                                    | Financial assets<br>measured at<br>FVPL | Financial<br>assets<br>measured at<br>amortised cost | Financial<br>assets<br>measured at<br>FVOCI | Derivative<br>assets that are<br>effective<br>hedging<br>instruments | Book value          | Fair value          |
|--|---|--|---|--|---------------------|---------------------|
| (In millions of Korean Won)                    |   |  |   |  |                     |                     |
| Cash and cash equivalents                      | ₩ -                                     | ₩ 8,776,808  | ₩ -   | ₩ -  | ₩ 8,776,808         | ₩ 8,776,808         |
| Short-term and long-term financial instruments | -                                       | 8,405,276  | -   | -  | 8,405,276           | 8,405,276           |
| Trade notes and accounts receivable            | -                                       | 3,902,045  | -   | -  | 3,902,045           | 3,902,045           |
| Other receivables                              | -                                       | 3,198,235  | -   | -  | 3,198,235           | 3,198,235           |
| Other financial assets                         | 10,611,653                              | 91,011   | 1,956,504                                   | 47,931   | 12,707,099          | 12,707,099          |
| Other assets                                   | -                                       | 395,701  | -   | -  | 395,701             | 395,701             |
| Financial services receivables                 | -                                       | 52,904,187   | -   | -  | 52,904,187          | 53,473,600          |
|  | <u>₩ 10,611,653</u>                     | <u>₩ 77,673,263</u>                                  | <u>₩ 1,956,504</u>                          | <u>₩ 47,931</u>  | <u>₩ 90,289,351</u> | <u>₩ 90,858,764</u> |

Financial assets by categories as of December 31, 2017 are as follows:

| Description                                    | Financial<br>assets<br>at FVPL | Loans<br>and<br>receivables | AFS<br>financial<br>assets | Derivative<br>assets that are<br>effective<br>hedging<br>instruments | Book value          | Fair value          |
|--|--------------------------------|-----------------------------|----------------------------|--|---------------------|---------------------|
| (In millions of Korean Won)                    |                                |                             |                            |  |                     |                     |
| Cash and cash equivalents                      | ₩ -                            | ₩ 8,821,529                 | ₩ -                        | ₩ -  | ₩ 8,821,529         | ₩ 8,821,529         |
| Short-term and long-term financial instruments | -                              | 7,891,106                   | -                          | -  | 7,891,106           | 7,891,106           |
| Trade notes and accounts receivable            | -                              | 3,961,976                   | -                          | -  | 3,961,976           | 3,961,976           |
| Other receivables                              | -                              | 3,195,513                   | -                          | -  | 3,195,513           | 3,195,513           |
| Other financial assets                         | 12,964,437                     | 87,589                      | 2,308,955                  | 38,197   | 15,399,178          | 15,399,178          |
| Other assets                                   | -                              | 359,942                     | -                          | -  | 359,942             | 359,942             |
| Financial services receivables                 | -                              | 51,168,018                  | -                          | -  | 51,168,018          | 51,287,698          |
|  | <u>₩ 12,964,437</u>            | <u>₩ 75,485,673</u>         | <u>₩ 2,308,955</u>         | <u>₩ 38,197</u>  | <u>₩ 90,797,262</u> | <u>₩ 90,916,942</u> |

(2) Financial liabilities by categories as of June 30, 2018 are as follows:

| Description                         | Financial liabilities<br>measured at FVPL | Financial liabilities<br>measured at<br>amortised cost | Derivative liabilities<br>that are effective<br>hedging instruments | Book value          | Fair value          |
|-------------------------------------|---|--|---|---------------------|---------------------|
| (In millions of Korean Won)         |   |  |   |                     |                     |
| Trade notes and<br>accounts payable | ₩ -                                       | ₩ 7,135,844  | ₩ -   | ₩ 7,135,844         | ₩ 7,135,844         |
| Other payables                      | -   | 3,958,898  | -   | 3,958,898           | 3,958,898           |
| Borrowings and<br>debentures        | -   | 72,932,506   | -   | 72,932,506          | 72,479,207          |
| Other financial liabilities         | 530                                       | -  | 337,819   | 338,349             | 338,349             |
| Other liabilities                   | -   | 3,279,959  | -   | 3,279,959           | 3,279,959           |
|                                     | <u>₩ 530</u>                              | <u>₩ 87,307,207</u>                                    | <u>₩ 337,819</u>  | <u>₩ 87,645,556</u> | <u>₩ 87,192,257</u> |

Financial liabilities by categories as of December 31, 2017 are as follows:

| Description                         | Financial liabilities<br>at FVPL | Financial liabilities<br>carried at<br>amortised cost | Derivative liabilities<br>that are effective<br>hedging instruments | Book value          | Fair value          |
|-------------------------------------|----------------------------------|---|---|---------------------|---------------------|
| (In millions of Korean Won)         |                                  |   |   |                     |                     |
| Trade notes and<br>accounts payable | ₩ -                              | ₩ 6,483,875   | ₩ -   | ₩ 6,483,875         | ₩ 6,483,875         |
| Other payables                      | -                                | 5,059,246   | -   | 5,059,246           | 5,059,246           |
| Borrowings and<br>debentures        | -                                | 72,000,530  | -   | 72,000,530          | 71,987,443          |
| Other financial liabilities         | 555                              | -   | 463,167   | 463,722             | 463,722             |
| Other liabilities                   | -                                | 3,837,148   | -   | 3,837,148           | 3,837,148           |
|                                     | <u>₩ 555</u>                     | <u>₩ 87,380,799</u>                                   | <u>₩ 463,167</u>  | <u>₩ 87,844,521</u> | <u>₩ 87,831,434</u> |

### (3) Fair value estimation

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

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

Fair value measurements of financial instruments by fair value hierarchy levels as of June 30, 2018 are as follows:

| Description   | June 30, 2018      |                     |                  |                     |
|---|--------------------|---------------------|------------------|---------------------|
|   | Level 1            | Level 2             | Level 3          | Total               |
| (In millions of Korean Won)                                   |                    |                     |                  |                     |
| Financial assets:   |                    |                     |                  |                     |
| Financial assets measured at FVPL                             | ₩ 122,126          | ₩ 10,446,425        | ₩ 43,102         | ₩ 10,611,653        |
| Derivative assets that are effective hedging instruments      | -                  | 47,931              | -                | 47,931              |
| Financial assets measured at FVOCI                            | 1,356,381          | 274,906             | 325,217          | 1,956,504           |
|   | <u>₩ 1,478,507</u> | <u>₩ 10,769,262</u> | <u>₩ 368,319</u> | <u>₩ 12,616,088</u> |
| Financial liabilities:  |                    |                     |                  |                     |
| Financial liabilities measured at FVPL                        | ₩ -                | ₩ 530               | ₩ -              | ₩ 530               |
| Derivative liabilities that are effective hedging instruments | -                  | 337,819             | -                | 337,819             |
|   | <u>₩ -</u>         | <u>₩ 338,349</u>    | <u>₩ -</u>       | <u>₩ 338,349</u>    |

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2017 are as follows:

| Description   | December 31, 2017  |                     |                  |                     |
|---|--------------------|---------------------|------------------|---------------------|
|   | Level 1            | Level 2             | Level 3          | Total               |
| (In millions of Korean Won)                                   |                    |                     |                  |                     |
| Financial assets:   |                    |                     |                  |                     |
| Financial assets at FVPL                                      | ₩ 111,654          | ₩ 12,852,783        | ₩ -              | ₩ 12,964,437        |
| Derivative assets that are effective hedging instruments      | -                  | 38,197              | -                | 38,197              |
| AFS financial assets  | 1,708,825          | 264,611             | 335,519          | 2,308,955           |
|   | <u>₩ 1,820,479</u> | <u>₩ 13,155,591</u> | <u>₩ 335,519</u> | <u>₩ 15,311,589</u> |
| Financial liabilities:  |                    |                     |                  |                     |
| Financial liabilities at FVPL                                 | ₩ -                | ₩ 555               | ₩ -              | ₩ 555               |
| Derivative liabilities that are effective hedging instruments | -                  | 463,167             | -                | 463,167             |
|   | <u>₩ -</u>         | <u>₩ 463,722</u>    | <u>₩ -</u>       | <u>₩ 463,722</u>    |

The changes in financial instruments classified as Level 3 for the six months ended June 30, 2018 are as follows:

| Description                        | Beginning of the period (*) |         | Purchases | Disposals | Valuation  | Transfers | End of the period |   |         |
|------------------------------------|-----------------------------|---------|-----------|-----------|------------|-----------|-------------------|---|---------|
|                                    |                             |         |           |           |            |           |                   |   |         |
|                                    | (In millions of Korean Won) |         |           |           |            |           |                   |   |         |
| Financial assets measured at FVPL  | ₩                           | 45,854  | ₩         | 7,840     | ₩ (10,529) | ₩ (63)    | ₩ -               | ₩ | 43,102  |
| Financial assets measured at FVOCI |                             | 289,665 |           | 41,889    | (6,134)    | (203)     | -                 |   | 325,217 |

(\*) The beginning amount consists of AFS financial assets due to the change in accounting standards.

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

| Description                 | Beginning<br>of the<br>period | Purchases | Disposals | Valuation | Transfers | End of<br>the period |
|-----------------------------|-------------------------------|-----------|-----------|-----------|-----------|----------------------|
| (In millions of Korean Won) |                               |           |           |           |           |                      |
| AFS financial assets        | ₩ 258,160                     | ₩ 11,377  | ₩ (2,387) | ₩ 1,291   | ₩ -       | ₩ 268,441            |

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the six months ended June 30, 2018 are as follows:

| Description   | Six months ended June 30,<br>2018 |                    |                      |
|---|-----------------------------------|--------------------|----------------------|
|   | Interest<br>income                | Dividend<br>income | Interest<br>expenses |
| (In millions of Korean Won)                         |                                   |                    |                      |
| Non-financial services:                             |                                   |                    |                      |
| Financial assets measured<br>at amortised cost      | ₩ 148,451                         | ₩ -                | ₩ -                  |
| Financial assets (liabilities)<br>measured at FVPL  | 94,836                            | -                  | 7,582                |
| Financial assets measured at FVOCI                  | -                                 | 29,063             | -                    |
| Financial liabilities measured<br>at amortised cost | -                                 | -                  | 111,323              |
|   | <u>₩ 243,287</u>                  | <u>₩ 29,063</u>    | <u>₩ 118,905</u>     |
| Financial services:                                 |                                   |                    |                      |
| Financial assets measured<br>at amortised cost      | ₩ 1,756,930                       | ₩ -                | ₩ -                  |
| Financial assets measured at FVPL                   | 14,475                            | 7,481              | -                    |
| Financial assets measured at FVOCI                  | 1,096                             | -                  | -                    |
| Financial liabilities measured<br>at amortised cost | -                                 | -                  | 756,463              |
|   | <u>₩ 1,772,501</u>                | <u>₩ 7,481</u>     | <u>₩ 756,463</u>     |

Interest income, dividend income and interest expenses by categories of financial instruments for the six months ended June 30, 2017 are as follows:

| Description  | Six months ended June 30,<br>2017 |                    |                      |
|--|-----------------------------------|--------------------|----------------------|
|  | Interest<br>income                | Dividend<br>income | Interest<br>expenses |
| (In millions of Korean Won)                        |                                   |                    |                      |
| Non-financial services:                            |                                   |                    |                      |
| Loans and receivables                              | ₩ 124,497                         | ₩ -                | ₩ -                  |
| Financial assets (liabilities) at FVPL             | 81,751                            | -                  | 5,981                |
| AFS financial assets                               | -                                 | 16,343             | -                    |
| Financial liabilities<br>carried at amortised cost | -                                 | -                  | 117,627              |
|  | <u>₩ 206,248</u>                  | <u>₩ 16,343</u>    | <u>₩ 123,608</u>     |
| Financial services:                                |                                   |                    |                      |
| Loans and receivables                              | ₩ 1,709,656                       | ₩ -                | ₩ -                  |
| Financial assets at FVPL                           | 11,377                            | 1,292              | -                    |
| AFS financial assets                               | 601                               | 2,192              | -                    |
| Financial liabilities<br>carried at amortised cost | -                                 | -                  | 700,360              |
|  | <u>₩ 1,721,634</u>                | <u>₩ 3,484</u>     | <u>₩ 700,360</u>     |

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than Financial assets or liabilities measured at FVPL (financial assets or liabilities at FVPL as of June 30, 2017) for the six months ended June 30, 2018 and 2017 are ₩924,885 million and ₩895,624 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 measured at FVPL (financial assets or liabilities at FVPL as of June 30, 2017) for the six months ended June 30, 2018 and 2017 are ₩525,745 million and ₩465,788 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 six months ended June 30, 2018.
- (7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows:

- Currency forwards, options and swap

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

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

- Interest rate swap

The discount rate and forward interest rate used to measure the fair value of interest rate swap are determined based on an applicable yield curve derived from interest quoted in the current market at the end of the reporting period. The fair value of interest rate swap was measured as a discount on the estimated future cash flows of interest rate swap based on forward interest rates derived from the above method at an appropriate discount rate.

As the inputs used to measure fair value of interest rate swap are supported by observable market data, such as yield curves, the Group classifies the estimates of fair value measurements of the interest rate swap as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

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

- Unlisted equity securities

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

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

| Description                | Fair value at<br>June 30, 2018<br>(In millions of<br>Korean Won) | Valuation<br>techniques         | Unobservable<br>inputs  | Description of relationship   |
|----------------------------|--|---------------------------------|---|---|
| Unlisted equity securities | ₩ 325,500  | Discounted cash flow and others | Sales growth rate<br>Pre-tax operating income margin<br>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, 2017.

## 20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of June 30, 2018 and December 31, 2017 consist of the following:

### (1) Common stock

| Description   | June 30, 2018<br>(In millions of Korean Won, except par value) | December 31, 2017<br>(In millions of Korean Won, except par value) |
|---------------|--|--|
| Issued        | 220,276,479 shares   | 220,276,479 shares   |
| Par value     | ₩ 5,000  | ₩ 5,000  |
| Capital stock | 1,157,982  | 1,157,982  |

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

### (2) Preferred stock

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

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

## 21. CAPITAL SURPLUS:

Capital surplus as of June 30, 2018 and December 31, 2017 consists of the following:

| Description                                  | June 30, 2018               | December 31, 2017 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Stock paid-in capital in excess of par value | ₩ 3,321,334                 | ₩ 3,321,334       |
| Others                                       | 879,880                     | 879,880           |
|  | ₩ 4,201,214                 | ₩ 4,201,214       |

## 22. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of June 30, 2018 and December 31, 2017 are as follows:

| Description                     | June 30,<br>2018   | December 31,<br>2017 |
|---------------------------------|--------------------|----------------------|
|                                 | (Number of shares) |                      |
| Common stock                    | 15,359,818         | 13,222,514           |
| 1 <sup>st</sup> preferred stock | 2,445,984          | 2,202,059            |
| 2 <sup>nd</sup> preferred stock | 1,740,855          | 1,376,138            |
| 3 <sup>rd</sup> preferred stock | 48,817             | 24,782               |

## 23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of June 30, 2018 consists of the following:

| Description   | June 30, 2018               |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Gain on valuation of financial assets measured at FVOCI (*)                       | ₩ 339,358                   |
| Loss on valuation of financial assets measured at FVOCI (*)                       | (251,275)                   |
| Gain on valuation of cash flow hedge derivatives                                  | 3,123                       |
| Loss on valuation of cash flow hedge derivatives                                  | (79,659)                    |
| Gain on share of the other comprehensive income of equity-accounted investees (*) | 209,889                     |
| Loss on share of the other comprehensive income of equity-accounted investees (*) | (781,906)                   |
| Loss on foreign operations translation, net                                       | (1,922,338)                 |
|   | ₩ (2,482,808)               |

(\*) It is cumulative gain or loss excluding the amount reclassified to retained earnings at the time of disposal. In accordance with initial application of K-IFRS 1109, it reflects ₩331,080 million won, the effect of adjustment in opening balance as of January 1, 2018 including the reclassification of the impairment recognised in the past.

(2) Accumulated other comprehensive loss as of December 31, 2017 consists of the following:

| Description   | December 31, 2017           |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Gain on valuation of AFS financial assets                                     | ₩ 486,596                   |
| Loss on valuation of AFS financial assets                                     | (1,915)                     |
| Gain on valuation of cash flow hedge derivatives                              | 9,062                       |
| Loss on valuation of cash flow hedge derivatives                              | (2,119)                     |
| Gain on share of the other comprehensive income of equity-accounted investees | 165,563                     |
| Loss on share of the other comprehensive income of equity-accounted investees | (814,987)                   |
| Loss on foreign operations translation, net                                   | (2,121,155)                 |
|   | ₩ (2,278,955)               |

## 24. RETAINED EARNINGS:

Retained earnings as of June 30, 2018 and December 31, 2017 consist of the following:

| Description           | June 30,                    |            | December 31, |            |
|-----------------------|-----------------------------|------------|--------------|------------|
|                       | 2018                        |            | 2017         |            |
|                       | (In millions of Korean Won) |            |              |            |
| Legal reserve (*)     | ₩                           | 744,836    | ₩            | 744,836    |
| Discretionary reserve |                             | 48,328,847 |              | 46,848,647 |
| Unappropriated        |                             | 18,990,997 |              | 19,738,845 |
|                       | ₩                           | 68,064,680 | ₩            | 67,332,328 |

(\*) 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 six months ended June 30, 2018 and 2017 consist of the following:

| Description                               | 2018                        |                           | 2017                        |                           |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
|   | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|   | (In millions of Korean Won) |                           |                             |                           |
| Sales of goods                            | ₩ 20,472,285                | ₩ 39,095,369              | ₩ 20,618,388                | ₩ 39,826,255              |
| Rendering of services                     | 550,085                     | 1,041,627                 | 364,824                     | 708,692                   |
| Royalties                                 | 33,378                      | 54,973                    | 31,381                      | 66,641                    |
| Financial services revenue                | 2,936,835                   | 5,641,910                 | 2,522,608                   | 5,583,879                 |
| Revenue related to construction contracts | 615,191                     | 1,131,402                 | 652,590                     | 1,269,395                 |
| Others                                    | 104,028                     | 183,082                   | 118,211                     | 219,099                   |
|   | ₩ 24,711,802                | ₩ 47,148,363              | ₩ 24,308,002                | ₩ 47,673,961              |



**26. SELLING AND ADMINISTRATIVE EXPENSES:**

Selling and administrative expenses for the three months and six months ended June 30, 2018 and 2017 consist of the following:

| Description                        | 2018                        |                           | 2017                        |                           |
|------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                    | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                    | (In millions of Korean Won) |                           |                             |                           |
| Selling expenses:                  |                             |                           |                             |                           |
| Export expenses                    | ₩ 16,867                    | ₩ 39,992                  | ₩ 212,543                   | ₩ 375,873                 |
| Overseas market expenses           | 73,622                      | 113,623                   | 92,162                      | 181,432                   |
| Advertisements and sales promotion | 532,508                     | 1,084,192                 | 610,861                     | 1,172,803                 |
| Sales commissions                  | 184,949                     | 354,104                   | 173,761                     | 333,706                   |
| Expenses for warranties            | 474,948                     | 883,095                   | 588,815                     | 1,002,345                 |
| Transportation expenses            | 29,684                      | 56,174                    | 67,630                      | 131,983                   |
|                                    | <u>1,312,578</u>            | <u>2,531,180</u>          | <u>1,745,772</u>            | <u>3,198,142</u>          |
| Administrative expenses:           |                             |                           |                             |                           |
| Payroll                            | 618,067                     | 1,234,275                 | 615,796                     | 1,227,866                 |
| Post-employment benefits           | 42,069                      | 83,750                    | 42,074                      | 84,403                    |
| Welfare expenses                   | 98,199                      | 195,626                   | 97,948                      | 202,356                   |
| Service charges                    | 326,027                     | 637,325                   | 308,056                     | 598,203                   |
| Research                           | 233,780                     | 435,558                   | 224,775                     | 431,966                   |
| Others                             | 344,954                     | 644,182                   | 347,945                     | 681,972                   |
|                                    | <u>1,663,096</u>            | <u>3,230,716</u>          | <u>1,636,594</u>            | <u>3,226,766</u>          |
|                                    | <u>₩ 2,975,674</u>          | <u>₩ 5,761,896</u>        | <u>₩ 3,382,366</u>          | <u>₩ 6,424,908</u>        |

**27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:**

Gain on investments in joint ventures and associates for the three months and six months ended June 30, 2018 and 2017 consist of the following:

| Description   | 2018                        |                           | 2017                        |                           |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
|   | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|   | (In millions of Korean Won) |                           |                             |                           |
| Gain on share of earnings of equity-accounted investees, net and others | ₩ 235,670                   | ₩ 478,165                 | ₩ 143,359                   | ₩ 545,782                 |

**28. FINANCE INCOME AND EXPENSES:**

- (1) Finance income for the three months and six months ended June 30, 2018 and 2017 consists of the following:

| Description                           | 2018                        |                           | 2017                        |                           |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                       | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                       | (In millions of Korean Won) |                           |                             |                           |
| Interest income                       | ₩ 126,241                   | ₩ 243,287                 | ₩ 103,237                   | ₩ 206,248                 |
| Gain on foreign exchange transactions | 12,237                      | 30,238                    | 73,567                      | 116,019                   |
| Gain on foreign currency translation  | 15,852                      | 44,002                    | 35,164                      | 103,273                   |
| Dividend income                       | 191                         | 29,063                    | 3,241                       | 16,343                    |
| Gain on derivatives                   | 43,237                      | 38,387                    | 38,963                      | 72,349                    |
| Others                                | 6,365                       | 15,398                    | 83                          | 524                       |
|                                       | ₩ 204,123                   | ₩ 400,375                 | ₩ 254,255                   | ₩ 514,756                 |

- (2) Finance expenses for the three months and six months ended June 30, 2018 and 2017 consist of the following:

| Description                             | 2018                        |                           | 2017                        |                           |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
|   | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|   | (In millions of Korean Won) |                           |                             |                           |
| Interest expenses                       | ₩ 72,558                    | ₩ 146,484                 | ₩ 83,593                    | ₩ 170,768                 |
| Loss on foreign exchange transactions   | 14,761                      | 23,483                    | 59,921                      | 78,714                    |
| Loss on foreign currency translation    | 106,140                     | 130,543                   | 106,447                     | 83,122                    |
| Loss on derivatives                     | 1,564                       | 3,399                     | 13,223                      | 18,548                    |
| Impairment loss on AFS financial assets | -                           | -                         | 240,478                     | 240,478                   |
| Others                                  | 85                          | 86                        | 57,386                      | 57,676                    |
|   | ₩ 195,108                   | ₩ 303,995                 | ₩ 561,048                   | ₩ 649,306                 |

**29. OTHER INCOME AND EXPENSES:**

- (1) Other income for the three months and six months ended June 30, 2018 and 2017 consists of the following:

| Description                           | 2018                        |                           | 2017                        |                           |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                       | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                       | (In millions of Korean Won) |                           |                             |                           |
| Gain on foreign exchange transactions | ₩ 66,888                    | ₩ 127,038                 | ₩ 81,623                    | ₩ 256,763                 |
| Gain on foreign currency translation  | 141,307                     | 169,362                   | 146,093                     | 129,421                   |
| Gain on disposals of PP&E             | 2,709                       | 8,244                     | 4,481                       | 11,715                    |
| Commission income                     | 43,087                      | 60,358                    | 28,502                      | 58,435                    |
| Rental income                         | 18,113                      | 37,936                    | 19,364                      | 40,883                    |
| Others                                | 44,569                      | 123,009                   | 69,068                      | 149,231                   |
|                                       | ₩ 316,673                   | ₩ 525,947                 | ₩ 349,131                   | ₩ 646,448                 |

(2) Other expenses for the three months and six months ended June 30, 2018 and 2017 consist of the following:

| Description                           | 2018                        |                           | 2017                        |                           |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                       | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                       | (In millions of Korean Won) |                           |                             |                           |
| Loss on foreign exchange transactions | ₩ 118,744                   | ₩ 184,660                 | ₩ 69,118                    | ₩ 269,189                 |
| Loss on foreign currency translation  | 150,465                     | 193,995                   | 141,237                     | 158,878                   |
| Loss on disposals of PP&E             | 8,872                       | 51,329                    | 68,419                      | 88,159                    |
| Donations                             | 12,642                      | 49,411                    | 13,827                      | 32,202                    |
| Others                                | 92,622                      | 198,489                   | 72,596                      | 182,460                   |
|                                       | ₩ 383,345                   | ₩ 677,884                 | ₩ 365,197                   | ₩ 730,888                 |

### 30. EXPENSES BY NATURE:

Expenses by nature for the three months and six months ended June 30, 2018 and 2017 consist of the following:

| Description                        | 2018                        |                           | 2017                        |                           |
|------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                    | Three months ended June 30, | Six months ended June 30, | Three months ended June 30, | Six months ended June 30, |
|                                    | (In millions of Korean Won) |                           |                             |                           |
| Changes in inventories             | ₩ 47,176                    | ₩ (57,374)                | ₩ (1,133,657)               | ₩ (1,346,217)             |
| Raw materials and merchandise used | 14,039,668                  | 26,725,688                | 14,444,199                  | 27,653,419                |
| Employee benefits                  | 2,138,384                   | 4,228,707                 | 2,182,700                   | 4,372,595                 |
| Depreciation                       | 576,043                     | 1,146,690                 | 551,923                     | 1,097,515                 |
| Amortization                       | 352,430                     | 696,130                   | 306,957                     | 612,703                   |
| Others                             | 6,990,629                   | 13,454,298                | 6,976,607                   | 13,419,603                |
| Total (*)                          | ₩ 24,144,330                | ₩ 46,194,139              | ₩ 23,328,729                | ₩ 45,809,618              |

(\*) 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 six months ended June 30, 2018 are computed as follows:

| Description                          | Three months ended June 30,                           |  |                          | Six months ended June 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                         | ₩ 539,019   | 206,185,258  | ₩ 2,614                  | ₩ 1,052,927               | 206,617,212  | ₩ 5,096                  |
| 1 <sup>st</sup> Preferred stock (*2) | 59,900  | 22,810,858   | 2,626                    | 117,021                   | 22,859,122   | 5,119                    |
| 2 <sup>nd</sup> Preferred stock      | 95,259  | 36,092,056   | 2,639                    | 186,121                   | 36,164,489   | 5,147                    |
| 3 <sup>rd</sup> Preferred stock      | 6,421   | 2,443,810  | 2,627                    | 12,544                    | 2,448,637  | 5,123                    |

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

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

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

| Description   | Three months ended June 30,     |  |                                | Six months ended June 30,       |  |                                |
|---|---------------------------------|--|--------------------------------|---------------------------------|--|--------------------------------|
|   | Profit<br>available to<br>share | Weighted-<br>average number<br>of shares<br>outstanding (*1) | Basic<br>earnings<br>per share | Profit<br>available to<br>share | Weighted-<br>average number<br>of shares<br>outstanding (*1) | Basic<br>earnings<br>per share |
| (In millions of Korean Won, except per share amounts) |                                 |  |                                |                                 |  |                                |
| Common stock  | ₩ 628,633                       | 207,053,965  | ₩ 3,036                        | ₩ 1,653,173                     | 207,053,965  | ₩ 7,984                        |
| 1 <sup>st</sup> Preferred stock (*2)                  | 69,837                          | 22,907,923   | 3,049                          | 183,476                         | 22,907,923   | 8,009                          |
| 2 <sup>nd</sup> Preferred stock                       | 110,927                         | 36,237,727   | 3,061                          | 291,143                         | 36,237,727   | 8,034                          |
| 3 <sup>rd</sup> Preferred stock                       | 7,480                           | 2,453,517  | 3,049                          | 19,651                          | 2,453,517  | 8,009                          |

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

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

The Group does not compute diluted earnings per common stock for the three months and six months ended June 30, 2018 and 2017, 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 six months ended June 30, 2018 and 2017 are 24.9% and 20.6%, respectively.

### 33. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the six months ended June 30, 2018 and 2017 are as follows:

| Description                 | Six months ended June 30, |         |
|-----------------------------|---------------------------|---------|
|                             | 2018                      | 2017    |
| (In millions of Korean Won) |                           |         |
| Paid in cash                | ₩ 3,671                   | ₩ 3,544 |
| Recognized liability        | 1,150                     | 1,052   |
|                             | ₩ 4,821                   | ₩ 4,596 |

(2) The significant actuarial assumptions used by the Group as of June 30, 2018 and December 31, 2017 are as follows:

| Description                             | June 30, 2018 | December 31, 2017 |
|---|---------------|-------------------|
| Discount rate                           | 3.97%         | 4.41%             |
| Rate of expected future salary increase | 4.60%         | 4.62%             |

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 June 30, 2018 and December 31, 2017 consist of the following:

| Description                                  | June 30, 2018 | December 31, 2017 |
|--|---------------|-------------------|
| (In millions of Korean Won)                  |               |                   |
| Present value of defined benefit obligations | ₩ 5,358,265   | ₩ 5,321,580       |
| Fair value of plan assets                    | (5,041,628)   | (5,179,426)       |
|  | ₩ 316,637     | ₩ 142,154         |
| Net defined benefit liabilities              | 326,839       | 157,213           |
| Net defined benefit assets                   | (10,202)      | (15,059)          |

(4) Changes in net defined benefit liabilities for the six months ended June 30, 2018 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   | ₩  | 5,321,580        | ₩                         | (5,179,426)        | ₩                               | 142,154         |
| Current service cost  |  | 276,501          |                           | -                  |                                 | 276,501         |
| Interest expenses (income)  |  | 82,071           |                           | (82,125)           |                                 | (54)            |
| Past service cost   |  | 2,083            |                           | -                  |                                 | 2,083           |
|   |  | <u>5,682,235</u> |                           | <u>(5,261,551)</u> |                                 | <u>420,684</u>  |
| Remeasurements:   |  |                  |                           |                    |                                 |                 |
| Return on plan assets   |  | -                |                           | 14,494             |                                 | 14,494          |
| Actuarial gains and losses arising from changes in financial assumptions  |  | (24,162)         |                           | -                  |                                 | (24,162)        |
| Actuarial gains and losses arising from experience adjustments and others |  | (1,925)          |                           | -                  |                                 | (1,925)         |
|   |  | <u>(26,087)</u>  |                           | <u>14,494</u>      |                                 | <u>(11,593)</u> |
| Contributions   |  | -                |                           | (3,679)            |                                 | (3,679)         |
| Benefits paid   |  | (314,260)        |                           | 219,365            |                                 | (94,895)        |
| Transfers in (out)  |  | 1,938            |                           | (1,024)            |                                 | 914             |
| Effect of foreign exchange differences and others                         |  | 14,439           |                           | (9,233)            |                                 | 5,206           |
| End of the period   | ₩  | 5,358,265        | ₩                         | (5,041,628)        | ₩                               | 316,637         |

Changes in net defined benefit liabilities for the six months ended June 30, 2017 are as follows:

| Description   | Present value of defined benefit obligations |                  | Fair value of plan assets |                    | Net defined benefit liabilities |                |
|---|--|------------------|---------------------------|--------------------|---------------------------------|----------------|
|   | (In millions of Korean Won)                  |                  |                           |                    |                                 |                |
| Beginning of the period   | ₩  | 4,937,999        | ₩                         | (4,449,721)        | ₩                               | 488,278        |
| Current service cost  |  | 272,237          |                           | -                  |                                 | 272,237        |
| Interest expenses (income)  |  | 71,395           |                           | (66,487)           |                                 | 4,908          |
|   |  | <u>5,281,631</u> |                           | <u>(4,516,208)</u> |                                 | <u>765,423</u> |
| Remeasurements:   |  |                  |                           |                    |                                 |                |
| Return on plan assets   |  | -                |                           | (12,974)           |                                 | (12,974)       |
| Actuarial gains and losses arising from changes in financial assumptions  |  | 18,456           |                           | -                  |                                 | 18,456         |
| Actuarial gains and losses arising from experience adjustments and others |  | (1,092)          |                           | -                  |                                 | (1,092)        |
|   |  | <u>17,364</u>    |                           | <u>(12,974)</u>    |                                 | <u>4,390</u>   |
| Contributions   |  | -                |                           | (190,392)          |                                 | (190,392)      |
| Benefits paid   |  | (147,517)        |                           | 119,954            |                                 | (27,563)       |
| Transfers in (out)  |  | 121              |                           | (82)               |                                 | 39             |
| Effect of foreign exchange differences and others                         |  | (8,561)          |                           | 12,152             |                                 | 3,591          |
| End of the period   | ₩  | 5,143,038        | ₩                         | (4,587,550)        | ₩                               | 555,488        |

(5) The fair value of the plan assets as of June 30, 2018 and December 31, 2017 consists of the following:

| Description           | June 30, 2018               | December 31, 2017 |
|-----------------------|-----------------------------|-------------------|
|                       | (In millions of Korean Won) |                   |
| Insurance instruments | ₩ 4,732,561                 | ₩ 4,873,665       |
| Debt instruments      | 122,779                     | 120,277           |
| Others                | 186,288                     | 185,484           |
|                       | ₩ 5,041,628                 | ₩ 5,179,426       |

### 34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the six months ended June 30, 2018 and 2017 is as follows:

| Description  | Six months ended June 30,   |             |
|--|-----------------------------|-------------|
|  | 2018                        | 2017        |
|  | (In millions of Korean Won) |             |
| Profit for the period  | ₩ 1,542,362                 | ₩ 2,319,320 |
| Adjustments:   |                             |             |
| Post-employment benefits                                     | 279,680                     | 278,197     |
| Depreciation   | 1,146,690                   | 1,097,515   |
| Amortization of intangible assets                            | 696,130                     | 612,703     |
| Provision for warranties                                     | 794,162                     | 935,713     |
| Income tax expense   | 512,354                     | 602,703     |
| Loss on foreign currency translation, net                    | 111,174                     | 9,306       |
| Loss on disposals of PP&E, net                               | 43,085                      | 76,444      |
| Interest income, net   | (96,803)                    | (35,480)    |
| Gain on share of earnings of equity-accounted investees, net | (478,165)                   | (545,782)   |
| Cost of sales from financial services, net                   | 3,189,379                   | 3,052,255   |
| Others   | 184,604                     | 685,513     |
|  | 6,382,290                   | 6,769,087   |
| Changes in operating assets and liabilities:                 |                             |             |
| Decrease in trade notes and accounts receivable              | 210,020                     | 501,477     |
| Decrease in other receivables                                | 1,344                       | 126,731     |
| Decrease (increase) in other financial assets                | 628,424                     | (296,499)   |
| Increase in inventories                                      | (314,191)                   | (1,926,911) |
| Increase in other assets                                     | (243,233)                   | (157,417)   |
| Increase in trade notes and accounts payable                 | 557,693                     | 729,783     |
| Decrease in other payables                                   | (818,789)                   | (1,075,458) |
| Increase in other liabilities                                | 28,666                      | 1,053,400   |
| Decrease in other financial liabilities                      | (235)                       | (10,567)    |
| Changes in net defined benefit liabilities                   | 2,255                       | (185,548)   |
| Payment of severance benefits                                | (94,895)                    | (27,563)    |
| Decrease in provisions                                       | (1,143,134)                 | (1,083,362) |
| Changes in financial services receivables                    | (1,665,003)                 | (522,895)   |
| Increase in operating lease assets                           | (1,508,413)                 | (3,027,566) |
| Others   | 62,356                      | (3,559)     |
|  | (4,297,135)                 | (5,905,954) |
| Cash generated from operations                               | ₩ 3,627,517                 | ₩ 3,182,453 |

### 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 June 30, 2018 and December 31, 2017 are as follows:

| Description          | June 30, 2018               |             | December 31, 2017 |             |
|----------------------|-----------------------------|-------------|-------------------|-------------|
|                      | (In millions of Korean Won) |             |                   |             |
| Total liabilities    | ₩                           | 104,378,633 | ₩                 | 103,442,100 |
| Total equity         |                             | 74,953,180  |                   | 74,757,354  |
| Debt-to-equity ratio |                             | 139.3%      |                   | 138.4%      |

#### (2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and equity instrument 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 June 30, 2018 would be as follows:

| Foreign Currency | Foreign Exchange Rate Sensitivity |                |
|------------------|-----------------------------------|----------------|
|                  | Increase by 5%                    | Decrease by 5% |
|                  | (In millions of Korean Won)       |                |
| USD              | ₩ (2,631)                         | ₩ 2,631        |
| EUR              | (21,926)                          | 21,926         |
| JPY              | (6,465)                           | 6,465          |

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 June 30, 2018 would be as follows:

| Accounts                                       | Interest Rate Sensitivity   |                |
|--|-----------------------------|----------------|
|  | Increase by 1%              | Decrease by 1% |
|  | (In millions of Korean Won) |                |
| Cash and cash equivalents                      | ₩ 11,818                    | ₩ (11,818)     |
| Financial assets measured at FVPL              | 3,623                       | (3,310)        |
| Short-term and long-term financial Instruments | 5,323                       | (5,323)        |
| Borrowings and debentures                      | (96,274)                    | 96,274         |
| Financial liabilities measured at FVPL         | (1,588)                     | 1,588          |

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 June 30, 2018 and December 31, 2017, the amounts of interest rate risk measured at VaR are ₩168,848 million and ₩194,899 million, respectively.

#### c) Equity instruments price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of June 30, 2018, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩122,126 million and ₩1,672,241 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 June 30, 2018 is as follows:

| Description                      | Remaining contract period |            |   |            |       |           |   |            |
|----------------------------------|---------------------------|------------|---|------------|-------|-----------|---|------------|
|                                  | Not later than one year   |            | Later than one year and not later than five years |            | Total |           |   |            |
|                                  | one year                  |            | five years  |            |       |           |   |            |
| (In millions of Korean Won)      |                           |            |   |            |       |           |   |            |
| Non interest-bearing liabilities | ₩                         | 14,354,507 | ₩   | 21,026     | ₩     | -         | ₩ | 14,375,533 |
| Interest-bearing liabilities     |                           | 25,847,586 |   | 48,075,078 |       | 2,748,876 |   | 76,671,540 |
| Financial guarantee              |                           | 986,198    |   | 6,084      |       | 18,312    |   | 1,010,594  |



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 instruments

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

As of June 30, 2018 and December 31, 2017, the Group deferred a net loss of ₩76,536 million and a net profit of ₩6,943 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 110 months as of June 30, 2018.

For the six months ended June 30, 2018 and 2017, the Group recognises a net profit of ₩313,035 million and a net loss of ₩171,357 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 six months ended June 30, 2018, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation And Fair Trade Act of the Republic of Korea (“the Act”) are as follows:

| Description   |  | Sales/proceeds |         | Purchases/expenses |          |
|---|--|----------------|---------|--------------------|----------|
|   |  | Sales          | Others  | Purchases          | Others   |
| (In millions of Korean Won)   |  |                |         |                    |          |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.                    | ₩ 415,381      | ₩ 6,103 | ₩ 2,538,071        | ₩ 35,935 |
|   | Mobis Alabama, LLC                         | 65,078         | -       | 474,787            | 1,155    |
|   | Mobis Automotive Czech s.r.o.              | -              | 267     | 784,581            | 111      |
|   | Mobis India, Ltd.                          | 4,368          | 1,247   | 526,703            | 3,365    |
|   | Mobis Parts America, LLC                   | 16,208         | 1,504   | 378,138            | 320      |
|   | Mobis Parts Europe N.V.                    | 9,781          | 543     | 198,083            | 31       |
|   | Mobis Brasil Fabricacao De Auto Pecas Ltda | 3,537          | -       | 161,459            | -        |
|   | Mobis Module CIS, LLC                      | -              | 176     | 207,777            | -        |
|   | Others                                     | 8,811          | 1,176   | 371,468            | 3,811    |
| Joint ventures and associates   | Kia Motors Corporation                     | 582,405        | 214,087 | 98,235             | 217,937  |
|   | Kia Motors Manufacturing Georgia, Inc.     | 182,998        | 376     | 335,180            | 34,927   |
|   | Kia Motors Russia LLC                      | 516,954        | -       | -                  | 1,648    |
|   | Kia Motors Slovakia s.r.o.                 | 52,494         | 3       | 304,589            | -        |
|   | BHMC                                       | 260,291        | 20,274  | 17,892             | -        |
|   | HMGC                                       | 1,576          | -       | 1,814              | 2,780    |
|   | Hyundai WIA Corporation                    | 110,692        | 522     | 688,950            | 1,920    |
|   | Others                                     | 244,176        | 27,944  | 1,646,687          | 727,707  |
| Other related parties   |  | 1,203          | 3,197   | 65                 | 2        |
| Affiliates by the Act   |  | 409,543        | 85,388  | 3,273,120          | 636,180  |

For the six months ended June 30, 2017, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows:

| Description   |  | Sales/proceeds |         | Purchases/expenses |           |
|---|--|----------------|---------|--------------------|-----------|
|   |  | Sales          | Others  | Purchases          | Others    |
| (In millions of Korean Won)   |  |                |         |                    |           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.                    | ₩ 452,231      | ₩ 5,775 | ₩ 2,502,794        | ₩ 17,925  |
|   | Mobis Alabama, LLC                         | 61,116         | 220     | 696,207            | 36        |
|   | Mobis Automotive Czech s.r.o.              | -              | 246     | 815,994            | 1,385     |
|   | Mobis India, Ltd.                          | 20,369         | 1,422   | 500,417            | 89        |
|   | Mobis Parts America, LLC                   | 18,445         | 1,551   | 385,415            | 443       |
|   | Mobis Parts Europe N.V.                    | 7,697          | 616     | 172,860            | 2         |
|   | Mobis Brasil Fabricacao De Auto Pecas Ltda | 3,079          | -       | 166,733            | -         |
|   | Mobis Module CIS, LLC                      | -              | 160     | 188,214            | 1         |
|   | Others                                     | 7,134          | 1,464   | 357,623            | 7,106     |
|   |  | 491,694        | 187,674 | 72,557             | 137,711   |
| Joint ventures and associates   | Kia Motors Corporation                     |                |         |                    |           |
|   | Kia Motors Manufacturing Georgia, Inc.     | 305,053        | 640     | 961,496            | 1,361     |
|   | Kia Motors Russia LLC                      | 511,882        | 97      | 301                | -         |
|   | Kia Motors Slovakia s.r.o.                 | 60,216         | 1,371   | 362,393            | -         |
|   | BHMC                                       | 341,070        | 37,261  | 154                | -         |
|   | HMGC                                       | 1,664          | -       | 472                | 1,500     |
|   | Hyundai WIA Corporation                    | 121,908        | 953     | 560,163            | 1,141     |
|   | Others                                     | 194,835        | 23,656  | 1,360,211          | 1,020,688 |
| Other related parties   |  | 1,252          | 2,937   | 447                | -         |
| Affiliates by the Act   |  | 383,540        | 72,830  | 2,956,458          | 858,281   |

- (2) As of June 30, 2018, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

| Description   |  | Receivables (*1,2)                  |                              | Payables                         |                           |
|---|--|-------------------------------------|------------------------------|----------------------------------|---------------------------|
|   |  | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |
| (In millions of Korean Won)   |  |                                     |                              |                                  |                           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.                | ₩ 162,787                           | ₩ 17,270                     | ₩ 892,265                        | ₩ 149,692                 |
|   | Mobis Alabama, LLC                     | 13,399                              | -                            | 110,627                          | -                         |
|   | Mobis Automotive Czech s.r.o.          | -                                   | 227                          | 177,257                          | -                         |
|   | Mobis India, Ltd.                      | 819                                 | 86                           | 141,443                          | 2                         |
|   | Mobis Parts America, LLC               | 4,821                               | 332                          | 67,366                           | -                         |
|   | Mobis Parts Europe N.V.                | 805                                 | 1                            | 29,503                           | -                         |
|   | Mobis Module CIS, LLC                  | -                                   | 35                           | 39,894                           | -                         |
|   | Others                                 | 4,303                               | 410                          | 76,176                           | 1,419                     |
| Joint ventures and associates   | Kia Motors Corporation                 | 311,751                             | 136,048                      | 55,315                           | 181,204                   |
|   | Kia Motors Manufacturing Georgia, Inc. | 19,460                              | 11,951                       | 659                              | -                         |
|   | Kia Motors Russia LLC                  | 102,027                             | 25                           | -                                | 519                       |
|   | Kia Motors Slovakia s.r.o.             | 12,783                              | 115                          | 62,653                           | 773                       |
|   | Kia Motors America, Inc.               | -                                   | 78,414                       | 52                               | 19,402                    |
|   | BHMC                                   | 274,398                             | 106,945                      | -                                | 16                        |
|   | HMGC                                   | 254                                 | -                            | -                                | 886                       |
|   | Hyundai WIA Corporation                | 53,098                              | 16,115                       | 205,453                          | 57,851                    |
|   | Others                                 | 235,474                             | 123,223                      | 454,872                          | 429,199                   |
| Other related parties   |  | 397                                 | 553                          | 10                               | 12                        |
| Affiliates by the Act   |  | 122,371                             | 971,461                      | 902,381                          | 285,955                   |

- (\*1) The Group has recognised the loss allowance for the related parties' receivables in the amount of ₩23,682 million as of June 30, 2018 and the impairment loss is recognised in the amount of ₩1,767 million for the six months ended June 30, 2018.
- (\*2) As of June 30, 2018, outstanding payment of ₩17,927 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the six months ended June 30, 2018, amount used and repayment of agreement are ₩131,440 million and ₩126,460 million, respectively.

As of December 31, 2017, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

| Description   |  | Receivables (*1,2)                  |                              | Payables                         |                           |
|---|--|-------------------------------------|------------------------------|----------------------------------|---------------------------|
|   |  | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |
| (In millions of Korean Won)   |  |                                     |                              |                                  |                           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.                | ₩ 150,640                           | ₩ 12,322                     | ₩ 620,182                        | ₩ 209,749                 |
|   | Mobis Alabama, LLC                     | 9,514                               | 765                          | 42,710                           | -                         |
|   | Mobis Automotive Czech s.r.o.          | -                                   | 259                          | 118,894                          | -                         |
|   | Mobis India, Ltd.                      | 939                                 | 10                           | 170,877                          | 11                        |
|   | Mobis Parts America, LLC               | 2,134                               | 40                           | 53,628                           | 1,483                     |
|   | Mobis Parts Europe N.V.                | 1,886                               | 85                           | 27,100                           | -                         |
|   | Mobis Module CIS, LLC                  | -                                   | 42                           | 42,202                           | -                         |
|   | Others                                 | 8,576                               | 1,054                        | 72,715                           | 5,667                     |
| Joint ventures and associates   | Kia Motors Corporation                 | 235,557                             | 326,585                      | 22,013                           | 127,920                   |
|   | Kia Motors Manufacturing Georgia, Inc. | 24,547                              | 14,747                       | 176,080                          | 10,047                    |
|   | Kia Motors Russia LLC                  | 84,934                              | 183                          | 1                                | -                         |
|   | Kia Motors Slovakia s.r.o.             | 5,085                               | 365                          | 27,702                           | 50                        |
|   | Kia Motors America, Inc.               | -                                   | 105,854                      | 64                               | 18,400                    |
|   | BHMC                                   | 286,916                             | 87,455                       | -                                | 582                       |
|   | HMGC                                   | -                                   | -                            | 44                               | 3,977                     |
|   | Hyundai WIA Corporation                | 69,426                              | 19,252                       | 148,572                          | 96,067                    |
|   | Others                                 | 182,346                             | 113,488                      | 405,009                          | 634,076                   |
|   | Other related parties                  | 236                                 | 557                          | 184                              | -                         |
| Affiliates by the Act   |  | 204,869                             | 983,238                      | 689,203                          | 324,512                   |

- (\*1) The Group has recognised the loss allowance for the related parties' receivables in the amount of ₩21,915 million as of December 31, 2017 and the impairment loss is recognised in the amount of ₩21,872 million for the year ended December 31, 2017.
- (\*2) As of December 31, 2017, outstanding payment of ₩12,947 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the year ended December 31, 2017, amount used and repayment of agreement are ₩251,676 million and ₩261,624 million, respectively.
- (3) Significant fund transactions and equity contribution transactions for the six months ended June 30, 2018 and 2017 between the Group and related parties are as follows:

| Description                   | Equity contribution            |          |
|-------------------------------|--------------------------------|----------|
|                               | Six months ended June 30, 2018 | 2017     |
| (In millions of Korean Won)   |                                |          |
| Joint ventures and associates | ₩ 16,781                       | ₩ 57,400 |

For the six months ended June 30, 2018, the Group traded in other financial assets and others of ₩1,309,960 million with HYUNDAI MOTOR SECURITIES Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,484,980 million in the consolidated statement of financial position as of June 30, 2018.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the six months ended June 30, 2018 and 2017 are as follows:

| Description                  | Six months ended June 30, |           |
|------------------------------|---------------------------|-----------|
|                              | 2018                      | 2017      |
| (In millions of Korean Won)  |                           |           |
| Short-term employee salaries | ₩ 102,588                 | ₩ 83,365  |
| Post-employment benefits     | 17,804                    | 17,823    |
| Other long-term benefits     | 275                       | 136       |
|                              | ₩ 120,667                 | ₩ 101,324 |

### 37. COMMITMENTS AND CONTINGENCIES:

- (1) As of June 30, 2018, 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 | ₩                           | 1,386 | ₩            | 58,558    |
| To others     |                             | 8,349 |              | 964,162   |
|               | ₩                           | 9,735 | ₩            | 1,022,720 |

- (\*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of June 30, 2018.
- (2) As of June 30, 2018, 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 June 30, 2018, 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 June 30, 2018, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩838,732 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) As of June 30, 2018, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.
- (5) As of June 30, 2018, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. falls below a certain level, this may result in early repayment of the borrowings or termination of the contracts.
- (6) As of June 30, 2018, Hyundai Rotem, a subsidiary of the Company received the notice to restrict on bidding for projects ordered by Korean public institutions from Defense Acquisition Program Administration (Limited Period : 8/11/2015~12/10/2015) and Daegu Metropolitan Transit Corporation (Limited Period : 7/1/2016~4/30/2017). Hyundai Rotem filed an administrative litigations against the restrictions. In case of the administrative litigation against Defense Acquisition Program Administration, the restriction on bidding was decided on April 5, 2018, in accordance with the final judgement. In case of the administrative litigation against Daegu Metropolitan Transit Corporation, the restriction on bidding was decided on April 6, 2018 as Hyundai Rotem withdrew injunction after they lost the first trial. As a result, Hyundai Rotem is restricted to bidding for Korean public institutions (government, local government and public corporation) for certain period (4/5/2018~8/21/2018). Hyundai Rotem concentrates its capabilities in the Korean private business market and global market to minimize the impact of restrictions, and simultaneously makes an effort to diversify sales. The Group is unable to estimate the impacts of restriction on the Group's consolidated financial statements reasonably.

In addition, Hyundai Rotem received the notice to restrict on bidding for projects ordered by Indian public institution from the India DMRC(Delhi Metro Rail Corporation LTD) (Limited Period : 7/15/2015~7/14/2018). As of June 30, 2018, Hyundai Rotem withdrew the appeal to the Supreme Court of India with respect to decision of restriction. The Group is unable to estimate the impact of restriction on the Group's consolidated financial statements reasonably.

- (7) As of June 30, 2018, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd, the subsidiaries of the Company are able to exercise the priority purchasing rights for the leased office building when the lessor wants to sell the building or after 4 years and 5 months from the lease contract commencement date.

### 38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the six months ended June 30, 2018 and 2017 are as follows:

| For the six months ended June 30, 2018 |                             |             |             |                           |              |
|--|-----------------------------|-------------|-------------|---------------------------|--------------|
|  | Vehicle                     | Finance     | Others      | Consolidation adjustments | Total        |
|  | (In millions of Korean Won) |             |             |                           |              |
| Total sales                            | ₩ 54,881,317                | ₩ 8,167,292 | ₩ 3,478,994 | ₩ (19,379,240)            | ₩ 47,148,363 |
| Inter-company sales                    | (18,639,905)                | (173,093)   | (566,242)   | 19,379,240                | -            |
| Net sales                              | 36,241,412                  | 7,994,199   | 2,912,752   | -                         | 47,148,363   |
| Operating income                       | 850,892                     | 439,001     | 126,793     | 215,422                   | 1,632,108    |
| For the six months ended June 30, 2017 |                             |             |             |                           |              |
|  | Vehicle                     | Finance     | Others      | Consolidation adjustments | Total        |
|  | (In millions of Korean Won) |             |             |                           |              |
| Total sales                            | ₩ 57,294,983                | ₩ 7,827,758 | ₩ 3,605,671 | ₩ (21,054,451)            | ₩ 47,673,961 |
| Inter-company sales                    | (20,284,876)                | (159,295)   | (610,280)   | 21,054,451                | -            |
| Net sales                              | 37,010,107                  | 7,668,463   | 2,995,391   | -                         | 47,673,961   |
| Operating income                       | 1,960,267                   | 392,216     | 187,711     | 55,037                    | 2,595,231    |

- (3) Assets and liabilities by operating segments as of June 30, 2018 and December 31, 2017 are as follows:

| As of June 30, 2018       |                             |              |             |                           |               |
|---------------------------|-----------------------------|--------------|-------------|---------------------------|---------------|
|                           | Vehicle                     | Finance      | Others      | Consolidation adjustments | Total         |
|                           | (In millions of Korean Won) |              |             |                           |               |
| Total assets              | ₩ 100,620,147               | ₩ 84,694,691 | ₩ 7,682,064 | ₩ (13,665,089)            | ₩ 179,331,813 |
| Total liabilities         | 36,094,318                  | 72,781,044   | 4,602,216   | (9,098,945)               | 104,378,633   |
| Borrowings and debentures | 6,999,539                   | 65,518,035   | 2,622,104   | (2,207,172)               | 72,932,506    |
| As of December 31, 2017   |                             |              |             |                           |               |
|                           | Vehicle                     | Finance      | Others      | Consolidation adjustments | Total         |
|                           | (In millions of Korean Won) |              |             |                           |               |
| Total assets              | ₩ 99,724,673                | ₩ 84,016,995 | ₩ 7,604,015 | ₩ (13,146,229)            | ₩ 178,199,454 |
| Total liabilities         | 34,910,194                  | 72,348,770   | 4,613,747   | (8,430,611)               | 103,442,100   |
| Borrowings and debentures | 7,412,234                   | 64,694,680   | 2,512,959   | (2,619,343)               | 72,000,530    |

- (4) Sales by region where the Group's entities are located in for the six months ended June 30, 2018 and 2017 are as follows:

| For the six months ended June 30, 2018 |              |               |             |              |             |                           |              |
|--|--------------|---------------|-------------|--------------|-------------|---------------------------|--------------|
|  | Korea        | North America | Asia        | Europe       | Others      | Consolidation adjustments | Total        |
| (In millions of Korean Won)            |              |               |             |              |             |                           |              |
| Total sales                            | ₩ 26,281,804 | ₩ 17,217,215  | ₩ 4,746,687 | ₩ 16,909,587 | ₩ 1,372,310 | ₩ (19,379,240)            | ₩ 47,148,363 |
| Inter-company sales                    | (7,714,766)  | (2,848,154)   | (205,670)   | (8,610,647)  | (3)         | 19,379,240                | -            |
| Net sales                              | 18,567,038   | 14,369,061    | 4,541,017   | 8,298,940    | 1,372,307   | -                         | 47,148,363   |
| For the six months ended June 30, 2017 |              |               |             |              |             |                           |              |
|  | Korea        | North America | Asia        | Europe       | Others      | Consolidation adjustments | Total        |
| (In millions of Korean Won)            |              |               |             |              |             |                           |              |
| Total sales                            | ₩ 27,738,397 | ₩ 19,387,849  | ₩ 4,025,853 | ₩ 16,188,731 | ₩ 1,387,582 | ₩ (21,054,451)            | ₩ 47,673,961 |
| Inter-company sales                    | (8,578,841)  | (3,907,630)   | (225,823)   | (8,342,157)  | -           | 21,054,451                | -            |
| Net sales                              | 19,159,556   | 15,480,219    | 3,800,030   | 7,846,574    | 1,387,582   | -                         | 47,673,961   |

- (5) Non-current assets by region where the Group's entities are located in as of June 30, 2018 and December 31, 2017 are as follows:

| Description                 | June 30, 2018 | December 31, 2017 |
|-----------------------------|---------------|-------------------|
| (In millions of Korean Won) |               |                   |
| Korea                       | ₩ 29,395,866  | ₩ 29,443,964      |
| North America               | 2,143,724     | 2,040,394         |
| Asia                        | 1,041,229     | 1,047,364         |
| Europe                      | 2,034,182     | 2,076,017         |
| Others                      | 340,224       | 390,816           |
|                             | 34,955,225    | 34,998,555        |
| Consolidation adjustments   | (189,410)     | (162,579)         |
| Total (*)                   | ₩ 34,765,815  | ₩ 34,835,976      |

(\*) 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 six months ended June 30, 2018 and 2017.

### 39. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of June 30, 2018 and December 31, 2017 are as follows:

| Description                          | June 30,<br>2018            | December 31,<br>2017 |
|--------------------------------------|-----------------------------|----------------------|
|                                      | (In millions of Korean Won) |                      |
| Accumulated accrual cost             | ₩ 8,168,838                 | ₩ 9,998,070          |
| Accumulated income                   | 596,868                     | 784,071              |
| Accumulated construction in process  | 8,765,706                   | 10,782,141           |
| Progress billing                     | (7,947,173)                 | (10,196,219)         |
| Due from customers for contract work | 1,095,659                   | 1,024,899            |
| Due to customers for contract work   | (277,126)                   | (438,977)            |
| Reserve (*)                          | 48,775                      | 47,574               |

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

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, an other operating segment of the Group, as of June 30, 2018 are as follows:

| Description   | June 30, 2018               |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Changes in accounting estimates of total contract revenue | ₩ 11,196                    |
| Changes in accounting estimates of total contract costs   | 10,789                      |
| Effects on profit or loss of current period               | (15,335)                    |
| Effects on profit or loss of future periods               | 15,742                      |
| Changes in due from customers                             | (90,320)                    |
| Provision for construction loss                           | 80,954                      |

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 June 30, 2018 and the estimates of contract revenue as of June 30, 2018. Total contract revenue and costs are subject to change in future periods.

- (3) There is no contract more than 5% of the Group's revenue in the prior period that is recognized in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs instruments for the six months ended June 30, 2018.

### 40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

- (1) The Company decided to retire the treasury stocks held and treasury stocks purchased for the purpose of retirement from April 30, 2018 to July 13, 2018 on July 27, 2018, and details are as follows:

| Description     | Number of shares | Amount                      |
|-----------------|------------------|-----------------------------|
|                 |                  | (In millions of Korean Won) |
| Common stock    | 6,608,292        | ₩ 812,193                   |
| Preferred stock | 1,931,275        | 127,393                     |

- (2) The Company declared interim dividend by the resolution of the Board of Directors held on July 26, 2018, the details are as follows:

| Description              | Contents  |
|--------------------------|---|
| Interim dividend amounts | Dividend per share : ₩1,000<br>(Gross amounts of dividend : ₩265,883 million) |
| Dividend yield ratio     | 0.8% (Common stock criteria)  |
| Base date of dividend    | June 30, 2018   |

- (3) Hyundai Card Co., Ltd., a subsidiary of the Company, issued ₩300,000 million worth of hybrid bond on July 5, 2018.