



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 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 May 15, 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 March 31, 2018, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months ended March 31, 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.

May 15, 2018

Notice to Readers

This report is effective as of May 15, 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 ENDED
MARCH 31, 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 MARCH 31, 2018 AND DECEMBER 31, 2017

ASSETS	NOTES	March 31, 2018	December 31, 2017
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 8,392,969	₩ 8,821,529
Short-term financial instruments	19	6,752,888	7,745,829
Other financial assets	5,19	11,648,281	12,886,769
Trade notes and accounts receivable	3,19	3,405,955	3,838,043
Other receivables	4,19	2,994,093	3,007,869
Inventories	6	10,475,086	10,279,904
Current tax assets		101,602	91,263
Financial services receivables	13,19	25,655,717	25,536,188
Non-current assets classified as held for sale	8	29,068	29,068
Other assets	7,19	1,791,811	1,739,452
Total current assets		71,247,470	73,975,914
Non-current assets:			
Long-term financial instruments	19	111,627	145,277
Other financial assets	5,19	2,508,528	2,512,409
Long-term trade notes and accounts receivable	3,19	122,601	123,933
Other receivables	4,19	1,208,724	1,227,602
Property, plant and equipment("PP&E")	9	29,632,773	29,827,142
Investment property	10	197,855	199,498
Intangible assets	11	4,763,180	4,809,336
Investments in joint ventures and associates	12	17,407,431	17,252,338
Deferred tax assets		1,323,221	1,123,902
Financial services receivables	13,19	25,888,306	25,631,830
Operating lease assets	14	20,496,675	20,727,950
Other assets	7,19	660,261	642,323
Total non-current assets		104,321,182	104,223,540
Total assets		₩ 175,568,652	₩ 178,199,454

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	March 31, 2018	December 31, 2017
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,988,500	₩ 6,483,875
Other payables	19	3,626,080	5,040,057
Short-term borrowings	15,19	9,269,024	9,959,654
Current portion of long-term debt and debentures	15,19	15,529,630	13,098,547
Income tax payable		338,986	151,525
Provisions	16	1,814,438	1,809,978
Other financial liabilities	17,19	62,083	25,652
Other liabilities	18,19	6,567,146	6,591,421
Total current liabilities		44,195,887	43,160,709
Non-current liabilities:			
Long-term other payables	19	19,190	19,189
Debentures	15,19	35,582,759	36,454,192
Long-term debt	15,19	9,890,522	12,488,137
Net defined benefit liabilities	33	250,691	157,213
Provisions	16	4,783,777	4,844,463
Other financial liabilities	17,19	497,958	438,070
Deferred tax liabilities		3,233,121	3,234,707
Other liabilities	18,19	2,634,658	2,645,420
Total non-current liabilities		56,892,676	60,281,391
Total liabilities		101,088,563	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	(1,640,096)	(1,640,096)
Accumulated other comprehensive loss	23	(2,537,527)	(2,278,955)
Retained earnings	24	67,392,957	67,332,328
Equity attributable to the owners of the Company		68,905,541	69,103,484
Non-controlling interests		5,574,548	5,653,870
Total equity		74,480,089	74,757,354
Total liabilities and equity		₩ 175,568,652	₩ 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 ENDED MARCH 31, 2018 AND 2017

	NOTES	Three months ended March 31,	
		2018	2017
		(In millions of Korean Won, except per share amounts)	
Sales	25,38	₩ 22,436,561	₩ 23,365,959
Cost of sales	30	18,969,048	19,072,656
Gross profit		3,467,513	4,293,303
Selling and administrative expenses	26,30	2,786,222	3,042,542
Operating income		681,291	1,250,761
Gain on investments in joint ventures and associates, net	27	242,495	402,423
Finance income	28	203,829	366,144
Finance expenses	28	116,464	193,901
Other income	29	266,571	452,618
Other expenses	29,30	351,836	520,992
Income before income tax		925,886	1,757,053
Income tax expense	32	194,251	351,359
Profit for the period		₩ 731,635	₩ 1,405,694
Profit attributable to:			
Owners of the Company		668,014	1,330,566
Non-controlling interests		63,621	75,128
Earnings per share attributable to the owners of the Company:	31		
Basic earnings per share:			
Common stock		₩ 2,482	₩ 4,948
1st preferred stock		₩ 2,494	₩ 4,961
Diluted earnings per share:			
Common stock		₩ 2,482	₩ 4,948
1st preferred stock		₩ 2,494	₩ 4,961

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Profit for the period	₩ 731,635	₩ 1,405,694
Other comprehensive income (loss):		
Items that will not be reclassified subsequently to profit or loss:		
Gain on financial assets measured at FVOCI, net	5,885	-
Remeasurements of defined benefit plans	(2,114)	1,413
Changes in retained earnings of equity-accounted investees, net	391	(4,490)
Changes in share of earnings of equity-accounted investees, net	7,171	-
	<u>11,333</u>	<u>(3,077)</u>
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) on financial assets measured at FVOCI, net	(3,595)	6,947
Gain (loss) on valuation of cash flow hedge derivatives, net	(56,466)	25,808
Changes in share of earnings of equity-accounted investees, net	124,690	(372,629)
Loss on foreign operations translation, net	(9,621)	(824,348)
	<u>55,008</u>	<u>(1,164,222)</u>
Total other comprehensive income (loss)	<u>66,341</u>	<u>(1,167,299)</u>
Total comprehensive income	<u>₩ 797,976</u>	<u>₩ 238,395</u>
Comprehensive income attributable to:		
Owners of the Company	749,498	224,712
Non-controlling interests	48,478	13,683
Total comprehensive income	<u>₩ 797,976</u>	<u>₩ 238,395</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss) (In millions of Korean Won)	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
Balance at January 1, 2017	₩ 1,488,993	₩ 4,202,597	₩ (1,640,096)	₩ (1,223,244)	₩ 64,361,408	₩ 67,189,658	₩ 5,154,920	₩ 72,344,578
Comprehensive income:								
Profit for the period	-	-	-	-	1,330,566	1,330,566	75,128	1,405,694
Gain on AFS financial assets, net	-	-	-	6,105	-	6,105	842	6,947
Gain on valuation of cash flow hedge derivatives, net	-	-	-	20,053	-	20,053	5,755	25,808
Changes in valuation of equity-accounted investees, net	-	-	-	(363,999)	(4,490)	(368,489)	(8,630)	(377,119)
Remeasurements of defined benefit plans	-	-	-	-	1,098	1,098	315	1,413
Loss on foreign operations translation, net	-	-	-	(764,621)	-	(764,621)	(59,727)	(824,348)
Total comprehensive Income (loss)	-	-	-	(1,102,462)	1,327,174	224,712	13,683	238,395
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,851)	(810,851)	(35,595)	(846,446)
Increase in subsidiaries' stock	-	(1,453)	-	-	-	(1,453)	6,911	5,458
Purchases of subsidiaries' stock	-	-	-	-	-	-	32,609	32,609
Total transactions with owners, recorded directly in equity	-	(1,453)	-	-	(810,851)	(812,304)	3,925	(808,379)
Balance at March 31, 2017	₩ 1,488,993	₩ 4,201,144	₩ (1,640,096)	₩ (2,325,706)	₩ 64,877,731	₩ 66,602,066	₩ 5,172,528	₩ 71,774,594

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 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 accounting standards	-	-	-	(327,495)	191,152	(136,343)	(77,022)	(213,365)
Balances after adjustments	1,488,993	4,201,214	(1,640,096)	(2,606,450)	67,523,480	68,967,141	5,576,848	74,543,989
Comprehensive income:								
Profit for the period	-	-	-	-	668,014	668,014	63,621	731,635
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(12,271)	14,700	2,429	(139)	2,290
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(32,511)	-	(32,511)	(23,955)	(56,466)
Changes in valuation of equity-accounted investees, net	-	-	-	126,405	391	126,796	5,456	132,252
Remeasurements of defined benefit plans	-	-	-	-	(2,530)	(2,530)	416	(2,114)
Gain (loss) on foreign operations translation, net	-	-	-	(12,700)	-	(12,700)	3,079	(9,621)
Total comprehensive Income	-	-	-	68,923	680,575	749,498	48,478	797,976
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,851)	(810,851)	(50,727)	(861,578)
Acquisitions of subsidiaries	-	-	-	-	-	-	10	10
Others	-	-	-	-	(247)	(247)	(61)	(308)
Total transactions with owners, recorded directly in equity	-	-	-	-	(811,098)	(811,098)	(50,778)	(861,876)
Balance at March 31, 2018	₩ 1,488,993	₩ 4,201,214	₩ (1,640,096)	₩ (2,537,527)	₩ 67,392,957	₩ 68,905,541	₩ 5,574,548	₩ 74,480,089

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	NOTES	Three months ended March 31,	
		2018	2017
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 731,635	₩ 1,405,694
Adjustments		3,062,030	2,874,511
Changes in operating assets and liabilities		(1,959,780)	(2,641,415)
		1,833,885	1,638,790
Interest received		113,352	115,324
Interest paid		(494,174)	(493,701)
Dividend received		27,847	10,175
Income tax paid		(180,687)	(312,230)
Net cash provided by operating activities		1,300,223	958,358
Cash flows from investing activities:			
Proceeds from disposals (purchases) of short-term financial instruments, net		943,297	(335,814)
Proceeds from disposals of other financial assets (current), net		71,999	441,878
Proceeds from disposals of other financial assets (non-current)		41,443	13,465
Receipts from other receivables		59,594	23,442
Disposals of long-term financial instruments		1	9
Proceeds from disposals of property, plant and equipment		25,859	44,723
Proceeds from disposals of intangible assets		4	86
Acquisitions of subsidiaries		10	-
Acquisitions of other financial assets (non-current)		(40,773)	(63,933)
Increases in other receivables		(22,932)	(23,497)
Purchases of long-term financial instruments		(4,605)	(6,446)
Acquisitions of property, plant and equipment		(914,470)	(644,126)
Acquisitions of intangible assets		(288,282)	(261,171)
Cash outflows from business combinations		-	(13,086)
Other cash receipts from investing activities, net		16	39,253
Net cash used in investing activities		(128,839)	(785,217)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (CONTINUED)

	NOTES	Three months ended March 31,	
		2018	2017
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	(676,996)	₩ 739,664
Proceeds from long-term debt and debentures		4,855,315	6,485,442
Paid-in capital increase of subsidiaries		-	5,458
Repayment of long-term debt and debentures		(5,771,043)	(8,465,977)
Dividends paid		(4,068)	(48)
Other cash receipts (payments) from financing activities, net		(12,442)	29,170
Net cash used in financing activities		(1,609,234)	(1,206,291)
Effect of exchange rate changes on cash and cash equivalents		9,290	(323,084)
Net decrease in cash and cash equivalents		(428,560)	(1,356,234)
Cash and cash equivalents, beginning of the period		8,821,529	7,890,089
Cash and cash equivalents, end of the period	₩	8,392,969	₩ 6,533,855
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 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”) manufacture and distribute motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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

As of March 31, 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 March 31, 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) (*1)	Manufacturing	“	43.36%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	“	“	100.00%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Hyundai Auto Electronics Company Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	53.66%	
Maintrans Company	Services	“	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football club	“	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	“	“	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	“	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
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%, 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 (*2)	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
ZER01NE Accelerator Investment Fund No.1	"	"	99.00%	
Autopia Fifty-Second Asset Securitization Specialty Company (*1)	Financing	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Sixty-Fourth Asset Securitization Specialty Company (*1)	"	"	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) 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 three months ended March 31, 2018 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 27,859,795	₩ 23,856,302	₩ 738,818	₩ 81,488
Hyundai Card Co., Ltd. (*)	15,413,425	12,626,687	735,271	26,086
Hyundai Rotem Company (*)	3,948,541	2,554,956	524,505	(11,922)
Hyundai KEFICO Corporation (*)	1,517,124	920,910	407,174	6,932
HCA (*)	36,913,637	32,779,384	2,310,036	65,512
HMA	6,426,928	5,047,079	3,464,686	(147,397)
HMMA	4,106,880	1,575,563	1,334,472	31,433
HMMC	3,850,680	1,564,797	1,593,602	94,751
HMI (*)	3,275,692	1,418,603	1,658,803	100,564
HME (*)	1,621,588	1,596,916	2,231,576	1,794
HAOSVT	1,602,065	1,224,944	723,966	(4,740)
HMMR	1,392,363	824,895	745,071	44,347
HMB	1,165,132	724,581	504,986	42,563
HACC (*)	1,144,639	678,933	543,826	(10,647)
HMCA	658,681	500,094	434,130	(567)

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

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

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

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

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

- (4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group for the three months ended March 31, 2018 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Cash flows from operating activities	₩ 148,237	₩ (134,326)	₩ (10,366)
Cash flows from investing activities	(11,199)	(22,310)	(301)
Cash flows from financing activities	222,192	377,160	(22,403)
Effect of exchange rate changes on cash and cash equivalents	-	-	(840)
Net increase (decrease) in cash and cash equivalents	₩ 359,230	₩ 220,524	₩ (33,910)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the three months ended March 31, 2017 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Cash flows from operating activities	₩ (274,698)	₩ 270,169	₩ (115,889)
Cash flows from investing activities	(14,832)	(14,769)	43,361
Cash flows from financing activities	424,944	(272,888)	(232,200)
Effect of exchange rate changes on cash and cash equivalents	-	-	(2,084)
Net increase (decrease) in cash and cash equivalents	₩ 135,414	₩ (17,488)	₩ (306,812)

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of March 31, 2018 are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,615,086	₩ 1,756,864	₩ 853,962
Profit (loss) attributable to non-controlling interests	32,807	16,445	(7,244)
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 Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,641,343	₩ 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 three months ended March 31, 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the three months ended March 31, 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 are 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 ₩327,495 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 are 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 are 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 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 (Reported amounts)	₩ (2,278,955)	₩ 292,565	₩ 5,653,870
Initial application of K-IFRS 1109:			
Effect by Classification and Measurement (*1)	(327,495)	327,495	-
Effect by impairment (*2)	-	(130,752)	(77,601)
January 1, 2018 (The date of initial application)	₩ (2,606,450)	₩ 67,529,071	₩ 5,576,269

(*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 three-month period ended March 31, 2018 are as follows:

	March 31, 2018			
Description	Previous Revenue		Adjustments	K-IFRS 1115
	Recognition Standard			
	(In millions of Korean Won)			
Assets (*1)	₩	175,574,730	₩ (6,078)	₩ 175,568,652
Liabilities (*2)		101,084,803	3,760	101,088,563
Equity (*3)		74,489,927	(9,838)	74,480,089
Revenue (*4)		22,483,591	(47,030)	22,436,561
Cost of sales (*5)		18,778,446	190,602	18,969,048
Selling and administrative expenses (*5)		3,023,014	(236,792)	2,786,222

(*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.

The application of this enactment did not have any significant effect on the consolidated cash flow statement for the three-month period ended March 31, 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 March 31, 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 leasee 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 March 31, 2018 and December 31, 2017 consist of the following:

Description	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,471,275	₩ 128,182	₩ 3,903,210	₩ 129,739
Loss allowance	(65,320)	-	(65,167)	-
Present value discount accounts	-	(5,581)	-	(5,806)
	<u>₩ 3,405,955</u>	<u>₩ 122,601</u>	<u>₩ 3,838,043</u>	<u>₩ 123,933</u>

- (2) Aging analysis of trade notes and accounts receivable

As of March 31, 2018 and December 31, 2017, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩253,763 million and ₩246,961 million, respectively; of which ₩179,822 million and ₩187,740 million, respectively, are past due less than 90 days, but not impaired. As of March 31, 2018 and December 31, 2017, the impaired trade notes and accounts receivable amount to ₩65,320 million and ₩65,167 million, respectively.

(3) The changes in loss allowance for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 65,167	₩ 49,800
Impairment loss (gain)	(221)	3,328
Write-off	(161)	(1)
Effect of foreign exchange differences	535	(1,264)
End of the period	₩ 65,320	₩ 51,863

4. OTHER RECEIVABLES:

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

Description	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 1,977,888	₩ 859,699	₩ 1,952,871	₩ 841,803
Due from customers for contract work	989,144	-	1,024,899	-
Lease and rental deposits	33,635	301,803	34,953	335,918
Deposits	2,437	34,596	2,368	34,822
Others	2,206	12,626	3,906	15,059
Loss allowance	(11,217)	-	(11,128)	-
	₩ 2,994,093	₩ 1,208,724	₩ 3,007,869	₩ 1,227,602

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of March 31, 2018 consist of the following:

Description	March 31, 2018	
	Current	Non-current
Financial assets measured at fair value through profit or loss (“FVPL”)	₩ 11,522,525	₩ 256,500
Derivative assets that are effective hedging instruments	27,652	13,602
Financial assets measured at fair value through other comprehensive income (“FVOCI”)	13,087	2,232,411
Financial assets measured at amortised cost	85,017	6,015
	₩ 11,648,281	₩ 2,508,528

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

Description	December 31, 2017	
	Current	Non-current
Financial assets at fair value through profit or loss (“FVPL”)	₩ 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
	₩ 12,886,769	₩ 2,512,409

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

Description	March 31, 2018		December 31, 2017	
	Acquisition cost	Book value	Book value	
	(In millions of Korean Won)			
Debt instruments	₩ 269,238	₩ 263,591	₩ 309,969	
Equity instruments (*)	1,733,690	1,981,907	1,998,986	
	₩ 2,002,928	₩ 2,245,498	₩ 2,308,955	

- (*) 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 March 31, 2018 (AFS financial assets as of December 31, 2017) consist of the following:

Name of the company	Ownership percentage (%)	March 31, 2018		December 31, 2017
		Acquisition cost	Book value	Book value
		(In millions of Korean Won)		
Hyundai Steel Company (*1)	6.87	₩ 1,110,704	₩ 714,754	₩ 821,266
Hyundai Glovis Co., Ltd.	4.88	210,688	309,429	249,008
Korea Aerospace Industries, Ltd. (*2)	-	73,331	236,315	224,487
Hyundai Heavy Industries Co., Ltd. (*3)	2.36	42,443	182,064	164,102
Hyundai Heavy Industries Holdings Co., Ltd. (*3)	2.13	9,018	151,445	132,189
Hyundai Oilbank Co., Ltd.	4.35	53,734	147,930	147,930
Hyundai Green Food Co., Ltd.	2.36	15,005	32,308	34,500
Hyundai Development Company	0.60	9,025	17,303	17,348
NICE Information Service Co., Ltd.	2.25	3,312	13,318	11,870
Hyundai M Partners Co., Ltd.	9.29	9,888	11,980	12,153
NICE Holdings Co., Ltd.	1.30	3,491	7,866	7,202
KT Corporation	0.09	8,655	6,615	7,263
Hyundai Asan Corporation	1.88	22,500	2,117	2,117
Hyundai Merchant Marine Company	0.03	9,161	380	444
Hyundai Electric & Energy Systems Co., Ltd. (*3)	-	-	-	22,997
Others		152,735	148,083	144,110
		₩ 1,733,690	₩ 1,981,907	₩ 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 three months ended March 31, 2018.

6. **INVENTORIES:**

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

Description	March 31, 2018		December 31, 2017	
	(In millions of Korean Won)			
Finished goods	₩	6,180,199	₩	6,065,752
Merchandise		67,944		50,575
Semifinished goods		625,986		638,802
Work in progress		390,735		387,816
Raw materials		1,280,819		1,314,902
Supplies		289,193		285,264
Materials in transit		656,390		583,055
Others		983,820		953,738
Total (*)	₩	10,475,086	₩	10,279,904

(*) As of March 31, 2018 and December 31, 2017, the Group recognised a valuation allowance in amount of ₩68,419 million and ₩88,945 million, respectively.

7. **OTHER ASSETS:**

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

Description	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 382,320	₩ 2,471	₩ 357,228	₩ 2,714
Advanced payments	557,928	-	535,677	-
Prepaid expenses	497,072	621,541	472,732	609,958
Prepaid value-added tax and others	354,491	36,249	373,815	29,651
	₩ 1,791,811	₩ 660,261	₩ 1,739,452	₩ 642,323

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

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

Description	March 31, 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 March 31, 2018 and has initiated active programs to complete the plan. The assets will be disposed within twelve months.

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment ("PP&E") for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 29,827,142	₩ 29,405,716
Acquisitions	429,347	552,249
Disposals	(62,781)	(57,229)
Depreciation	(567,935)	(542,886)
Others (*)	7,000	(282,258)
End of the period	₩ 29,632,773	₩ 29,075,592

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

10. INVESTMENT PROPERTY:

- (1) The changes in investment property for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 199,498	₩ 211,671
Transfers (*)	94	-
Depreciation	(2,712)	(2,706)
Effect of foreign exchange differences	975	(2,097)
End of the period	₩ 197,855	₩ 206,868

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

- (2) Income and expenses related to investment property for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Rental income	₩ 12,030	₩ 11,499
Operating and maintenance expenses	4,282	3,762

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 4,809,336	₩ 4,586,172
Internal developments and separate acquisitions	276,397	235,312
Disposals	(128)	(86)
Amortization	(343,700)	(305,746)
Impairment loss	(6,977)	(5,278)
Others (*)	28,252	5,561
End of the period	₩ 4,763,180	₩ 4,515,935

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

(2) Research and development expenditures for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Development costs (intangible assets)	₩ 245,667	₩ 216,636
Research and development costs (*1)	233,606	236,539
Total (*2)	₩ 479,273	₩ 453,175

(*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 March 31, 2018 and December 31, 2017 consist of the following:

Name of the company	Nature of business	Location	Ownership percentage (%)	March 31, 2018		December 31, 2017	
				Book value (In millions of Korean Won)		Book value	
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩	1,545,142	₩	1,456,579
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00		515,726		480,353
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00		177,534		167,805
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00		132,221		120,256
Kia Motors Corporation	Manufacturing	Korea	33.88		8,918,835		8,882,325
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95		2,903,797		2,959,910
Hyundai WIA Corporation	Manufacturing	Korea	25.35		786,798		794,150
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58		553,739		547,295
Hyundai Dymos Inc.	Manufacturing	Korea	47.27		411,500		399,724
Hyundai Commercial Inc.	Financing	Korea	50.00		402,503		373,797
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49		255,855		254,766
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00		151,045		160,255
Hyundai Autoever Corp.	IT service	Korea	28.96		117,873		119,162
Haevichi Hotels & Resorts Co., Ltd	Hotelkeeping	Korea	41.90		104,911		106,531
Others (*4)					429,952		429,430
				₩	17,407,431	₩	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) 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 three months ended March 31, 2018 and cumulatively are ₩9,063 million and ₩29,500 million, respectively.

(2) The changes in investments in joint ventures and associates for the three months ended March 31, 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	₩ -	₩ 32,778	₩ -	₩ 55,785	₩ 1,545,142
BHAF	480,353	-	17,557	-	17,816	515,726
WAE	167,805	-	3,523	-	6,206	177,534
PTS	120,256	-	7,484	-	4,481	132,221
Kia Motors Corporation	8,882,325	-	144,785	(109,855)	1,580	8,918,835
Hyundai Engineering & Construction Co., Ltd.	2,959,910	-	16,294	(11,664)	(60,743)	2,903,797
Hyundai WIA Corporation	794,150	-	(5,155)	(4,136)	1,939	786,798
Hyundai Powertech Co., Ltd.	547,295	-	5,331	-	1,113	553,739
Hyundai Dymos Inc.	399,724	-	8,156	-	3,620	411,500
Hyundai Commercial Inc.	373,797	-	7,910	(10,000)	30,796	402,503
HMC Investment Securities Co., Ltd.	254,766	-	4,754	(3,226)	(439)	255,855
Eukor Car Carriers Inc.	160,255	-	1,051	(8,976)	(1,285)	151,045
Hyundai Autoever Corp.	119,162	-	2,741	(4,126)	96	117,873
Haevichi Hotels & Resorts Co., Ltd.	106,531	-	(1,626)	-	6	104,911
Others	429,430	-	(3,246)	(3,721)	7,489	429,952
	<u>₩ 17,252,338</u>	<u>₩ -</u>	<u>₩ 242,337</u>	<u>₩ (155,704)</u>	<u>₩ 68,460</u>	<u>₩ 17,407,431</u>

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

The changes in investments in joint ventures and associates for the three months ended March 31, 2017 are as follows:

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

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

- (3) Summarized financial information of the Group's major joint ventures and associates as of and for the three months ended March 31, 2018 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,296,808	₩ 4,228,214	₩ 4,493,405	₩ 828,338
BHAF (*)	4,984,142	-	4,011,075	-
WAE	781,642	763,803	321,122	417,350
PTS	805,229	246,742	525,352	85,882
Kia Motors Corporation	22,199,249	30,616,975	15,813,564	10,028,045
Hyundai Engineering & Construction Co., Ltd.	13,102,785	5,119,950	7,252,190	2,847,563
Hyundai WIA Corporation	3,761,744	3,292,975	1,615,285	2,324,738
Hyundai Powertech Co., Ltd.	973,769	1,652,042	833,367	317,585
Hyundai Dymos Inc.	1,433,668	1,055,209	1,124,452	480,288
Hyundai Commercial Inc. (*)	8,026,966	-	7,136,201	-
HMC Investment Securities Co., Ltd. (*)	7,926,685	-	7,077,464	-
Eukor Car Carriers Inc.	390,586	2,535,913	541,476	1,128,500
Hyundai Autoever Corp.	637,558	123,670	342,982	6,687
Haevichi Hotels & Resorts Co., Ltd.	21,835	431,626	193,886	86,390

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	₩ 2,712,349	₩ 21,256	₩ -	₩ 21,256
BHAF (*)	70,325	33,126	-	33,126
WAE	320,804	16,014	28,211	44,225
PTS	239,724	24,948	-	24,948
Kia Motors Corporation	12,562,201	431,958	2,225	434,183
Hyundai Engineering & Construction Co., Ltd.	3,538,167	140,151	(120,870)	19,281
Hyundai WIA Corporation	1,740,854	(17,232)	12,767	(4,465)
Hyundai Powertech Co., Ltd.	628,088	1,668	2,998	4,666
Hyundai Dymos Inc.	966,993	18,814	2,660	21,474
Hyundai Commercial Inc. (*)	108,647	15,022	(14,784)	238
HMC Investment Securities Co., Ltd. (*)	144,778	17,197	(1,186)	16,011
Eukor Car Carriers Inc.	390,489	3,090	(5,945)	(2,855)
Hyundai Autoever Corp.	294,565	9,706	345	10,051
Haevichi Hotels & Resorts Co., Ltd.	25,726	(1,674)	(2)	(1,676)

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

Summarized financial information of the Group's major joint ventures and associates as of and for the three months ended March 31, 2017 is as follows:

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

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

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

(4) Summarized additional financial information of the Group's major joint ventures as of and for the three months ended March 31, 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	₩ 537,607	₩ 402,142	₩ 237,213	₩ 112,475	₩ 3,966	₩ 34,834	₩ 593
BHAF(*)	610,661	3,367,390	-	1,215	115,028	46,048	11,042

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

Summarized additional financial information of the Group's major joint ventures as of and for the three months ended March 31, 2017 is as follows:

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 1,375,218	₩ 835,691	₩ 227,178	₩ 92,378	₩ 5,995	₩ 48,179	₩ 59,823
BHAF(*)	789,474	3,314,813	-	888	126,805	42,783	14,442

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

(5) The aggregate amounts of the Group's share of the joint ventures' and associates', that are not individually material, loss and comprehensive income (loss) for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31, 2018	Three months ended March 31, 2017
(In millions of Korean Won)		
Loss for the period	₩ (3,246)	₩ (4,500)
Other comprehensive income (loss)	7,489	(18,250)
Total comprehensive income (loss)	₩ 4,243	₩ (22,750)

(6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of March 31, 2018 is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 1,601,639	₩ -	₩ (56,497)	₩ 1,545,142
BHAF	515,726	-	-	515,726
WAE	177,534	-	-	177,534
PTS	132,221	-	-	132,221
Kia Motors Corporation	8,778,592	197,089	(56,846)	8,918,835
Hyundai Engineering & Construction Co., Ltd. (*)	2,068,965	834,821	11	2,903,797
Hyundai WIA Corporation	789,757	-	(2,959)	786,798
Hyundai Powertech Co., Ltd.	554,153	-	(414)	553,739
Hyundai Dymos Inc.	413,829	-	(2,329)	411,500
Hyundai Commercial Inc.	402,503	-	-	402,503
HMC Investment Securities Co., Ltd.	215,803	40,052	-	255,855
Eukor Car Carriers Inc.	150,783	-	262	151,045
Hyundai Autoever Corp.	117,873	-	-	117,873
Haevichi Hotels & Resorts Co., Ltd. (*)	101,335	3,576	-	104,911

(*) 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 share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying 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
HMC Investment 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 March 31, 2018 is as follows:

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Motors Corporation	₩ 31,000	137,318,251	₩ 4,256,866
Hyundai Engineering & Construction Co., Ltd.	43,700	23,327,400	1,019,407
Hyundai WIA Corporation	55,300	6,893,596	381,216
HMC Investment Securities Co., Ltd.	10,550	8,065,595	85,092

13. FINANCIAL SERVICES RECEIVABLES:

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

Description	March 31, 2018	December 31, 2017
	(In millions of Korean Won)	
Loan obligations	₩ 37,177,545	₩ 36,848,028
Card receivables	13,262,411	12,979,942
Financial lease receivables	2,445,300	2,437,466
Others	39,560	36,668
	52,924,816	52,302,104
Loss allowance	(1,322,030)	(1,133,967)
Loan origination fee	(43,600)	13,182
Present value discount accounts	(15,163)	(13,301)
	₩ 51,544,023	₩ 51,168,018

(2) Aging analysis of financial services receivables

As of March 31, 2018 and December 31, 2017, total financial services receivables that are past due, but not impaired, amount to ₩1,304,819 million and ₩1,513,093 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,304,714 million and ₩1,512,976 million, respectively. As of March 31, 2018 and December 31, 2017, the impaired financial services receivables amount to ₩618,121 million and ₩523,274 million, respectively.

(3) The changes in loss allowance of financial services receivables for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31, 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	182,950	204,378
Write-off	(104,968)	(109,949)
Disposals and others	(59,238)	(47,527)
Effect of foreign exchange differences	(1,278)	(21,852)
End of the period	₩ 1,322,030	₩ 1,103,052

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

Description	March 31, 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	₩ 1,158,741	₩ 1,038,280	₩ 1,173,541	₩ 1,050,165
Later than one year and not later than five years	1,509,149	1,403,999	1,489,664	1,384,980
Later than five years	705	697	281	277
	₩ 2,668,595	₩ 2,442,976	₩ 2,663,486	₩ 2,435,422

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

Description	March 31, 2018	December 31, 2017
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,668,595	₩ 2,663,486
Net lease investments:		
Present value of minimum lease payment receivable	2,442,976	2,435,422
Present value of unguaranteed residual value	2,324	2,044
	<u>2,445,300</u>	<u>2,437,466</u>
Unearned interest income	<u>₩ 223,295</u>	<u>₩ 226,020</u>

14. OPERATING LEASE ASSETS:

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

Description	March 31, 2018	December 31, 2017
	(In millions of Korean Won)	
Acquisition cost	₩ 24,275,517	₩ 24,345,256
Accumulated depreciation	(3,678,847)	(3,517,368)
Accumulated impairment loss	(99,995)	(99,938)
	<u>₩ 20,496,675</u>	<u>₩ 20,727,950</u>

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

Description	March 31, 2018	December 31, 2017
	(In millions of Korean Won)	
Not later than one year	₩ 3,731,655	₩ 3,765,437
Later than one year and not later than five years	3,718,418	3,869,709
Later than five years	7	7
	<u>₩ 7,450,080</u>	<u>₩ 7,635,153</u>

15. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate	March 31, 2018	March 31, 2018	December 31, 2017
			2018	2018	2017
		(%)		(In millions of Korean Won)	
Overdrafts	Citi Bank and others	0.10~1.67	₩	281,724	₩ 317,189
General loans	Woori Bank and others	0.40~7.46		2,236,534	3,727,189
Loans on trade receivables collateral	KEB Hana Bank and others	LIBOR + 0.15~0.45		1,921,123	1,338,160
Banker's Usance	KEB Hana Bank and others	LIBOR + 0.25~0.40		349,504	376,547
Short-term debentures				-	69,993
Commercial paper	Shinhan Bank and others	1.68~2.75		3,919,782	3,570,389
Asset-backed securities	RBC and others	1.58~1.66		560,357	560,187
				<u>₩ 9,269,024</u>	<u>₩ 9,959,654</u>

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

Description	Lender	Annual interest rate	March 31, 2018	March 31, 2018	December 31, 2017
		March 31, 2018			
		(%)		(In millions of Korean Won)	
General loans	Mizuho Bank and others	0.40~15.40	₩ 6,452,001	₩ 6,368,138	
Facility loan	Korea Development Bank and others	0.32~8.50	246,217	255,281	
Commercial paper	KTB Investment & Securities and others	1.62~2.55	2,320,000	2,070,000	
Asset-backed securities	JP Morgan and others	2.37~2.86	5,021,663	6,782,232	
Others	NH Investment & Securities and others		567,125	567,125	
			14,607,006	16,042,776	
Less: present value discounts			109,536	107,752	
Less: current maturities			4,606,948	3,446,887	
			₩ 9,890,522	₩ 12,488,137	

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

Description	Latest maturity date	Annual interest rate	March 31, 2018	March 31, 2018	December 31, 2017
		March 31, 2018			
		(%)		(In millions of Korean Won)	
Non-guaranteed public debentures	March 23, 2028	1.44~5.53	₩ 23,841,239	₩ 22,956,764	
Non-guaranteed private debentures	September 27, 2026	1.45~3.45	10,205,385	10,107,160	
Asset-backed securities	May 15, 2024	1.12~3.12	12,556,538	13,140,350	
			46,603,162	46,204,274	
Less: discount on debentures			97,721	98,422	
Less: current maturities			10,922,682	9,651,660	
			₩ 35,582,759	₩ 36,454,192	

16. PROVISIONS:

The changes in provisions for the three months ended March 31, 2018 are as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)					
Beginning of the period	₩	5,226,297	₩	636,380	₩	791,764
Charged		378,586		15,855		168,367
Utilized		(413,333)		(21,545)		(223,819)
Effect of foreign exchange differences		8,145		45		31,473
End of the period	₩	5,199,695	₩	630,735	₩	767,785

The changes in provisions for the three months ended March 31, 2017 are as follows:

Description	Warranty	Other long-term employee benefits		Others
		(In millions of Korean Won)		
Beginning of the period	₩ 5,612,978	₩ 641,193	₩ 718,469	
Charged	423,689	15,583	148,738	
Utilized	(338,061)	(19,855)	(132,506)	
Effect of foreign exchange differences	(102,349)	(33)	(27,307)	
End of the period	₩ 5,596,257	₩ 636,888	₩ 707,394	

17. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of March 31, 2018 consist of the following:

Description	March 31, 2018	
	Current	Non-current
	(In millions of Korean Won)	
Financial liabilities measured at FVPL	₩ 105	₩ 346
Derivative liabilities that are effective hedging instruments	61,978	497,612
	₩ 62,083	₩ 497,958

(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 March 31, 2018 and December 31, 2017 consist of the following:

Description	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 826,116	₩ 97,309	₩ 746,977	₩ 86,359
Withholdings	958,218	281,381	964,884	301,247
Accrued expenses	2,798,004	-	3,830,729	-
Unearned income	367,345	1,099,448	315,035	1,075,434
Due to customers for contract work	479,306	-	438,977	-
Others	1,138,157	1,156,520	294,819	1,182,380
	₩ 6,567,146	₩ 2,634,658	₩ 6,591,421	₩ 2,645,420

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of March 31, 2018 are as follows:

Description	Financial assets measured at FVPL	Financial assets measured at amortised cost	Financial assets measured at FVOCI	Derivative assets that are effective hedging instruments	Book value	Fair value
(In millions of Korean Won)						
Cash and cash equivalents	₩ -	₩ 8,392,969	₩ -	₩ -	₩ 8,392,969	₩ 8,392,969
Short-term and long-term financial instruments	-	6,864,515	-	-	6,864,515	6,864,515
Trade notes and accounts receivable	-	3,528,556	-	-	3,528,556	3,528,556
Other receivables	-	3,201,047	-	-	3,201,047	3,201,047
Other financial assets	11,779,025	91,032	2,245,498	41,254	14,156,809	14,156,809
Other assets	-	384,791	-	-	384,791	384,791
Financial services receivables	-	51,544,023	-	-	51,544,023	51,742,171
	<u>₩ 11,779,025</u>	<u>₩ 74,006,933</u>	<u>₩ 2,245,498</u>	<u>₩ 41,254</u>	<u>₩ 88,072,710</u>	<u>₩ 88,270,858</u>

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

Description	Financial assets at FVPL	Loans and receivables	AFS financial assets	Derivative assets that are effective hedging instruments	Book value	Fair value
(In millions of Korean Won)						
Cash and cash equivalents	₩ -	₩ 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 March 31, 2018 are as follows:

Description	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,988,500	₩ -	₩ 6,988,500	₩ 6,988,500
Other payables	-	3,645,270	-	3,645,270	3,645,270
Borrowings and debentures	-	70,271,935	-	70,271,935	70,220,291
Other financial liabilities	451	-	559,590	560,041	560,041
Other liabilities	-	3,668,417	-	3,668,417	3,668,417
	<u>₩ 451</u>	<u>₩ 84,574,122</u>	<u>₩ 559,590</u>	<u>₩ 85,134,163</u>	<u>₩ 85,082,519</u>

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

Description	Financial liabilities at FVPL	Financial liabilities carried at amortised cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,483,875	₩ -	₩ 6,483,875	₩ 6,483,875
Other payables	-	5,059,246	-	5,059,246	5,059,246
Borrowings and 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 March 31, 2018 are as follows:

Description	March 31, 2018			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial assets:				
Financial assets measured at FVPL	₩ 132,525	₩ 11,609,356	₩ 37,144	₩ 11,779,025
Derivative assets that are effective hedging instruments	-	41,254	-	41,254
Financial assets measured at FVOCI	1,674,242	263,106	308,150	2,245,498
	<u>₩ 1,806,767</u>	<u>₩ 11,913,716</u>	<u>₩ 345,294</u>	<u>₩ 14,065,777</u>
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 451	₩ -	₩ 451
Derivative liabilities that are effective hedging instruments	-	559,590	-	559,590
	<u>₩ -</u>	<u>₩ 560,041</u>	<u>₩ -</u>	<u>₩ 560,041</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 three months ended March 31, 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	₩	500	₩ (9,210)	₩ -	₩ -
Financial assets measured at FVOCI		289,665		24,791	(6,134)	(172)	-
							308,150

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

The changes in financial instruments classified as Level 3 for the three months ended March 31, 2017 are as follows:

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

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the three months ended March 31, 2018 are as follows:

Description	Three months ended March 31, 2018		
	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)			
Non-financial services:			
Financial assets measured at amortised cost	₩ 68,797	₩ -	₩ -
Financial assets (liabilities) measured at FVPL	48,249	-	3,910
Financial assets measured at FVOCI	-	28,872	-
Financial liabilities measured at amortised cost	-	-	54,661
	<u>₩ 117,046</u>	<u>₩ 28,872</u>	<u>₩ 58,571</u>
Financial services:			
Financial assets measured at amortised cost	₩ 878,319	₩ -	₩ -
Financial assets measured at FVPL	8,233	6,955	-
Financial assets measured at FVOCI	56	-	-
Financial liabilities measured at amortised cost	-	-	369,875
	<u>₩ 886,608</u>	<u>₩ 6,955</u>	<u>₩ 369,875</u>

Interest income, dividend income and interest expenses by categories of financial instruments for the three months ended March 31, 2017 are as follows:

Description	Three months ended March 31, 2017		
	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)			
Non-financial services:			
Loans and receivables	₩ 61,812	₩ -	₩ -
Financial assets (liabilities) at FVPL	41,199	-	3,131
AFS financial assets	-	13,102	-
Financial liabilities carried at amortised cost	-	-	60,135
	<u>₩ 103,011</u>	<u>₩ 13,102</u>	<u>₩ 63,266</u>
Financial services:			
Loans and receivables	₩ 1,034,918	₩ -	₩ -
Financial assets at FVPL	5,189	989	-
AFS financial assets	298	1,808	-
Financial liabilities carried at amortised cost	-	-	346,743
	<u>₩ 1,040,405</u>	<u>₩ 2,797</u>	<u>₩ 346,743</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 March 31, 2017) for the three months ended March 31, 2018 and 2017 are ₩455,762 million and ₩447,982 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 March 31, 2017) for the three months ended March 31, 2018 and 2017 are ₩266,161 million and ₩228,278 million, respectively.
- (6) The Group recognises transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the three months ended March 31, 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, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair value hierarchy.

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

Description	Fair value at March 31, 2018 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 308,433	Discounted cash flow and others	Sales growth rate Pre-tax operating income margin Discount rate	If the sales growth rate and the pre-tax operating income ratio rise or the discount rate declines, the fair value increases.

The Group believes that there have been no significant changes in the fair value of financial instruments categorized within Level 3 of the fair value hierarchy since December 31, 2017.

20. CAPITAL STOCK:

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

(1) Common stock

Description	March 31, 2018 (In millions of Korean Won, except par value)	December 31, 2017 (In millions of Korean Won, except par value)
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

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

(2) Preferred stock

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

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

21. CAPITAL SURPLUS:

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

Description	March 31, 2018 (In millions of Korean Won)	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
	<u>₩ 4,201,214</u>	<u>₩ 4,201,214</u>

22. OTHER CAPITAL ITEMS:

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

Description	March 31, 2018	December 31, 2017
	(Number of shares)	
Common stock	13,222,514	13,222,514
1 st preferred stock	2,202,059	2,202,059
2 nd preferred stock	1,376,138	1,376,138
3 rd preferred stock	24,782	24,782

23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of March 31, 2018 consists of the following:

Description	March 31, 2018 (In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI (*) ₩	494,043
Loss on valuation of financial assets measured at FVOCI (*)	(316,573)
Gain on valuation of cash flow hedge derivatives	5,996
Loss on valuation of cash flow hedge derivatives	(31,564)
Gain on share of the other comprehensive income of equity-accounted investees	218,966
Loss on share of the other comprehensive income of equity-accounted investees	(774,540)
Loss on foreign operations translation, net	(2,133,855)
	₩ (2,537,527)

(*) 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 ₩327,495 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 March 31, 2018 and December 31, 2017 consist of the following:

Description	March 31, 2018	December 31, 2017
	(In millions of Korean Won)	
Legal reserve (*)	₩ 744,836	₩ 744,836
Discretionary reserve	48,328,847	46,848,647
Unappropriated	18,319,274	19,738,845
	₩ 67,392,957	₩ 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 ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31, 2018	2017
	(In millions of Korean Won)	
Sales of goods	₩ 18,623,084	₩ 19,207,867
Rendering of services	491,542	343,868
Royalties	21,595	35,260
Financial services revenue	2,705,075	3,061,271
Revenue related to construction contracts	516,211	616,805
Others	79,054	100,888
	₩ 22,436,561	₩ 23,365,959

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 23,125	₩ 163,330
Overseas market expenses	40,001	89,270
Advertisements and sales promotion	551,684	561,942
Sales commissions	169,155	159,945
Expenses for warranties	408,147	413,530
Transportation expenses	26,490	64,353
	<u>1,218,602</u>	<u>1,452,370</u>
Administrative expenses:		
Payroll	616,208	612,070
Post-employment benefits	41,681	42,329
Welfare expenses	97,427	104,408
Service charges	311,298	290,147
Research	201,778	207,191
Others	299,228	334,027
	<u>1,567,620</u>	<u>1,590,172</u>
	<u>₩ 2,786,222</u>	<u>₩ 3,042,542</u>

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three months ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Gain on share of earnings of equity-accounted investees, net	₩ 242,337	₩ 402,423
Gain on disposals of investments in associates	158	-
	<u>₩ 242,495</u>	<u>₩ 402,423</u>

28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three months ended March 31, 2018 and 2017 consists of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Interest income	₩ 117,046	₩ 103,011
Gain on foreign exchange transactions	11,100	32,315
Gain on foreign currency translation	33,159	152,104
Dividend income	28,872	13,102
Gain on derivatives	4,619	65,171
Others	9,033	441
	<u>₩ 203,829</u>	<u>₩ 366,144</u>

(2) Finance expenses for the three months ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Interest expenses	₩ 73,926	₩ 87,175
Loss on foreign exchange transactions	11,291	22,952
Loss on foreign currency translation	29,411	60,670
Loss on derivatives	1,835	22,813
Others	1	291
	<u>₩ 116,464</u>	<u>₩ 193,901</u>

29. OTHER INCOME AND EXPENSES:

(1) Other income for the three months ended March 31, 2018 and 2017 consists of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Gain on foreign exchange transactions	₩ 79,233	₩ 184,038
Gain on foreign currency translation	66,269	129,731
Gain on disposals of PP&E	5,535	7,234
Commission income	17,271	29,933
Rental income	19,823	21,519
Others	78,440	80,163
	<u>₩ 266,571</u>	<u>₩ 452,618</u>

(2) Other expenses for the three months ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 84,999	₩ 208,969
Loss on foreign currency translation	81,744	164,044
Loss on disposals of PP&E	42,457	19,740
Donations	36,769	18,375
Others	105,867	109,864
	<u>₩ 351,836</u>	<u>₩ 520,992</u>

30. EXPENSES BY NATURE:

Expenses by nature for the three months ended March 31, 2018 and 2017 consist of the following:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Changes in inventories	₩ (104,550)	₩ (212,560)
Raw materials and merchandise used	12,686,020	13,209,220
Employee benefits	2,090,323	2,189,895
Depreciation	570,647	545,592
Amortization	343,700	305,746
Others	6,520,966	6,598,297
Total (*)	₩ 22,107,106	₩ 22,636,190

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

31. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the period. The Group does not compute diluted earnings per common stock for the three months ended March 31, 2018 and 2017, since there are no dilutive items during the period.

Basic earnings per common stock and preferred stock for the three months ended March 31, 2018 and 2017 are computed as follows:

Description	Three months ended March 31,					
	2018			2017		
	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	₩ 513,904	207,053,965	₩ 2,482	₩ 1,024,539	207,053,965	₩ 4,948
1 st Preferred stock (*2)	57,143	22,907,923	2,494	113,639	22,907,923	4,961
2 nd Preferred stock	90,847	36,237,727	2,507	180,217	36,237,727	4,973
3 rd Preferred stock	6,120	2,453,517	2,494	12,171	2,453,517	4,961

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

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

32. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognised 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 recognised as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the three months ended March 31, 2018 and 2017 are 21.0% and 20.0%, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognised in relation to defined contribution plans for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Paid-in cash	₩ 1,516	₩ 1,571
Recognised liability	843	623
	₩ 2,359	₩ 2,194

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

Description	March 31, 2018	December 31, 2017
Discount rate	4.03%	4.41%
Rate of expected future salary increase	4.52%	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 recognised in the consolidated statements of financial position related to defined benefit plans as of March 31, 2018 and December 31, 2017 consist of the following:

Description	March 31, 2018		December 31, 2017	
	(In millions of Korean Won)			
Present value of defined benefit obligations	₩	5,333,234	₩	5,321,580
Fair value of plan assets		(5,095,169)		(5,179,426)
	₩	238,065	₩	142,154
Net defined benefit liabilities		250,691		157,213
Net defined benefit assets		(12,626)		(15,059)

- (4) Changes in net defined benefit assets and liabilities for the three months ended March 31, 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		138,229		-		138,229
Interest expenses (income)		41,035		(41,051)		(16)
		5,500,844		(5,220,477)		280,367
Remeasurements:						
Return on plan assets		-		8,957		8,957
Actuarial gains and losses arising from changes in financial assumptions		(16,475)		-		(16,475)
		(16,475)		8,957		(7,518)
Contributions		-		(1,721)		(1,721)
Benefits paid		(153,755)		117,154		(36,601)
Transfers in (out)		1,226		(457)		769
Effect of foreign exchange differences and others		1,394		1,375		2,769
End of the period	₩	5,333,234	₩	(5,095,169)	₩	238,065

Changes in net defined benefit assets and liabilities for the three months ended March 31, 2017 are as follows:

Description	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liabilities	
	(In millions of Korean Won)					
Beginning of the period	₩	4,937,999	₩	(4,449,721)	₩	488,278
Current service cost		136,340		-		136,340
Interest expenses (income)		35,724		(33,268)		2,456
		5,110,063		(4,482,989)		627,074
Remeasurements:						
Return on plan assets		-		(4,937)		(4,937)
Actuarial gains and losses arising from changes in financial assumptions		2,657		-		2,657
		2,657		(4,937)		(2,280)
Contributions		-		(2,271)		(2,271)
Benefits paid		(106,143)		85,679		(20,464)
Transfers in (out)		723		(597)		126
Effect of foreign exchange differences and others		(18,484)		16,336		(2,148)
End of the period	₩	4,988,816	₩	(4,388,779)	₩	600,037

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

Description	March 31, 2018		December 31, 2017	
	(In millions of Korean Won)			
Insurance instruments	₩	4,795,832	₩	4,873,665
Debt instruments		117,423		120,277
Others		181,914		185,484
	₩	5,095,169	₩	5,179,426

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the three months ended March 31, 2018 and 2017 is as follows:

Description	Three months ended March 31,	
	2018	2017
	(In millions of Korean Won)	
Profit for the period	₩ 731,635	₩ 1,405,694
Adjustments:		
Post-employment benefits	139,056	139,419
Depreciation	570,647	545,592
Amortization of intangible assets	343,700	305,746
Provision for warranties	366,595	363,896
Income tax expense	194,251	351,359
Loss (gain) on foreign currency translation, net	11,727	(57,121)
Loss on disposals of PP&E, net	36,922	12,506
Interest income, net	(43,120)	(15,836)
Gain on disposals of AFS financial assets, net	-	(146)
Gain on share of earnings of equity-accounted investees, net	(242,337)	(402,423)
Gain on disposals of investments in associates, net	(158)	-
Cost of sales from financial services, net	1,581,371	1,501,169
Others	103,376	130,350
	<u>3,062,030</u>	<u>2,874,511</u>
Changes in operating assets and liabilities:		
Decrease in trade notes and accounts receivable	498,036	207,911
Decrease in other receivables	189,403	46,550
Decrease (increase) in other financial assets	1,185,901	(64,768)
Increase in inventories	(181,445)	(797,694)
Increase in other assets	(38,178)	(96,363)
Increase in trade notes and accounts payable	505,237	805,681
Decrease in other payables	(945,578)	(1,328,089)
Increase (decrease) in other liabilities	(812,617)	225,554
Decrease in other financial liabilities	(42)	(5,015)
Changes in net defined benefit liabilities	1,594	167
Payment of severance benefits	(36,601)	(20,464)
Decrease in provisions	(658,697)	(490,422)
Changes in financial services receivables	(930,719)	297,982
Increase in operating lease assets	(821,891)	(1,424,069)
Others	85,817	1,624
	<u>(1,959,780)</u>	<u>(2,641,415)</u>
Cash generated from operations	<u>₩ 1,833,885</u>	<u>₩ 1,638,790</u>

35. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of March 31, 2018 and December 31, 2017 are as follows:

Description	March 31, 2018		December 31, 2017	
	(In millions of Korean Won)			
Total liabilities	₩	101,088,563	₩	103,442,100
Total equity		74,480,089		74,757,354
Debt-to-equity ratio		135.7%		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 price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

1) Market risk

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

a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of March 31, 2018 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 3,788	₩ (3,788)
EUR	(22,626)	22,626
JPY	(6,093)	6,093

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

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of March 31, 2018 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 9,498	₩ (9,498)
Financial assets measured at FVPL	1,689	(1,438)
Short-term and long-term financial Instruments	5,105	(5,105)
Borrowings and debentures	(102,063)	102,063
Financial liabilities measured at FVPL	(3,699)	3,699

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of March 31, 2018 and December 31, 2017, the amounts of interest rate risk measured at VaR are ₩183,836 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 March 31, 2018, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩132,525 million and ₩1,981,907 million, respectively.

2) Credit risk

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

3) Liquidity risk

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

Due to the inherent nature of the industry, the Group requires continuous R&D investment and is sensitive to economic fluctuations. The Group minimizes its credit risk in cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. The Group, also, continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of March 31, 2018 is as follows:

Description	Remaining contract period					
	Not later than one year		Later than one year and not later than five years		Total	
(In millions of Korean Won)						
Non interest-bearing liabilities	₩	14,282,997	₩	20,047	₩ -	₩ 14,303,044
Interest-bearing liabilities		26,247,503		44,872,959	2,572,322	73,692,784
Financial guarantee		1,002,179		7,246	18,799	1,028,224

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

(3) Derivative 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 March 31, 2018 and December 31, 2017, the Group deferred a net loss of ₩25,568 million and a net profit ₩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 113 months as of March 31, 2018.

For the three months ended March 31, 2018 and 2017, the Group recognises a net loss of ₩14,726 million and ₩374,355 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

36. RELATED-PARTY TRANSACTIONS:

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

- (1) For the three months ended March 31, 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.	₩ 197,861	₩ 3,263	₩ 1,201,077	₩ 4,736
	Mobis Alabama, LLC	27,744	-	210,806	-
	Mobis Automotive Czech s.r.o.	-	131	380,247	108
	Mobis India, Ltd.	2,035	599	269,295	2,618
	Mobis Parts America, LLC	7,297	744	186,543	123
	Mobis Parts Europe N.V.	4,267	68	101,725	8,290
	Mobis Brasil Fabricacao De Auto Pecas Ltda	1,529	-	84,505	-
	Mobis Module CIS, LLC	-	97	104,374	-
	Others	5,816	546	179,347	897
		261,132	87,889	32,961	91,844
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	101,991	100	236,411	18,367
	Kia Motors Russia LLC	260,102	-	-	798
	Kia Motors Slovakia s.r.o.	26,917	2	146,184	-
	BHMC	122,245	9,525	214	-
	HMGC	800	-	574	1,484
	Hyundai WIA Corporation	49,732	180	325,993	1,115
	Others	100,700	14,442	766,890	366,719
Other related parties		594	1,623	41	1
Affiliates by the Act		198,073	38,676	1,527,724	317,510

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

- (2) As of March 31, 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.	₩ 154,798	₩ 12,263	₩ 821,592	₩ 295,921
	Mobis Alabama, LLC	11,504	-	73,677	-
	Mobis Automotive Czech s.r.o.	48	215	142,168	-
	Mobis India, Ltd.	1,007	21	173,750	7
	Mobis Parts America, LLC	5,846	72	63,699	-
	Mobis Parts Europe N.V.	751	10	34,187	-
	Mobis Module CIS, LLC	-	43	42,180	-
	Others	6,458	1,426	89,949	3,538
Joint ventures and associates	Kia Motors Corporation	259,896	232,739	28,269	156,123
	Kia Motors Manufacturing Georgia, Inc.	20,645	15,042	73,977	5,317
	Kia Motors Russia LLC	102,297	186	1	484
	Kia Motors Slovakia s.r.o.	8,890	276	49,784	132
	Kia Motors America, Inc.	-	101,819	-	18,381
	BHMC	244,808	94,256	-	33
	HMGC	-	-	181	1,202
	Hyundai WIA Corporation	51,438	21,569	165,254	78,090
	Others	182,377	121,409	430,795	424,397
Other related parties		211	569	10	1
Affiliates by the Act		201,481	986,042	820,837	302,846

- (*1) The Group has recognised the loss allowance for the related parties' receivables in the amount of ₩21,990 million as of March 31, 2018 and the impairment loss is recognised in the amount of ₩403 million for the three months ended March 31, 2018.
- (*2) As of March 31, 2018, outstanding payment of ₩19,363 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the three months ended March 31, 2018, amount used and repayment of agreement are ₩61,300 million and ₩54,884 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) There are no significant fund transactions and equity contribution transactions for the three months ended March 31, 2018 and 2017, between the Group and related parties.

For the three months ended March 31, 2018, the Group traded in other financial assets and others of ₩634,980 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,584,980 million in the consolidated statement of financial position as of March 31, 2018.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the three months ended March 31, 2018 and 2017 are as follows:

Description	Three months ended March 31,	
	2018	2017
(In millions of Korean Won)		
Short-term employee salaries	₩ 54,043	₩ 41,230
Post-employment benefits	8,777	9,005
Other long-term benefits	82	70
	₩ 62,902	₩ 50,305

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of March 31, 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	₩	159
To others		8,013		1,040,417
	₩	9,399	₩	1,040,576

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of March 31, 2018.

- (2) As of March 31, 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 March 31, 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 March 31, 2018, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩835,540 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) As of March 31, 2018, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.
- (5) As of March 31, 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 March 31, 2018, Hyundai Rotem, a subsidiary of the Group 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 March 31, 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.

38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the three months ended March 31, 2018 and 2017 are as follows:

For the three months ended March 31, 2018					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 26,102,093	₩ 3,867,591	₩ 1,521,162	₩ (9,054,285)	₩ 22,436,561
Inter-company sales	(8,713,149)	(89,255)	(251,881)	9,054,285	-
Net sales	17,388,944	3,778,336	1,269,281	-	22,436,561
Operating income	399,823	172,893	38,498	70,077	681,291

For the three months ended March 31, 2017					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 27,574,677	₩ 4,182,656	₩ 1,761,044	₩ (10,152,418)	₩ 23,365,959
Inter-company sales	(9,751,321)	(85,174)	(315,923)	10,152,418	-
Net sales	17,823,356	4,097,482	1,445,121	-	23,365,959
Operating income	1,083,062	179,236	111,850	(123,387)	1,250,761

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

As of March 31, 2018					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 99,482,531	₩ 81,970,804	₩ 7,365,392	₩ (13,250,075)	₩ 175,568,652
Total liabilities	34,895,775	70,432,042	4,379,048	(8,618,302)	101,088,563
Borrowings and debentures	7,216,026	63,051,410	2,425,936	(2,421,437)	70,271,935

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 three months ended March 31, 2018 and 2017 are as follows:

	For the three months ended March 31, 2018						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 12,266,195	₩ 8,105,873	₩ 2,270,198	₩ 8,165,743	₩ 682,837	₩ (9,054,285)	₩ 22,436,561
Inter-company sales	(3,562,258)	(1,288,676)	(85,540)	(4,117,811)	-	9,054,285	-
Net sales	8,703,937	6,817,197	2,184,658	4,047,932	682,837	-	22,436,561
	For the three months ended March 31, 2017						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 13,436,381	₩ 9,598,737	₩ 1,954,968	₩ 7,864,146	₩ 664,145	₩ (10,152,418)	₩ 23,365,959
Inter-company sales	(3,997,382)	(1,971,087)	(85,618)	(4,098,331)	-	10,152,418	-
Net sales	9,438,999	7,627,650	1,869,350	3,765,815	664,145	-	23,365,959

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

Description	March 31, 2018	December 31, 2017
(In millions of Korean Won)		
Korea	₩ 29,321,053	₩ 29,443,964
North America	2,004,776	2,040,394
Asia	984,229	1,047,364
Europe	2,067,182	2,076,017
Others	375,074	390,816
	34,752,314	34,998,555
Consolidation adjustments	(158,506)	(162,579)
Total (*)	₩ 34,593,808	₩ 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 three months ended March 31, 2018 and 2017.

39. CONSTRUCTION CONTRACTS:

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

Description	March 31, 2018	December 31, 2017
(In millions of Korean Won)		
Accumulated accrual cost	₩ 7,988,364	₩ 9,998,070
Accumulated income	680,046	784,071
Accumulated construction in process	8,668,410	10,782,141
Progress billing	(8,158,572)	(10,196,219)
Due from customers	989,144	1,024,899
Due to customers	(479,306)	(438,977)
Reserve (*)	42,526	47,574

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

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, a subsidiary of the Company, as of March 31, 2018 are as follows:

Description	March 31, 2018
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ (17,935)
Changes in accounting estimates of total contract costs	(39,637)
Effects on profit or loss of current period	(35,694)
Effects on profit or loss of future periods	57,396
Changes in due from customers	(32,456)
Provision for construction loss	90,660

Effects on profit or loss of current and future periods were calculated by total contract costs estimated based on the situation occurred since the commencement of the contract to March 31, 2018 and the estimates of contract revenue as of March 31, 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 recognised in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs instruments for the three months ended March 31, 2018.

40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

The Company declared purchase and retirement of treasury stocks and details from resolution of the Board of Directors held on April 27, 2018 are as follows:

- (1) Purchase of treasury stocks

Description	Class of stock	Detail
		(In millions of Korean Won)
Purchase of shares expected	Common stock	2,202,764 shares
	Preferred stock	652,019 shares
Purchase amount expected (*1)	Common stock	₩ 344,733
	Preferred stock	₩ 68,209
Purchase period expected (*2)	Commencement date	April 30, 2018
	End date	July 27, 2018
Purpose of purchase		Retirement of treasury stocks
Method of purchase		Repurchase treasury stock in stock market

(*1) Calculated based on the closing price on the day before the resolution of the Board of Directors, actual purchase amount may be changed.

(*2) Actual purchase period may be changed.

- (2) Retirement of treasury stocks

Description	Class of stocks to be retired	Detail
		(In millions of Korean Won)
Number of stocks to be retired	Holding treasury stocks	Common stock 4,405,528 shares
		Preferred stock 1,279,256 shares
	Newly purchasing treasury stocks	Common stock 2,202,764 shares
		Preferred stock 652,019 shares
Retirement amount expected (*1)		₩ 972,322
Retirement date expected (*2)		After completion of purchase
Purpose of retirement		Retirement of treasury stocks

(*1) Calculated based on the closing price on the day before the resolution of the Board of Directors, actual retirement amount may be changed.

(*2) The date of retirement may be changed due to actual purchase schedule and consultation with relevant agencies.