



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT

HYUNDAI MOTOR COMPANY

Contents

INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF INCOME	6
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	12

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of Independent Accountants' Review Report Originally Issued in Korean on November 14, 2018

To the Shareholders and the Board of Directors of
Hyundai Motor Company:

We have reviewed the accompanying condensed consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The condensed consolidated financial statements consist of the condensed consolidated statement of financial position as of September 30, 2018, the related condensed consolidated statements of income and comprehensive income for the three months and nine months ended September 30, 2018 and 2017, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, respectively, all expressed in Korean Won, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of the accompanying condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Accountants' Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with K-IFRS 1034, *Interim Financial Reporting*.

Others

We audited the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 (not presented in the accompanying consolidated financial statements), in accordance with Korean Standards on Auditing ("KSAs"). We expressed an unqualified opinion in our independent auditors' report dated on February 28, 2018. The condensed consolidated statement of financial position as of December 31, 2017, presented as a comparative purpose in the accompanying consolidated financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2017.

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

November 14, 2018

Notice to Readers

This report is effective as of November 14, 2018, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying condensed consolidated financial statements and may result in modifications to the independent accountants' review report.

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS
ENDED SEPTEMBER 30, 2018 AND 2017**

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

Lee, Won Hee
Chief Executive Officer
HYUNDAI MOTOR COMPANY

Main Office Address: (Road Name Address) 12, Heolleung-ro, Seocho-gu, Seoul
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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

ASSETS	NOTES	September 30, 2018	December 31, 2017
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 9,336,428	₩ 8,821,529
Short-term financial instruments	19	8,598,775	7,745,829
Other financial assets	5,19	9,277,429	12,886,769
Trade notes and accounts receivable	3,19	4,163,696	3,838,043
Other receivables	4,19	3,435,697	3,007,869
Inventories	6	10,318,175	10,279,904
Current tax assets		96,191	91,263
Financial services receivables	13,19	25,306,292	25,536,188
Non-current assets classified as held for sale	8	770,785	29,068
Other assets	7,19	1,902,511	1,739,452
Total current assets		73,205,979	73,975,914
Non-current assets:			
Long-term financial instruments	19	104,896	145,277
Other financial assets	5,19	2,340,303	2,512,409
Long-term trade notes and accounts receivable	3,19	130,672	123,933
Other receivables	4,19	1,192,664	1,227,602
Property, plant and equipment	9	29,786,600	29,827,142
Investment property	10	191,866	199,498
Intangible assets	11	4,747,116	4,809,336
Investments in joint ventures and associates	12	17,587,730	17,252,338
Deferred tax assets		1,607,607	1,123,902
Financial services receivables	13,19	27,622,044	25,631,830
Operating lease assets	14	20,548,091	20,727,950
Other assets	7,19	706,849	642,323
Total non-current assets		106,566,438	104,223,540
Total assets		₩ 179,772,417	₩ 178,199,454

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

LIABILITIES AND EQUITY	NOTES	September 30, 2018	December 31, 2017
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 7,308,729	₩ 6,483,875
Other payables	19	4,621,963	5,040,057
Short-term borrowings	15,19	10,069,152	9,959,654
Current portion of long-term debt and debentures	15,19	16,187,488	13,098,547
Income tax payable		233,145	151,525
Provisions	16	2,182,721	1,809,978
Other financial liabilities	17,19	31,634	25,652
Non-current liabilities classified as held for sale	8	624,281	-
Other liabilities	18,19	5,889,627	6,591,421
Total current liabilities		<u>47,148,740</u>	<u>43,160,709</u>
Non-current liabilities:			
Long-term other payables	19	20,073	19,189
Debentures	15,19	37,062,595	36,454,192
Long-term debt	15,19	8,686,024	12,488,137
Net defined benefit liabilities	34	437,491	157,213
Provisions	16	4,980,400	4,844,463
Other financial liabilities	17,19	332,880	438,070
Deferred tax liabilities		3,408,947	3,234,707
Other liabilities	18,19	2,771,246	2,645,420
Total non-current liabilities		<u>57,699,656</u>	<u>60,281,391</u>
Total liabilities		<u>104,848,396</u>	<u>103,442,100</u>
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,201,214	4,201,214
Other capital items	22	(1,080,716)	(1,640,096)
Accumulated other comprehensive loss	23	(2,810,299)	(2,278,955)
Retained earnings	24	67,117,791	67,332,328
Equity related to assets classified as held for sale	8,23	1,925	-
Equity attributable to the owners of the Company		<u>68,918,908</u>	<u>69,103,484</u>
Non-controlling interests		<u>6,005,113</u>	<u>5,653,870</u>
Total equity		<u>74,924,021</u>	<u>74,757,354</u>
Total liabilities and equity		<u>₩ 179,772,417</u>	<u>₩ 178,199,454</u>

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

		2018		2017	
		Three months ended	Nine months ended	Three months ended	Nine months ended
	NOTES	September 30,	September 30,	September 30,	September 30,
(In millions of Korean Won, except per share amounts)					
Sales	26,39	₩ 24,433,735	₩ 71,582,098	₩ 24,201,273	₩ 71,875,234
Cost of sales	31	20,741,202	60,495,561	19,861,622	58,515,444
Gross profit		3,692,533	11,086,537	4,339,651	13,359,790
Selling and administrative expenses	27,31	3,403,603	9,165,499	3,135,444	9,560,352
Operating income		288,930	1,921,038	1,204,207	3,799,438
Gain (loss) on investments in joint ventures and associates, net	28	93,883	572,048	(31,515)	514,267
Finance income	29	244,377	635,572	209,049	697,303
Finance expenses	29	157,416	452,231	298,944	921,748
Other income	30	346,163	725,634	368,048	825,121
Other expenses	30,31	453,640	985,048	350,450	891,963
Income before income tax		362,297	2,417,013	1,100,395	4,022,418
Income tax expense	33	56,345	568,699	161,213	763,916
Profit for the period		₩ 305,952	₩ 1,848,314	₩ 939,182	₩ 3,258,502
Profit attributable to:					
Owners of the Company		269,245	1,637,858	852,371	2,999,814
Non-controlling interests		36,707	210,456	86,811	258,688
Earnings per share attributable to the owners of the Company:	32				
Basic earnings per share:					
Common stock		₩ 1,008	₩ 6,113	₩ 3,168	₩ 11,152
1 st preferred stock		₩ 1,021	₩ 6,149	₩ 3,181	₩ 11,190
Diluted earnings per share:					
Common stock		₩ 1,008	₩ 6,113	₩ 3,168	₩ 11,152
1 st preferred stock		₩ 1,021	₩ 6,149	₩ 3,181	₩ 11,190

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Profit for the period	₩ 305,952	₩ 1,848,314	₩ 939,182	₩ 3,258,502
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on financial assets measured at FVOCI, net	81,343	(34,031)	-	-
Remeasurements of defined benefit plans	(5,171)	(4,175)	3,306	326
Changes in retained earnings of equity-accounted investees, net	(19,140)	(20,696)	(2,853)	(6,639)
Changes in share of earnings of equity-accounted investees, net	577	(20,382)	-	-
	<u>57,609</u>	<u>(79,284)</u>	<u>453</u>	<u>(6,313)</u>
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on financial assets measured at FVOCI, net	2,084	(3,533)	-	-
Gain (loss) on available-for-sale ("AFS") financial assets, net	-	-	(100,553)	246,385
Gain (loss) on valuation of cash flow hedge derivatives, net	13,612	(119,475)	(16,138)	(7,191)
Changes in share of earnings of equity-accounted investees, net	(172,129)	(33,045)	116,555	(28,256)
Gain (loss) on foreign operations translation, net	(262,658)	(25,970)	223,986	(178,706)
	<u>(419,091)</u>	<u>(182,023)</u>	<u>223,850</u>	<u>32,232</u>
Total other comprehensive income (loss)	<u>(361,482)</u>	<u>(261,307)</u>	<u>224,303</u>	<u>25,919</u>
Total comprehensive income (loss)	<u>₩ (55,530)</u>	<u>₩ 1,587,007</u>	<u>₩ 1,163,485</u>	<u>₩ 3,284,421</u>
Comprehensive income (loss) attributable to:				
Owners of the Company	(69,143)	1,407,580	1,052,389	3,031,664
Non-controlling interests	13,613	179,427	111,096	252,757
Total comprehensive income (loss)	<u>₩ (55,530)</u>	<u>₩ 1,587,007</u>	<u>₩ 1,163,485</u>	<u>₩ 3,284,421</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2017	₩ 1,488,993	₩ 4,202,597	₩ (1,640,096)	₩ (1,223,244)	₩ 64,361,408	₩ 67,189,658	₩ 5,154,920	₩ 72,344,578
Comprehensive income:								
Profit for the period	-	-	-	-	2,999,814	2,999,814	258,688	3,258,502
Gain on AFS financial assets, net	-	-	-	244,943	-	244,943	1,442	246,385
Gain (loss) on valuation of cash flow hedge derivatives, net	-	-	-	(15,911)	-	(15,911)	8,720	(7,191)
Changes in valuation of equity-accounted investees, net	-	-	-	(28,843)	(6,639)	(35,482)	587	(34,895)
Remeasurements of defined benefit plans	-	-	-	-	(606)	(606)	932	326
Loss on foreign operations translation, net	-	-	-	(161,094)	-	(161,094)	(17,612)	(178,706)
Total comprehensive income	-	-	-	39,095	2,992,569	3,031,664	252,757	3,284,421
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,079,505)	(1,079,505)	(59,166)	(1,138,671)
Increase in subsidiaries' stock	-	(1,383)	-	-	-	(1,383)	76,832	75,449
Purchases of subsidiaries' stock	-	-	-	-	-	-	32,609	32,609
Disposal of subsidiaries' stock	-	-	-	-	-	-	(17)	(17)
Others	-	-	-	-	(4)	(4)	-	(4)
Total transactions with owners, recorded directly in equity	-	(1,383)	-	-	(1,079,509)	(1,080,892)	50,258	(1,030,634)
Balance at September 30, 2017	₩ 1,488,993	₩ 4,201,214	₩ (1,640,096)	₩ (1,184,149)	₩ 66,274,468	₩ 69,140,430	₩ 5,457,935	₩ 74,598,365

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Equity related to assets classified as held for sale	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interest	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	-	-	-	(341,354)	-	207,617	(133,737)	(74,554)	(208,291)
Balances after adjustments	1,488,993	4,201,214	(1,640,096)	(2,620,309)	-	67,539,945	68,969,747	5,579,316	74,549,063
Comprehensive income:									
Profit for the period	-	-	-	-	-	1,637,858	1,637,858	210,456	1,848,314
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(18,873)	-	(19,442)	(38,315)	751	(37,564)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(70,476)	-	-	(70,476)	(48,999)	(119,475)
Changes in valuation of equity- accounted investees, net	-	-	-	(51,201)	-	(20,696)	(71,897)	(2,226)	(74,123)
Remeasurements of defined benefit plans	-	-	-	-	-	(2,075)	(2,075)	(2,100)	(4,175)
Loss on foreign operations translation, net	-	-	-	(47,515)	-	-	(47,515)	21,545	(25,970)
Total comprehensive income (loss)	-	-	-	(188,065)	-	1,595,645	1,407,580	179,427	1,587,007
Transactions with owners, recorded directly in equity:									
Payment of cash dividends	-	-	-	-	-	(1,076,734)	(1,076,734)	(50,727)	(1,127,461)
Increase in subsidiaries' stock	-	-	-	-	-	-	-	10	10
Purchases of subsidiaries' stock	-	-	-	-	-	-	-	10	10
Purchases of treasury stocks	-	-	(380,206)	-	-	-	(380,206)	-	(380,206)
Retirement of treasury stocks	-	-	939,586	-	-	(939,586)	-	-	-
Issue of hybrid bond	-	-	-	-	-	-	-	299,240	299,240
Others	-	-	-	-	-	(1,479)	(1,479)	(2,163)	(3,642)
Total transactions with owners, recorded directly in equity	-	-	559,380	-	-	(2,017,799)	(1,458,419)	246,370	(1,212,049)
Transfer to equity related to the disposal group as held for sale	-	-	-	(1,925)	1,925	-	-	-	-
Balance at September 30, 2018	<u>₩ 1,488,993</u>	<u>₩ 4,201,214</u>	<u>₩ (1,080,716)</u>	<u>₩ (2,810,299)</u>	<u>₩ 1,925</u>	<u>₩ 67,117,791</u>	<u>₩ 68,918,908</u>	<u>₩ 6,005,113</u>	<u>74,924,021</u>

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	NOTES	Nine months ended September 30,	
		2018	2017
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	35		
Profit for the period		₩ 1,848,314	₩ 3,258,502
Adjustments		9,936,407	10,178,612
Changes in operating assets and liabilities		(6,742,539)	(9,737,418)
		5,042,182	3,699,696
Interest received		461,802	356,132
Interest paid		(1,465,523)	(1,354,514)
Dividend received		192,260	851,641
Income tax paid		(775,386)	(1,239,842)
Net cash provided by operating activities		3,455,335	2,313,113
Cash flows from investing activities:			
Increase (decrease) from purchase of short-term financial instruments, net		(902,639)	273,257
Proceeds from disposals of other financial assets (current), net		3,312,081	655,269
Proceeds from disposals of other financial assets (non-current)		125,716	33,025
Receipts from other receivables		76,732	176,987
Disposals of long-term financial instruments		1,429	25
Proceeds from disposals of property, plant and equipment		83,631	93,532
Proceeds from disposals of intangible assets		1,149	638
Acquisitions of subsidiaries		10	-
Acquisitions of other financial assets (non-current)		(108,602)	(120,289)
Increases in other receivables		(41,718)	(175,520)
Purchases of long-term financial instruments		(14,119)	(237,253)
Acquisitions of property, plant and equipment		(2,175,208)	(2,173,031)
Acquisitions of intangible assets		(981,784)	(937,547)
Cash outflows from business combinations		-	(13,086)
Acquisitions of investments in joint ventures and associates		(60,727)	(80,144)
Other cash receipts (payments) from investing activities, net		(255)	45,211
Net cash used in investing activities		(684,304)	(2,458,926)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

	NOTES	Nine months ended September 30,	
		2018	2017
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	(44,350)	₩ 862,276
Proceeds from long-term debt and debentures		14,139,960	22,714,044
Proceeds from capital increase of subsidiaries		10	75,449
Repayment of long-term debt and debentures		(14,883,794)	(21,184,368)
Purchases of treasury stocks		(380,206)	-
Dividends paid		(1,127,452)	(1,115,033)
Issue of hybrid bond		299,240	-
Other cash payments from financing activities, net		(82,070)	(4,479)
Net cash used in financing activities		<u>(2,078,662)</u>	<u>1,347,889</u>
Transfer to assets classified as held for sale		(84,270)	-
Net increase in cash due to changes in the scope of the consolidation		2,090	-
Effect of exchange rate changes on cash and cash equivalents		(95,290)	(19,579)
Net increase in cash and cash equivalents		514,899	1,182,497
Cash and cash equivalents, beginning of the period		<u>8,821,529</u>	<u>7,890,089</u>
Cash and cash equivalents, end of the period	₩	<u>9,336,428</u>	₩ <u>9,072,586</u>
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

1. GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

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

As of September 30, 2018, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.43%) and Chung, Mong Koo (11,395,859 shares, 5.33%).

(1) The Company’s consolidated subsidiaries as of September 30, 2018, are as follows:

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	59.68%	
Hyundai Card Co., Ltd. (*1)	“	“	36.96%	
Hyundai Rotem Company (Hyundai Rotem) (*2)	Manufacturing	“	43.36%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	“	“	100.00%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Hyundai Auto Electronics Company Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	53.66%	
Maintrans Company	Services	“	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football club	“	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	“	“	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	“	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
Genesis Motor America LLC	Sales	“	100.00%	HMA 100.00%
Hyundai Rotem USA Corporation	Manufacturing	“	100.00%	Hyundai Rotem 100.00%
Hyundai Auto Canada Corp. (HACC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	“	100.00%	“
Hyundai Capital Canada Inc. (HCCA)	Financing	“	70.00%	Hyundai Capital Services 20.00%
Hyundai Capital Lease Inc. (HCLI)	“	“	100.00%	HCCA 100.00%
HK Lease Funding LP	“	“	100.00%	HCLI 99.99%, 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. (HMI)	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 Rotem Malaysia SDN BHD	"	Malaysia	100.00%	Hyundai Rotem 100.00%
Hyundai Motor UK Limited (HMUK)	"	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo. O (HMP)	"	Poland	100.00%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	"	Mexico	100.00%	HT 0.01%

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

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

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

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

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

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
		(In millions of Korean Won)		
Hyundai Capital Services, Inc. (*)	₩ 29,795,313	₩ 25,689,392	₩ 2,321,794	₩ 259,768
Hyundai Card Co., Ltd. (*)	16,621,906	13,446,583	2,235,974	127,847
Hyundai Rotem Company (*)	3,892,448	2,546,050	1,754,811	(63,715)
Hyundai KEFICO Corporation (*)	1,691,228	1,066,699	1,369,061	37,021
HCA (*)	37,507,342	33,095,026	7,370,313	163,531
HMA	6,349,192	5,071,680	10,891,334	(310,111)
HMMA	4,615,640	2,052,044	4,806,172	(43,880)
HMMC	3,700,170	1,649,094	4,801,502	278,740
HMI (*)	3,392,526	1,428,736	5,131,462	337,161
HME (*)	1,500,184	1,473,244	6,949,859	4,385
HMMR	1,450,757	864,778	2,169,330	114,115
HAOSVT	1,448,464	1,130,695	2,145,447	(61,096)
HACC (*)	1,145,451	674,267	2,071,829	(19,637)
HMB	1,137,604	716,939	1,616,312	85,727
HMCA	720,260	562,172	1,418,778	2,486

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

Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2017 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
		(In millions of Korean Won)		
Hyundai Capital Services, Inc. (*)	₩ 27,412,720	₩ 23,413,556	₩ 2,282,880	₩ 226,805
Hyundai Card Co., Ltd. (*)	15,390,365	12,544,361	2,213,827	181,926
Hyundai Rotem Company (*)	3,981,081	2,499,417	1,973,080	17,446
Hyundai KEFICO Corporation (*)	1,562,110	939,416	1,282,330	35,409
HCA (*)	41,470,519	38,230,082	6,867,652	68,090
HMA	8,392,947	6,227,760	12,556,533	(353,578)
HMMA	4,616,128	1,965,681	5,729,928	78,500
HMMC	3,926,945	1,734,786	5,008,753	331,191
HMI (*)	3,260,138	1,495,182	4,644,785	237,546
HAOSVT	1,671,772	1,325,754	2,291,656	(4,695)
HME (*)	1,395,217	1,368,598	6,474,095	8,635
HMMR	1,363,058	848,325	2,120,752	105,033
HMB	1,320,310	889,476	1,729,361	39,667
HACC (*)	1,231,972	779,546	2,158,092	(76,224)
HMCA	722,253	540,308	1,515,137	(25)

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

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

- (4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group for the nine months ended September 30, 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	₩ (1,295,319)	₩ 176,769	₩ (112,195)
Cash flows from investing activities	(43,737)	(49,284)	(14,971)
Cash flows from financing activities	1,976,044	713,192	(110,748)
Effect of exchange rate changes on cash and cash equivalents	-	-	(1,638)
Net increase in cash due to changes in the scope of the consolidation	-	-	2,090
Transfer to assets classified as held for sale	(84,270)	-	-
Net increase (decrease) in cash and cash equivalents	₩ 552,718	₩ 840,677	₩ (237,462)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the nine months ended September 30, 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	₩ (1,623,935)	₩ 56,424	₩ 45,436
Cash flows from investing activities	(72,116)	(50,633)	20,875
Cash flows from financing activities	2,138,121	701,887	(411,948)
Effect of exchange rate changes on cash and cash equivalents	-	-	(802)
Net increase (decrease) in cash and cash equivalents	₩ 442,070	₩ 707,678	₩ (346,439)

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of September 30, 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	₩ 1,655,372	₩ 2,112,430	₩ 825,896
Profit (loss) attributable to non-controlling interests	104,068	80,600	(38,676)
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 nine months ended September 30, 2018 are as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the nine months ended September 30, 2018 and 2017, respectively, are prepared in accordance with K-IFRS 1034, Interim Financial Reporting. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with K-IFRS.

The significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements for the year ended December 31, 2017, except for the adoption effect of the new and revised accounting standards and interpretations described below.

1) New and revised standards that have been applied from the period beginning on January 1, 2018 are as follows:

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

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

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

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

A. Classification and measurement of financial assets

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

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

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

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

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

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

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

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

The Group designated AFS financial assets held for long-term investments as financial assets measured at FVOCI. Therefore, the opening retained earnings as of January 1, 2018 increased by ₩341,354 million due to retrospective adjustment of impairment in AFS financial asset.

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

B. Classification and measurement of financial liabilities.

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

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

C. Impairment: Financial assets and contract assets

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

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

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

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

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

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

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

D. Hedge Accounting

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

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

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

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

Description	The Group's ownership interests		Non-controlling interests
	Accumulated other comprehensive loss	Retained earnings	
	(In millions of Korean Won)		
December 31, 2017 (Reported amounts)	₩ (2,278,955)	₩ 67,332,328	₩ 5,653,870
Initial application of K-IFRS 1109:			
Effect by Classification and Measurement (*1)	(341,354)	341,354	-
Effect by impairment (*2)	-	(97,946)	(74,615)
January 1, 2018 (The date of initial application)	₩ (2,620,309)	₩ 67,575,736	₩ 5,579,255

(*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 ₩35,791 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 nine-month period ended September 30, 2018 are as follows:

	September 30, 2018			
Description	Previous Revenue		Adjustments	K-IFRS 1115
	Recognition Standard			
	(In millions of Korean Won)			
Assets (*1,6)	₩	179,719,800	₩ 52,617	₩ 179,772,417
Liabilities (*2,6)		104,759,629	88,767	104,848,396
Equity (*3)		74,960,171	(36,150)	74,924,021
Revenue (*4)		71,721,086	(138,988)	71,582,098
Cost of sales (*5)		59,873,856	621,705	60,495,561
Selling and administrative expenses (*5)		9,925,827	(760,328)	9,165,499

- (*1) The effect of expenses recognition on costs to fulfil a contract that do not meet the asset recognition, and the effect of the amount paid to the supplier among cost of sales of additional services, and others.
- (*2) The effect of deferred revenue that is attributable to performance obligations of additional services, additional warranties which are not satisfied yet, and others.
- (*3) The cumulative effect of an adjustment to the opening balance of retained earnings in accordance with initially applying K-IFRS 1115, and others.
- (*4) The effect of deferred revenue that is attributable to performance obligations of additional services, additional warranties which are not satisfied yet, and others.
- (*5) The effect of reclassification from selling and administrative expenses to cost of sales related to performance obligations of additional services, additional warranties, and others.
- (*6) The effect of reclassifying provision for construction loss which belonged to 'due from customers for contract work' ('due to customers for contract work') to other provisions as separate account is included.

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

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

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

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

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

The enactment addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. The enactment specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset on 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 September 30, 2018, and that have not been applied earlier by the Group are as follows:

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

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

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

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

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

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

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

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

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

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

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

Description	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,230,823	₩ 135,847	₩ 3,903,210	₩ 129,739
Loss allowance	(67,127)	-	(65,167)	-
Present value discount accounts	-	(5,175)	-	(5,806)
	<u>₩ 4,163,696</u>	<u>₩ 130,672</u>	<u>₩ 3,838,043</u>	<u>₩ 123,933</u>

(2) Aging analysis of trade notes and accounts receivable

As of September 30, 2018 and December 31, 2017, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩314,862 million and ₩246,961 million, respectively; of which ₩237,780 million and ₩187,740 million, respectively, are past due less than 90 days, but not impaired.

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

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 65,167	₩ 49,800
Impairment loss	1,807	3,984
Write-off	(187)	(96)
Effect of foreign exchange differences	340	332
End of the period	<u>₩ 67,127</u>	<u>₩ 54,020</u>

4. OTHER RECEIVABLES:

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

Description	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 2,156,342	₩ 845,385	₩ 1,952,871	₩ 841,803
Due from customers for contract work	1,252,154	-	1,024,899	-
Lease and rental deposits	32,047	306,281	34,953	335,918
Deposits	2,613	33,186	2,368	34,822
Others	4,133	7,812	3,906	15,059
Loss allowance	(11,592)	-	(11,128)	-
	<u>₩ 3,435,697</u>	<u>₩ 1,192,664</u>	<u>₩ 3,007,869</u>	<u>₩ 1,227,602</u>

5. OTHER FINANCIAL ASSETS:

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

Description	September 30, 2018	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at fair value through profit or loss ("FVPL")	₩ 9,155,115	₩ 278,183
Derivative assets that are effective hedging instruments	18,276	25,387
Financial assets measured at fair value through other comprehensive income ("FVOCI")	8,688	2,031,266
Financial assets measured at amortised cost	95,350	5,467
	₩ 9,277,429	₩ 2,340,303

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

Description	December 31, 2017	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets at 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 September 30, 2018 (AFS financial assets that are measured at fair value as of December 31, 2017) consist of the following:

Description	September 30, 2018		December 31, 2017
	Acquisition cost	Book value	Book value
	(In millions of Korean Won)		
Debt instruments	₩ 243,203	₩ 237,600	₩ 309,969
Equity instruments (*)	1,562,399	1,802,354	1,998,986
	₩ 1,805,602	₩ 2,039,954	₩ 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 September 30, 2018 (AFS financial assets as of December 31, 2017) consist of the following:

Name of the company	Ownership percentage (%)	September 30, 2018		December 31, 2017
		Acquisition	Book value	Book value
		cost		
(In millions of Korean Won)				
Hyundai Steel Company (*1)	6.87	₩ 903,897	₩ 644,400	₩ 821,266
Hyundai Glovis Co., Ltd.	4.88	210,688	238,022	249,008
Hyundai Heavy Industries Co., Ltd. (*3)	2.36	42,443	186,146	164,102
Korea Aerospace Industries, Ltd. (*2)	-	73,331	166,059	224,487
Hyundai Oilbank Co., Ltd.	4.35	53,734	147,930	147,930
Hyundai Heavy Industries Holdings Co., Ltd. (*3)	2.13	9,018	140,516	132,189
Hyundai Green Food Co., Ltd.	2.36	15,005	32,423	34,500
NICE Information Service Co., Ltd.	2.25	3,312	14,069	11,870
Hyundai Development Company (*4)	0.60	5,260	13,350	-
Hyundai M Partners Co., Ltd.	9.29	9,888	11,953	12,153
NICE Holdings Co., Ltd.	1.30	3,491	9,906	7,202
KT Corporation	0.09	8,655	7,239	7,263
HDC Holdings Co., Ltd. (*4)	0.60	3,765	4,299	17,348
Hyundai Asan Corporation	1.88	22,500	2,117	2,117
Hyundai Merchant Marine Company	0.03	9,161	434	444
Hyundai Electric & Energy Systems Co., Ltd. (*3)	-	-	-	22,997
Others		188,251	183,491	144,110
		₩ 1,562,399	₩ 1,802,354	₩ 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 nine months ended September 30, 2018.
- (*4) Hyundai Development Company was spun off into HDC Holdings Co., Ltd. and Hyundai Development Company for the nine months ended September 30, 2018.

6. INVENTORIES:

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Finished goods	₩ 5,788,448	₩ 6,065,752
Merchandise	80,117	50,575
Semifinished goods	682,157	638,802
Work in progress	454,200	387,816
Raw materials	1,411,450	1,314,902
Supplies	296,770	285,264
Materials in transit	645,036	583,055
Others	959,997	953,738
Total (*)	₩ 10,318,175	₩ 10,279,904

(*) As of September 30, 2018 and December 31, 2017, the Group recognized a valuation allowance in amount of ₩126,226 million and ₩88,945 million, respectively.

7. OTHER ASSETS:

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

Description	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 384,389	₩ 2,222	₩ 357,228	₩ 2,714
Advanced payments	732,837	-	535,677	-
Prepaid expenses	479,425	669,094	472,732	609,958
Prepaid value-added tax and others	305,860	35,533	373,815	29,651
	₩ 1,902,511	₩ 706,849	₩ 1,739,452	₩ 642,323

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

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Vehicles (*1)	₩ 16,023	₩ 29,068
Subsidiary (*2)	754,762	-
Total	₩ 770,785	₩ 29,068
Non-current liabilities classified as held for sale	₩ 624,281	₩ -

(*1) The Group enters into a disposal contract for the vehicles and the process of disposal is under way. The Group recognises as an impairment loss of ₩13,045 million, the difference between the expected sale price and the book value.

(*2) The Company and Hyundai Capital Services, Inc., the subsidiary of the Company, enter into a disposal contract for a portion of Hyundai Capital Bank Europe GmbH 's shares in August, 2018. The process of disposal is underway. Accordingly, the Group classified the assets and liabilities related to the Hyundai Capital Bank Europe GmbH to the disposal group as held for sale.

(2) Main assets and liabilities classified as held for sale as of September 30, 2018 consist of the following:

Description	September 30, 2018	
	(In millions of Korean Won)	
The disposal group as held for sale		
Cash and cash equivalents	₩	84,270
Financial assets measured at FVOCI		69
Loan obligations		549,521
Lease receivables		79,010
Property, plant and equipment		2,248
Intangible assets		10,015
Accounts receivable – others		6,903
Accrued income		3,953
Advanced payments		12,741
Prepaid expenses		5,923
Deposits		109
Total assets	₩	<u>754,762</u>
Liabilities directly related to the disposal group as held for sale		
Borrowings		504,882
Other payables		85,801
Withholdings		12,225
Accrued expenses		21,373
Total liabilities	₩	<u>624,281</u>

The Group measured at the lower between book value and fair value less costs to sell, and accumulated other comprehensive income (loss) transferred to equity related to assets classified as held for sale is ₩1,925 million, as of September 30, 2018.

9. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Nine months ended September 30,			
	2018		2017	
	(In millions of Korean Won)			
Beginning of the period	₩	29,827,142	₩	29,405,716
Acquisitions		1,906,368		2,202,539
Disposals		(158,139)		(241,445)
Depreciation		(1,738,844)		(1,657,711)
Transfer to the disposal group as held for sale		(2,248)		-
Others (*)		(47,679)		27,998
End of the period	₩	29,786,600	₩	29,737,097

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

10. INVESTMENT PROPERTY:

(1) The changes in investment property for the nine months ended September 30, 2018 and 2017 are as follows:

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 199,498	₩ 211,671
Transfers (*)	657	300
Depreciation	(8,122)	(8,110)
Effect of foreign exchange differences	(167)	(292)
End of the period	₩ 191,866	₩ 203,569

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

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Rental income	₩ 10,839	₩ 34,556	₩ 11,225	₩ 34,331
Operating and maintenance expenses	4,100	12,714	4,015	11,683

11. INTANGIBLE ASSETS:

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

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Beginning of the period	₩ 4,809,336	₩ 4,586,172
Internal developments and separate acquisitions	963,409	892,680
Disposals	(1,695)	(734)
Amortization	(1,060,445)	(933,531)
Impairment loss	(8,479)	(7,289)
Transfer to the disposal group as held for sale	(10,015)	-
Others (*)	55,005	73,756
End of the period	₩ 4,747,116	₩ 4,611,054

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

(2) Research and development expenditures for the three months and nine months ended September 30, 2018 and 2017 are as follows:

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 333,880	₩ 873,150	₩ 297,436	₩ 800,743
Research and development (*1)	289,322	790,696	285,709	777,682
Total (*2)	₩ 623,202	₩ 1,663,846	₩ 583,145	₩ 1,578,425

(*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 September 30, 2018 and December 31, 2017 consist of the following:

Name of the company	Nature of business	Location	September 30, 2018		December 31, 2017	
			Ownership percentage (%)	Book value (In millions of Korean Won)	Book value	
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00%	₩ 1,427,436	₩ 1,456,579	
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00%	528,964	480,353	
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00%	161,793	167,805	
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00%	124,078	120,256	
Kia Motors Corporation	Manufacturing	Korea	33.88%	9,054,086	8,882,325	
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95%	2,932,163	2,959,910	
Hyundai WIA Corporation	Manufacturing	Korea	25.35%	779,642	794,150	
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58%	566,784	547,295	
Hyundai Dymos Inc.	Manufacturing	Korea	47.27%	431,202	399,724	
Hyundai Commercial Inc.	Financing	Korea	50.00%	416,481	373,797	
HYUNDAI MOTOR SECURITIES Co., Ltd. (*4)	Securities brokerage	Korea	27.49%	265,022	254,766	
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00%	159,491	160,255	
Hyundai Autoever Corp.	IT service	Korea	28.96%	126,363	119,162	
Haevichi Hotels & Resorts Co., Ltd	Hotelkeeping	Korea	41.90%	104,623	106,531	
Others (*5)				509,602	429,430	
				<u>₩ 17,587,730</u>	<u>₩ 17,252,338</u>	

- (*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.
- (*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
- (*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.
- (*4) Name of the company has been changed from HMC Securities Co., Ltd. to HYUNDAI MOTOR SECURITIES Co., Ltd. as of July 1, 2018.
- (*5) For the year ended December 31, 2017, the Group has stopped recognising its share of losses of the Sichuan Hyundai Motor Company (CHMC) and unrecognised share of losses of a joint venture, for the nine months ended September 30, 2018 and cumulatively are ₩56,612 million and ₩77,049 million, respectively.

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

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 1,456,579	₩ -	₩ (12,335)	₩ -	₩ (16,808)	₩ 1,427,436
BHAF	480,353	-	46,479	-	2,132	528,964
WAE	167,805	-	(4,241)	-	(1,771)	161,793
PTS	120,256	-	5,383	-	(1,561)	124,078
Kia Motors Corporation	8,882,325	-	362,058	(109,855)	(80,442)	9,054,086
Hyundai Engineering & Construction Co., Ltd.	2,959,910	-	51,108	(11,664)	(67,191)	2,932,163
Hyundai WIA Corporation	794,150	-	(7,618)	(4,136)	(2,754)	779,642
Hyundai Powertech Co., Ltd.	547,295	-	18,254	-	1,235	566,784
Hyundai Dymos Inc.	399,724	-	28,020	-	3,458	431,202
Hyundai Commercial Inc.	373,797	-	34,389	(10,000)	18,295	416,481
HYUNDAI MOTOR SECURITIES Co., Ltd.	254,766	-	13,085	(3,226)	397	265,022
Eukor Car Carriers Inc.	160,255	-	2,909	(8,976)	5,303	159,491
Hyundai Autoever Corp.	119,162	-	11,344	(4,126)	(17)	126,363
Haevichi Hotels & Resorts Co., Ltd.	106,531	-	(1,909)	-	1	104,623
Others	429,430	60,727	24,135	(3,722)	(968)	509,602
	<u>₩ 17,252,338</u>	<u>₩ 60,727</u>	<u>₩ 571,061</u>	<u>₩ (155,705)</u>	<u>₩ (140,691)</u>	<u>₩ 17,587,730</u>

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

The changes in investments in joint ventures and associates for the nine months ended September 30, 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	₩ 2,225,824	₩ -	₩ (101,238)	₩ (592,318)	₩ (41,889)	₩ 1,490,379
BHAF	445,735	-	54,020	(3,492)	(794)	495,469
WAE	186,929	4,721	(2,186)	(5,268)	(1,050)	183,146
PTS	111,997	18,023	15,050	(18,930)	(482)	125,658
Kia Motors Corporation	8,811,840	-	277,180	(151,050)	(1,318)	8,936,652
Hyundai Engineering & Construction Co., Ltd.	3,267,243	-	26,435	(11,664)	(2,913)	3,279,101
Hyundai WIA Corporation	821,861	-	14,375	(7,583)	(2,465)	826,188
Hyundai Powertech Co., Ltd.	502,891	-	51,362	-	(2,535)	551,718
Hyundai Dymos Inc.	371,499	-	28,714	-	2,896	403,109
Hyundai Commercial Inc.	256,078	-	130,563	(15,000)	23,140	394,781
HYUNDAI MOTOR SECURITIES Co., Ltd.	245,501	-	12,684	(3,226)	(566)	254,393
Eukor Car Carriers Inc.	174,100	-	4,356	-	(9,742)	168,714
Hyundai Autoever Corp.	107,382	-	12,240	(4,126)	(172)	115,324
Haevichi Hotels & Resorts Co., Ltd.	108,082	-	(673)	-	(74)	107,335
Others	433,159	57,400	(8,615)	(9,128)	1,558	474,374
	<u>₩ 18,070,121</u>	<u>₩ 80,144</u>	<u>₩ 514,267</u>	<u>₩ (821,785)</u>	<u>₩ (36,406)</u>	<u>₩ 17,806,341</u>

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

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2018 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 5,183,292	₩ 3,971,325	₩ 5,418,830	₩ 788,242
BHAF (*)	4,919,405	-	3,921,360	-
WAE	810,105	697,574	316,074	456,182
PTS	749,841	331,065	457,041	210,270
Kia Motors Corporation	20,502,886	31,580,289	14,456,142	10,281,614
Hyundai Engineering & Construction Co., Ltd.	13,321,218	4,859,713	6,883,732	2,896,480
Hyundai WIA Corporation	3,868,557	3,345,840	1,808,697	2,318,626
Hyundai Powertech Co., Ltd.	1,219,355	1,660,146	900,947	467,925
Hyundai Dymos Inc.	1,567,190	1,045,587	1,064,034	603,437
Hyundai Commercial Inc. (*)	8,524,828	-	7,494,790	-
HYUNDAI MOTOR SECURITIES Co., Ltd. (*)	7,285,346	-	6,402,971	-
Eukor Car Carriers Inc.	349,994	2,590,850	462,224	1,151,710
Hyundai Autoever Corp.	665,941	129,258	344,857	8,780
Haevichi Hotels & Resorts Co., Ltd.	23,867	429,828	191,370	85,738

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	₩ 8,592,224	₩ (89,290)	₩ -	₩ (89,290)
BHAF (*)	185,511	87,697	-	87,697
WAE	1,000,386	(19,277)	(8,048)	(27,325)
PTS	867,061	17,942	-	17,942
Kia Motors Corporation	40,696,634	1,061,596	(256,609)	804,987
Hyundai Engineering & Construction Co., Ltd.	12,264,590	468,451	(160,263)	308,188
Hyundai WIA Corporation	5,720,281	(31,406)	(5,680)	(37,086)
Hyundai Powertech Co., Ltd.	2,123,580	37,105	3,331	40,436
Hyundai Dymos Inc.	3,105,816	62,884	19,624	82,508
Hyundai Commercial Inc. (*)	343,812	63,928	(14,470)	49,458
HYUNDAI MOTOR SECURITIES Co., Ltd. (*)	461,515	47,312	1,854	49,166
Eukor Car Carriers Inc.	1,277,074	18,571	48,961	67,532
Hyundai Autoever Corp.	996,485	40,088	(61)	40,027
Haevichi Hotels & Resorts Co., Ltd.	86,943	1,841	(15)	1,826

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

Summarized financial information of the Group's major joint ventures and associates as of and for the nine months ended September 30, 2017 is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,384,454	₩ 4,281,532	₩ 4,682,487	₩ 835,057
BHAF (*)	5,268,396	-	4,333,549	-
WAE	766,031	826,519	258,469	501,600
PTS	687,319	215,588	390,672	93,373
Kia Motors Corporation	24,293,632	30,270,433	18,211,921	9,352,261
Hyundai Engineering & Construction Co., Ltd.	13,720,420	5,026,376	7,551,294	2,789,014
Hyundai WIA Corporation	3,970,321	3,326,185	1,622,331	2,398,274
Hyundai Powertech Co., Ltd.	1,281,554	1,644,905	1,117,258	336,752
Hyundai Dymos Inc.	1,496,843	1,036,062	1,094,589	574,165
Hyundai Commercial Inc. (*)	7,376,165	-	6,486,068	-
HYUNDAI MOTOR SECURITIES Co., Ltd. (*)	7,902,209	-	7,058,118	-
Eukor Car Carriers Inc.	530,710	2,746,351	463,184	1,410,111
Hyundai Autoever Corp.	663,597	102,530	350,927	13,276
Haevichi Hotels & Resorts Co., Ltd.	31,311	427,471	194,705	88,818

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	₩ 7,572,533	₩ (200,823)	₩ -	₩ (200,823)
BHAF (*)	232,165	101,924	-	101,924
WAE	730,455	(9,938)	(4,618)	(14,556)
PTS	954,484	50,168	-	50,168
Kia Motors Corporation	40,530,031	863,209	(1,332)	861,877
Hyundai Engineering & Construction Co., Ltd.	12,590,617	370,510	29,966	400,476
Hyundai WIA Corporation	5,610,164	55,659	(9,130)	46,529
Hyundai Powertech Co., Ltd.	2,455,755	139,263	(6,748)	132,515
Hyundai Dymos Inc.	3,036,285	60,698	(4,433)	56,265
Hyundai Commercial Inc. (*)	320,726	262,778	4,712	267,490
HYUNDAI MOTOR SECURITIES Co., Ltd. (*)	400,438	45,855	(6,238)	39,617
Eukor Car Carriers Inc.	1,332,197	31,666	(74,050)	(42,384)
Hyundai Autoever Corp.	1,053,549	43,176	-	43,176
Haevichi Hotels & Resorts Co., Ltd.	91,875	3,252	31	3,283

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

- (4) Summarized additional financial information of the Group's major joint ventures as of and for the nine months ended September 30, 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	₩ 1,111,459	₩ 696,009	₩ 226,007	₩ 316,669	₩ 11,965	₩ 82,450	₩ 15,935
BHAF (*)	834,880	3,430,296	-	3,683	327,151	143,486	27,540

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

Summarized additional financial information of the Group's major joint ventures as of and for the nine months ended September 30, 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	₩ 253,627	₩ 1,137,510	₩ 241,118	₩ 294,540	₩ 22,668	₩ 89,368	₩ 80,885
BHAF (*)	1,176,354	3,853,323	-	2,994	358,060	132,503	34,022

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

- (5) The aggregate amounts of the Group's share of the joint ventures and associates, that are not individually material, profit (loss) and comprehensive income (loss) for the nine months ended September 30, 2018 and 2017 are as follows:

Description	Nine months ended September 30,	
	2018	2017
(In millions of Korean Won)		
Profit (loss) for the period	₩ 24,135	₩ (8,615)
Other comprehensive income (loss)	(968)	1,558
Total comprehensive income (loss)	<u>₩ 23,167</u>	<u>₩ (7,057)</u>

- (6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of September 30, 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	₩ 1,473,773	₩ -	₩ (46,337)	₩ 1,427,436
BHAF	528,964	-	-	528,964
WAE	161,793	-	-	161,793
PTS	124,078	-	-	124,078
Kia Motors Corporation	8,900,929	197,089	(43,932)	9,054,086
Hyundai Engineering & Construction Co., Ltd. (*)	2,097,330	834,821	12	2,932,163
Hyundai WIA Corporation	782,612	-	(2,970)	779,642
Hyundai Powertech Co., Ltd.	567,593	-	(809)	566,784
Hyundai Dymos Inc.	433,473	-	(2,271)	431,202
Hyundai Commercial Inc.	416,481	-	-	416,481
HYUNDAI MOTOR SECURITIES Co., Ltd.	224,970	40,052	-	265,022
Eukor Car Carriers Inc.	159,229	-	262	159,491
Hyundai Autoever Corp.	126,363	-	-	126,363
Haevichi Hotels & Resorts Co., Ltd. (*)	101,047	3,576	-	104,623

- (*) 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
HYUNDAI MOTOR SECURITIES Co., Ltd.	214,714	40,052	-	254,766
Eukor Car Carriers Inc.	159,993	-	262	160,255
Hyundai Autoever Corp.	119,162	-	-	119,162
Haevichi Hotels & Resorts Co., Ltd. (*)	102,955	3,576	-	106,531

- (*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

(7) The market price of listed equity securities as of September 30, 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	₩ 35,100	137,318,251	₩ 4,819,871
Hyundai Engineering & Construction Co., Ltd.	67,500	23,327,400	1,574,600
Hyundai WIA Corporation	42,350	6,893,596	291,944
HYUNDAI MOTOR SECURITIES Co., Ltd.	9,750	8,065,595	78,640

13. **FINANCIAL SERVICES RECEIVABLES:**

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Loan obligations	₩ 38,773,278	₩ 36,848,028
Card receivables	13,105,712	12,979,942
Financial lease receivables	2,511,817	2,437,466
Others	41,855	36,668
	54,432,662	52,302,104
Loss allowance	(1,363,980)	(1,133,967)
Loan origination fee	(125,317)	13,182
Present value discount accounts	(15,029)	(13,301)
	₩ 52,928,336	₩ 51,168,018

(2) Aging analysis of financial services receivables

As of September 30, 2018 and December 31, 2017, total financial services receivables that are past due, but not impaired, amount to ₩2,150,097million and ₩1,513,093 million, respectively; among them, financial services receivables past due less than 90 days are ₩2,102,551million and ₩1,512,976 million, respectively. As of September 30, 2018 and December 31, 2017, the impaired financial services receivables amount to ₩679,677million and ₩523,274 million, respectively.

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

Description	Nine months ended September 30,	
	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	520,206	549,896
Write-off	(267,966)	(340,330)
Transfer to the disposal group as held for sale	(3,331)	-
Disposals and others	(200,036)	(145,987)
Effect of foreign exchange differences	10,543	(13,221)
End of the period	₩ 1,363,980	₩ 1,128,360

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

Description	September 30, 2018		December 31, 2017	
	Gross investments in financial leases	Present value of minimum lease payment receivable	Gross investments in financial leases	Present value of minimum lease payment receivable
	(In millions of Korean Won)			
Not later than one year	₩ 1,173,551	₩ 1,047,095	₩ 1,173,541	₩ 1,050,165
Later than one year and not later than five years	1,579,227	1,461,839	1,489,664	1,384,980
Later than five years	1,107	1,091	281	277
	<u>₩ 2,753,885</u>	<u>₩ 2,510,025</u>	<u>₩ 2,663,486</u>	<u>₩ 2,435,422</u>

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,753,885	₩ 2,663,486
Net lease investments:		
Present value of minimum lease payments receivable	2,510,025	2,435,422
Present value of unguaranteed residual value	1,792	2,044
	<u>2,511,817</u>	<u>2,437,466</u>
Unearned interest income	<u>₩ 242,068</u>	<u>₩ 226,020</u>

14. OPERATING LEASE ASSETS:

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Acquisition cost	₩ 24,608,640	₩ 24,345,256
Accumulated depreciation	(3,930,339)	(3,517,368)
Accumulated impairment loss	(130,210)	(99,938)
	<u>₩ 20,548,091</u>	<u>₩ 20,727,950</u>

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Not later than one year	₩ 3,849,026	₩ 3,765,437
Later than one year and not later than five years	3,672,459	3,869,709
Later than five years	<u>2</u>	<u>7</u>
	<u>₩ 7,521,487</u>	<u>₩ 7,635,153</u>

15. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate	September 30, 2018	September 30, 2018	December 31, 2017
		(%)			
(In millions of Korean Won)					
Overdrafts	Citi Bank and others	0.10~2.95	₩	268,627	₩ 317,189
General loans	Woori Bank and others	0.78~5.05		2,686,964	3,727,189
Loans on trade receivables collateral	KEB Hana Bank and others	LIBOR + 0.17~0.30		1,864,214	1,338,160
Banker's Usance	KEB Hana Bank and others	LIBOR + 0.25~0.40		218,311	376,547
Short-term debentures				-	69,993
Commercial paper	Shinhan Bank and others	1.94~2.63		4,440,546	3,570,389
Asset-backed securities	RBC and others	1.86~1.93		590,490	560,187
			₩	10,069,152	₩ 9,959,654

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

Description	Lender	Annual interest rate	September 30, 2018	September 30, 2018	December 31, 2017
		(%)			
(In millions of Korean Won)					
General loans	Mizuho Bank and others	0.40~15.40	₩ 6,027,661	₩ 6,368,138	
Facility loan	Korea Development Bank and others	0.32~8.50	225,016		255,281
Commercial paper	KTB Investment & Securities and others	1.62~2.55	2,620,000		2,070,000
Asset-backed securities	JP Morgan and others	2.68~2.95	3,674,180		6,782,232
Others	NH Investment & Securities and others		435,608		567,125
			12,982,465		16,042,776
Less: present value discounts			103,948		107,752
Less: current maturities			4,192,493		3,446,887
			₩ 8,686,024	₩ 12,488,137	

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

Description	Latest maturity date	Annual interest rate	September 30, 2018	September 30, 2018	December 31, 2017
		(%)			
(In millions of Korean Won)					
Non-guaranteed public debentures	July 18, 2028	1.44~5.12	₩	25,954,382	₩ 22,956,764
Non-guaranteed private debentures	September 27, 2026	1.56~4.13		11,765,034	10,107,160
Asset-backed securities	June 17, 2024	1.12~3.31		11,432,669	13,140,350
				49,152,085	46,204,274
Less: discount on debentures				94,495	98,422
Less: current maturities				11,994,995	9,651,660
			₩	37,062,595	₩ 36,454,192

16. PROVISIONS:

The changes in provisions for the nine months ended September 30, 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
Changes in accounting standards (*)	-	-	128,266
Charged	1,614,025	48,351	365,558
Utilized	(1,149,805)	(43,198)	(471,186)
Effect of foreign exchange differences	16,649	22	(2)
End of the period	₩ 5,707,166	₩ 641,555	₩ 814,400

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

The changes in provisions for the nine months ended September 30, 2017 are as follows:

Description	Warranty	Other long-term employee benefits	Others
(In millions of Korean Won)			
Beginning of the period	₩ 5,612,978	₩ 641,193	₩ 718,469
Charged	1,183,423	48,139	488,961
Utilized	(1,208,195)	(42,193)	(472,200)
Effect of foreign exchange differences	40,290	58	12,507
End of the period	₩ 5,628,496	₩ 647,197	₩ 747,737

17. OTHER FINANCIAL LIABILITIES:

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

Description	September 30, 2018	
	Current	Non-current
(In millions of Korean Won)		
Financial liabilities measured at FVPL	₩ 750	₩ -
Derivative liabilities that are effective hedging instruments	30,884	332,880
	₩ 31,634	₩ 332,880

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

Description	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 989,199	₩ 116,881	₩ 746,977	₩ 86,359
Withholdings	922,561	253,044	964,884	301,247
Accrued expenses	2,784,379	-	3,830,729	-
Unearned income	384,730	1,226,878	315,035	1,075,434
Due to customers for contract work	427,026	-	438,977	-
Others	381,732	1,174,443	294,819	1,182,380
	<u>₩ 5,889,627</u>	<u>₩ 2,771,246</u>	<u>₩ 6,591,421</u>	<u>₩ 2,645,420</u>

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of September 30, 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	₩ -	₩ 9,336,428	₩ -	₩ -	₩ 9,336,428	₩ 9,336,428
Short-term and long-term financial instruments	-	8,703,671	-	-	8,703,671	8,703,671
Trade notes and accounts receivable	-	4,294,368	-	-	4,294,368	4,294,368
Other receivables	-	3,368,395	-	-	3,368,395	3,368,395
Other financial assets	9,433,298	100,817	2,039,954	43,663	11,617,732	11,617,732
Other assets	-	386,611	-	-	386,611	386,611
Financial services receivables	-	52,928,336	-	-	52,928,336	53,646,134
	<u>₩ 9,433,298</u>	<u>₩ 79,118,626</u>	<u>₩ 2,039,954</u>	<u>₩ 43,663</u>	<u>₩ 90,635,541</u>	<u>₩ 91,353,339</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 September 30, 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	₩ -	₩ 7,308,729	₩ -	₩ 7,308,729	₩ 7,308,729
Other payables	-	4,642,036	-	4,642,036	4,642,036
Borrowings and debentures	-	72,005,259	-	72,005,259	71,972,757
Other financial liabilities	750	-	363,764	364,514	364,514
Other liabilities	-	2,821,315	-	2,821,315	2,821,315
	<u>₩ 750</u>	<u>₩ 86,777,339</u>	<u>₩ 363,764</u>	<u>₩ 87,141,853</u>	<u>₩ 87,109,351</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 September 30, 2018 are as follows:

Description	September 30, 2018			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial assets:				
Financial assets measured at FVPL	₩ 101,128	₩ 9,288,539	₩ 43,631	₩ 9,433,298
Derivative assets that are effective hedging instruments	-	43,663	-	43,663
Financial assets measured at FVOCI	1,468,234	228,576	343,144	2,039,954
	<u>₩ 1,569,362</u>	<u>₩ 9,560,778</u>	<u>₩ 386,775</u>	<u>₩ 11,516,915</u>
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 750	₩ -	₩ 750
Derivative liabilities that are effective hedging instruments	-	363,764	-	363,764
	<u>₩ -</u>	<u>₩ 364,514</u>	<u>₩ -</u>	<u>₩ 364,514</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 nine months ended September 30, 2018 are as follows:

Description	Beginning of the period (*)					Transfer to disposal group as held for sale	End of the period
	Purchases	Disposals	Valuation	Transfers			
(In millions of Korean Won)							
Financial assets measured at FVPL	₩ 45,854	₩ 9,576	₩ (11,731)	₩ (68)	₩ -	₩ -	₩ 43,631
Financial assets measured at FVOCI	289,665	62,913	(8,880)	(485)	-	(69)	343,144

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

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 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	₩ 20,622	₩ (2,793)	₩ 510	₩ -	₩ 276,499

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

Description	Nine months ended September 30, 2018		
	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)			
Non-financial services:			
Financial assets measured at amortised cost	₩ 241,591	₩ -	₩ -
Financial assets (liabilities) measured at FVPL	134,627	-	13,970
Financial assets measured at FVOCI	-	29,065	-
Financial liabilities measured at amortised cost	-	-	168,665
	<u>₩ 376,218</u>	<u>₩ 29,065</u>	<u>₩ 182,635</u>
Financial services:			
Financial assets measured at amortised cost	₩ 2,682,519	₩ -	₩ -
Financial assets measured at FVPL	23,064	7,781	-
Financial assets measured at FVOCI	1,710	-	-
Financial liabilities measured at amortised cost	-	-	1,166,547
	<u>₩ 2,707,293</u>	<u>₩ 7,781</u>	<u>₩ 1,166,547</u>

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

Description	Nine months ended September 30, 2017		
	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)			
Non-financial services:			
Loans and receivables	₩ 163,499	₩ -	₩ -
Financial assets (liabilities) at FVPL	115,649	-	5,259
AFS financial assets	-	35,135	-
Financial liabilities carried at amortised cost	-	-	157,487
	<u>₩ 279,148</u>	<u>₩ 35,135</u>	<u>₩ 162,746</u>
Financial services:			
Loans and receivables	₩ 2,398,941	₩ -	₩ -
Financial assets at FVPL	17,961	1,258	-
AFS financial assets	901	4,081	-
Financial liabilities carried at amortised cost	-	-	1,032,425
	<u>₩ 2,417,803</u>	<u>₩ 5,339</u>	<u>₩ 1,032,425</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 September 30, 2017) for the nine months ended September 30, 2018 and 2017 are ₩1,377,648 million and ₩1,347,234 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 September 30, 2017) for the nine months ended September 30, 2018 and 2017 are ₩797,750 million and ₩717,763 million, respectively.
- (6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2018.
- (7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows:

- Currency forwards, options and swap

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

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

- Interest rate swap

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

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

- Debt instruments including corporate bonds

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

- Unlisted equity securities

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

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

Description	Fair value at September 30, 2018 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 343,927	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 September 30, 2018 and December 31, 2017 consist of the following:

(1) Common stock

Description	September 30, 2018 (In millions of Korean Won, except par value)	December 31, 2017 (In millions of Korean Won, except par value)
Issued	213,668,187 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, 1,320,000 common shares and 6,608,292 as of March 5, 2001, May 4, 2004 and July 27, 2018 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	24,356,685 shares	₩ 125,550	Dividend rate of common stock + 1%
2 nd preferred stock	"	36,485,451 shares	193,069	The lowest stimulated dividend rate : 2%
3 rd preferred stock	"	2,428,735 shares	12,392	The lowest stimulated dividend rate : 1%
		<u>63,270,871 shares</u>	<u>₩ 331,011</u>	

As of March 5, 2001, the Company retired 1,000,000 second preferred shares and as of July 27, 2018, the Company retired 753,297 first preferred shares, 1,128,414 second preferred shares and 49,564 third preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount. The preferred stocks are non-cumulative, participating and non-voting.

21. CAPITAL SURPLUS:

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	879,880	879,880
	<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. Numbers of treasury stocks as of September 30, 2018 and December 31, 2017 are as follows:

Description	September 30, 2018	December 31, 2017
	(Number of shares)	
Common stock	8,816,986	13,222,514
1 st preferred stock	1,699,861	2,202,059
2 nd preferred stock	623,862	1,376,138
3 rd preferred stock	-	24,782

23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

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

Description	September 30, 2018
	(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI (*)	₩ 387,749
Loss on valuation of financial assets measured at FVOCI (*)	(216,872)
Gain on valuation of cash flow hedge derivatives	4,538
Loss on valuation of cash flow hedge derivatives	(68,071)
Gain on share of the other comprehensive income of equity-accounted investees (*)	204,713
Loss on share of the other comprehensive income of equity-accounted investees (*)	(951,761)
Loss on foreign operations translation, net	(2,168,670)
	<u>(2,808,374)</u>
Transfer to equity related to the disposal group as held for sale	(1,925)
Total	<u>₩ (2,810,299)</u>

(*) 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 ₩341,354 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 September 30, 2018 and December 31, 2017 consist of the following:

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Legal reserve (*)	₩ 744,836	₩ 744,836
Discretionary reserve	48,328,847	46,848,647
Unappropriated	18,044,108	19,738,845
	₩ 67,117,791	₩ 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. HYBRID BOND:

- (1) Hyundai Card Co., Ltd., a subsidiary of the Company, issued hybrid bond and classified as equity (non-controlling interests). As of September 30, 2018, hybrid bond is as follows:

Description	Issue date	Maturity date	Annual interest rate	September 30, 2018	
			September 30, 2018 (%)	September 30, 2018 (In millions of Korean Won)	
The 731st Hybrid Tier 1 (Private)	July 5, 2018	July 5, 2048	4.70	₩	300,000
Issue cost					(760)
				₩	299,240

- (2) As of September 30, 2018, the condition of hybrid bond that Hyundai Card Co., Ltd., a subsidiary of the Company issued, is as follows:

	Description
Maturity	Thirty years (Maturity extension is possible according to the issuer's decision upon maturity)
Interest rate	Issue date ~ July 5, 2023 : An annual fixed interest rate 4.7% Increase 2% after five years in accordance with Step-up clause at a time only
Interest payment condition	Three months, optional postponement of payment
Others	Repayment before maturity by issuer is available after five years from issue date

26. SALES:

Sales for the three months and nine months ended September 30, 2018 and 2017 consist of the following:

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Sales of goods	₩ 20,446,239	₩ 59,541,608	₩ 20,397,344	₩ 60,223,599
Rendering of services	579,294	1,620,921	384,101	1,092,793
Royalties	25,328	80,301	34,349	100,990
Financial services revenue	2,715,203	8,357,113	2,673,709	8,257,588
Revenue related to construction contracts	584,453	1,715,855	615,436	1,884,831
Others	83,218	266,300	96,334	315,433
	₩ 24,433,735	₩ 71,582,098	₩ 24,201,273	₩ 71,875,234

27. SELLING AND ADMINISTRATIVE EXPENSES:

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 25,759	₩ 65,751	₩ 178,608	₩ 554,481
Overseas market expenses	142,477	256,100	96,353	277,785
Advertisements and sales promotion	549,481	1,633,673	582,447	1,755,250
Sales commissions	170,757	524,861	168,994	502,700
Expenses for warranties	753,328	1,636,423	299,401	1,301,746
Transportation expenses	28,596	84,770	67,683	199,666
	<u>1,670,398</u>	<u>4,201,578</u>	<u>1,393,486</u>	<u>4,591,628</u>
Administrative expenses:				
Payroll	660,832	1,895,107	627,104	1,854,970
Post-employment benefits	42,138	125,888	43,038	127,441
Welfare expenses	100,461	296,087	99,289	301,645
Service charges	344,738	982,063	329,417	927,620
Research	255,352	690,910	251,309	683,275
Others	329,684	973,866	391,801	1,073,773
	<u>1,733,205</u>	<u>4,963,921</u>	<u>1,741,958</u>	<u>4,968,724</u>
	<u>₩ 3,403,603</u>	<u>₩ 9,165,499</u>	<u>₩ 3,135,444</u>	<u>₩ 9,560,352</u>

28. GAIN (LOSS) ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain (loss) on investments in joint ventures and associates for the three months and nine months ended September 30, 2018 and 2017 consist of the following:

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Gain (loss) on share of earnings of equity-accounted investees, net and others	₩ 93,883	₩ 572,048	₩ (31,515)	₩ 514,267

29. FINANCE INCOME AND EXPENSES:

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Interest income	₩ 132,931	₩ 376,218	₩ 111,602	₩ 317,850
Gain on foreign exchange transactions	42,125	72,124	37,745	150,640
Gain on foreign currency translation	52,967	88,108	31,776	123,245
Dividend income	2	29,065	13,393	29,736
Gain on derivatives	14,438	52,745	14,370	75,145
Others	1,914	17,312	163	687
	₩ 244,377	₩ 635,572	₩ 209,049	₩ 697,303

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Interest expenses	₩ 75,973	₩ 222,457	₩ 80,393	₩ 251,161
Loss on foreign exchange transactions	15,794	39,038	26,467	101,534
Loss on foreign currency translation	63,292	184,974	32,931	104,249
Loss on derivatives	2,292	5,611	26,523	34,020
Impairment loss on AFS financial assets	-	-	132,617	373,095
Others	65	151	13	57,689
	₩ 157,416	₩ 452,231	₩ 298,944	₩ 921,748

30. OTHER INCOME AND EXPENSES:

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
(In millions of Korean Won)				
Gain on foreign exchange transactions	₩ 113,017	₩ 240,055	₩ 139,964	₩ 289,349
Gain on foreign currency translation	120,449	143,335	69,010	116,434
Gain on disposals of PP&E	4,694	12,938	4,796	16,511
Commission income	27,037	87,395	43,067	101,502
Rental income	20,090	58,026	21,206	62,089
Others	60,876	183,885	90,005	239,236
	₩ 346,163	₩ 725,634	₩ 368,048	₩ 825,121

- (2) Other expenses for the three months and nine months ended September 30, 2018 and 2017 consists of the following:

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Loss on foreign exchange transactions	₩ 144,886	₩ 329,546	₩ 115,086	₩ 276,897
Loss on foreign currency translation	159,605	207,124	67,921	144,802
Loss on disposals of PP&E	35,872	87,201	76,265	164,424
Impairment loss to assets classified as held for sale	13,045	13,045	-	-
Donations	8,176	57,587	14,056	46,258
Others	92,056	290,545	77,122	259,582
	₩ 453,640	₩ 985,048	₩ 350,450	₩ 891,963

31. **EXPENSES BY NATURE:**

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

Description	2018		2017	
	Three months ended September 30,	Nine months ended September 30,	Three months ended September 30,	Nine months ended September 30,
	(In millions of Korean Won)			
Changes in inventories	₩ 224,939	₩ 167,565	₩ 636,865	₩ (709,352)
Raw materials and merchandise used	13,872,657	40,598,345	12,509,411	40,162,830
Employee benefits	2,288,119	6,516,826	2,188,564	6,561,159
Depreciation	600,276	1,746,966	568,306	1,665,821
Amortization	364,315	1,060,445	320,828	933,531
Others	7,248,139	20,555,961	7,123,542	20,353,770
Total (*)	₩ 24,598,445	₩ 70,646,108	₩ 23,347,516	₩ 68,967,759

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

32. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

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

Basic earnings per common stock and preferred stock for the three months and nine months ended September 30, 2018 are computed as follows:

Description	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted- average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted- average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 206,575	204,854,156	₩ 1,008	₩ 1,259,502	206,023,068	₩ 6,113
1 st Preferred stock (*2)	23,131	22,657,153	1,021	140,152	22,791,059	6,149
2 nd Preferred stock	37,059	35,862,053	1,033	223,180	36,062,569	6,189
3 rd Preferred stock	2,480	2,428,769	1,021	15,024	2,441,941	6,152

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

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

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

Description	Three months ended September 30,			Nine months ended September 30,		
	Profit available to share	Weighted- average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted- average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 655,989	207,053,965	₩ 3,168	₩ 2,309,162	207,053,965	₩ 11,152
1 st preferred stock (*2)	72,863	22,907,923	3,181	256,339	22,907,923	11,190
2 nd preferred stock	115,715	36,237,727	3,193	406,858	36,237,727	11,227
3 rd preferred stock	7,804	2,453,517	3,181	27,455	2,453,517	11,190

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

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

The Group does not compute diluted earnings per common stock for the three months and nine months ended September 30, 2018 and 2017, since there are no dilutive items during the period.

33. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the nine months ended September 30, 2018 and 2017 are 23.5% and 19.0%, respectively.

34. RETIREMENT BENEFIT PLAN:

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

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Paid in cash	₩ 6,089	₩ 5,888
Recognized liability	1,229	1,172
	₩ 7,318	₩ 7,060

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

Description	September 30, 2018	December 31, 2017
Discount rate	3.68%	4.41%
Rate of expected future salary increase	4.43%	4.62%

Employee turnover and mortality assumptions used for actuarial valuation are based on the economic conditions and statistical data of each country where entities within the Group are located.

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of September 30, 2018 and December 31, 2017 consist of the following:

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 5,407,595	₩ 5,321,580
Fair value of plan assets	(4,977,916)	(5,179,426)
	₩ 429,679	₩ 142,154
Net defined benefit liabilities	437,491	157,213
Net defined benefit assets	(7,812)	(15,059)

(4) Changes in net defined benefit liabilities for the nine months ended September 30, 2018 are as follows:

Description	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liabilities	
	(In millions of Korean Won)					
Beginning of the period	₩	5,321,580	₩	(5,179,426)	₩	142,154
Current service cost		414,977		-		414,977
Interest expenses (income)		123,283		(123,276)		7
Past service cost		2,068		-		2,068
		5,861,908		(5,302,702)		559,206
Remeasurements:						
Return on plan assets		-		13,247		13,247
Actuarial gains and losses arising from changes in financial assumptions		(18,325)		-		(18,325)
Actuarial gains and losses arising from experience adjustments and others		230		-		230
		(18,095)		13,247		(4,848)
Contributions		-		(7,234)		(7,234)
Benefits paid		(451,059)		326,347		(124,712)
Transfers in (out)		3,456		(796)		2,660
Effect of foreign exchange differences and others		11,385		(6,778)		4,607
End of the period	₩	5,407,595	₩	(4,977,916)	₩	429,679

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

Description	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liabilities	
	(In millions of Korean Won)					
Beginning of the period	₩	4,937,999	₩	(4,449,721)	₩	488,278
Current service cost		409,244		-		409,244
Interest expenses (income)		107,175		(99,741)		7,434
		5,454,418		(4,549,462)		904,956
Remeasurements:						
Return on plan assets		-		(15,864)		(15,864)
Actuarial gains and losses arising from changes in financial assumptions		14,421		-		14,421
Actuarial gains and losses arising from experience adjustments and others		1,410		-		1,410
		15,831		(15,864)		(33)
Contributions		-		(201,977)		(201,977)
Benefits paid		(183,229)		148,541		(34,688)
Transfers in (out)		(48)		303		255
Effect of foreign exchange differences and others		(3,637)		10,883		7,246
End of the period	₩	5,283,335	₩	(4,607,576)	₩	675,759

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

Description	September 30, 2018		December 31, 2017	
	(In millions of Korean Won)			
Insurance instruments	₩	4,666,598	₩	4,873,665
Debt instruments		123,929		120,277
Others		187,389		185,484
	₩	4,977,916	₩	5,179,426

35. CASH GENERATED FROM OPERATIONS:

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

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Profit for the period	₩ 1,848,314	₩ 3,258,502
Adjustments:		
Post-employment benefits	418,290	417,850
Depreciation	1,746,966	1,665,821
Amortization of intangible assets	1,060,445	933,531
Provision for warranties	1,500,336	1,183,423
Income tax expense	568,699	763,916
Loss on foreign currency translation, net	160,655	9,372
Loss on disposals of PP&E, net	74,263	147,913
Interest income, net	(153,761)	(66,689)
Gain on share of earnings of equity-accounted investees, net	(571,061)	(514,267)
Cost of sales from financial services, net	4,842,400	4,638,075
Others	289,175	999,667
	<u>9,936,407</u>	<u>10,178,612</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	(335,983)	531,069
Decrease (increase) in other receivables	(302,374)	250,376
Decrease (increase) in other financial assets	355,552	(384,262)
Increase in inventories	(196,868)	(1,451,322)
Increase in other assets	(265,968)	(169,275)
Increase (decrease) in trade notes and accounts payable	879,661	(424,583)
Decrease in other payables	(26,081)	(902,862)
Increase (decrease) in other liabilities	(312,240)	1,260,672
Decrease in other financial liabilities	(228)	(12,238)
Changes in net defined benefit liabilities	3,047	(194,509)
Payment of severance benefits	(124,721)	(34,688)
Decrease in provisions	(1,664,189)	(1,722,588)
Changes in financial services receivables	(2,687,250)	(2,027,074)
Increase in operating lease assets	(2,158,099)	(4,437,130)
Others	93,202	(19,004)
	<u>(6,742,539)</u>	<u>(9,737,418)</u>
Cash generated from operations	<u>₩ 5,042,182</u>	<u>₩ 3,699,696</u>

36. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of September 30, 2018 and December 31, 2017 are as follows:

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Total liabilities	₩ 104,848,396	₩ 103,442,100
Total equity	74,924,021	74,757,354
Debt-to-equity ratio	139.9%	138.4%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and equity instrument price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

1) Market risk

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

a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of September 30, 2018 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 26,689	₩ (26,689)
EUR	(15,238)	15,238
JPY	(4,623)	4,623

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

b) Interest rate risk management

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

The Group's sensitivity to a 1% change in interest rates on income before income tax as of September 30, 2018 would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 11,751	₩ (11,751)
Financial assets measured at FVPL	3,972	(3,670)
Short-term and long-term financial Instruments	4,423	(4,423)
Borrowings and debentures	(112,719)	112,719

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of September 30, 2018 and December 31, 2017, the amounts of interest rate risk measured at VaR are ₩146,349 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 September 30, 2018, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩101,128 million and ₩1,802,354 million, respectively.

2) Credit risk

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

3) Liquidity risk

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

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of September 30, 2018 is as follows:

Description	Remaining contract period			Total
	Not later than one year	Later than one year and not later than five years	Later than five years	
	(In millions of Korean Won)			
Non interest-bearing liabilities	₩ 14,752,006	₩ 20,830	₩ -	₩ 14,772,836
Interest-bearing liabilities	28,118,704	44,884,659	3,048,683	76,052,046
Financial guarantee	874,492	22,331	688	897,511

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 September 30, 2018 and December 31, 2017, the Group deferred a net loss of ₩63,533 million and a net profit of ₩6,943 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 107 months as of September 30, 2018.

For the nine months ended September 30, 2018 and 2017, the Group recognises a net profit of ₩240,843 million and a net loss of ₩65,619 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.

37. RELATED-PARTY TRANSACTIONS:

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

- (1) For the nine months ended September 30, 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.	₩ 614,757	₩ 9,026	₩ 3,841,003	₩ 47,831
	Mobis Alabama, LLC	111,653	14	817,087	8,595
	Mobis Automotive Czech s.r.o.	-	517	1,167,819	121
	Mobis India, Ltd.	6,902	1,948	810,284	3,815
	Mobis Parts America, LLC	27,061	2,295	589,955	485
	Mobis Parts Europe N.V.	12,362	422	300,528	31
	Mobis Brasil Fabricacao De Auto Pecas Ltda	5,309	-	179,373	-
	Mobis Module CIS, LLC	-	248	303,420	-
	Others	13,130	1,476	543,875	2,345
		<u>901,852</u>	<u>334,453</u>	<u>131,277</u>	<u>347,704</u>
Joint ventures and associates	Kia Motors Corporation	901,852	334,453	131,277	347,704
	Kia Motors Manufacturing Georgia, Inc.	285,668	678	340,011	48,357
	Kia Motors Russia LLC	760,648	-	-	-
	Kia Motors Slovakia s.r.o.	85,638	3	433,577	-
	BHMC	362,323	32,099	26,279	-
	HMGC	2,315	-	2,741	5,329
	Hyundai WIA Corporation	194,061	935	999,272	3,063
	Others	381,066	41,961	2,606,399	1,166,491
		<u>1,799</u>	<u>4,638</u>	<u>90</u>	<u>-</u>
Other related parties					
Affiliates by the Act		657,540	120,667	5,136,733	992,473

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

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 653,175	₩ 8,612	₩ 3,561,410	₩ 29,983
	Mobis Alabama, LLC	114,048	220	968,466	36
	Mobis Automotive Czech s.r.o.	-	388	1,177,121	11,007
	Mobis India, Ltd.	22,860	2,144	789,022	98
	Mobis Parts America, LLC	28,058	2,330	586,727	602
	Mobis Parts Europe N.V.	12,002	904	273,142	3
	Mobis Brasil Fabricacao De Auto Pecas Ltda	5,109	-	261,831	-
	Mobis Module CIS, LLC	-	238	286,759	1
	Others	9,385	8,064	550,283	2,785
		755,296	334,943	100,012	240,099
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	457,481	805	1,467,674	24,246
	Kia Motors Russia LLC	805,257	150	300	-
	Kia Motors Slovakia s.r.o.	87,113	1,810	516,346	-
	BHMC	498,728	50,877	271	-
	HMGC	2,520	-	843	2,243
	Hyundai WIA Corporation	197,879	6,962	868,903	1,734
	Others	295,715	54,276	2,054,333	1,529,926
Other related parties		1,810	4,674	734	-
Affiliates by the Act		599,779	103,758	4,734,067	1,284,129

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

Description		Receivables (*1,2)		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
(In millions of Korean Won)					
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 163,392	₩ 17,657	₩ 844,849	₩ 132,560
	Mobis Alabama, LLC	18,932	20	123,716	-
	Mobis Automotive Czech s.r.o.	47	525	163,007	-
	Mobis India, Ltd.	825	9	145,760	10
	Mobis Parts America, LLC	5,641	206	66,883	-
	Mobis Parts Europe N.V.	1,055	1,239	38,917	-
	Mobis Module CIS, LLC	-	29	41,966	-
	Others	4,868	400	87,044	2,680
Joint ventures and associates	Kia Motors Corporation	385,578	132,772	48,822	124,472
	Kia Motors Manufacturing Georgia, Inc.	33,996	12,267	-	4,671
	Kia Motors Russia LLC	102,281	98	-	11
	Kia Motors Slovakia s.r.o.	12,075	88	47,963	616
	Kia Motors America, Inc.	-	74,350	2,226	19,315
	BHMC	231,123	87,485	-	18
	HMGC	243	12,957	-	830
	Hyundai WIA Corporation	55,690	17,730	164,444	37,663
	Others	226,854	111,269	470,720	487,341
Other related parties		591	536	10	-
Affiliates by the Act		137,582	956,824	997,827	286,145

- (*1) The Group has recognised the loss allowance for the related parties' receivables in the amount of ₩26,377 million as of September 30, 2018 and the impairment loss is recognised in the amount of ₩4,884 million for the nine months ended September 30, 2018.
- (*2) As of September 30, 2018, outstanding payment of ₩17,023 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the nine months ended September 30, 2018, amount used and repayment of agreement are ₩211,652 million and ₩207,577 million, respectively.

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

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

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

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
(In thousands of U.S. Dollars, Chinese Yuan)					(In millions of Korean won)
Joint ventures and associates	¥ 80,000	¥ -	\$ 17,359	\$ -	₩ 60,727

Significant fund transactions and equity contribution transactions for the nine months ended September 30, 2017, between the Group and related parties are as follows:

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
					(In millions of Korean won)
Joint ventures and associates	-	-	-	-	₩ 80,144

For the nine months ended September 30, 2018, the Group traded in other financial assets and others of ₩1,943,660 million with HYUNDAI MOTOR SECURITIES Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,383,700 million in the consolidated statement of financial position as of September 30, 2018.

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

Description	Nine months ended September 30,	
	2018	2017
	(In millions of Korean Won)	
Short-term employee salaries	₩ 150,944	₩ 126,905
Post-employment benefits	26,391	26,882
Other long-term benefits	530	216
	₩ 177,865	₩ 154,003

38. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 2018, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries are as follows:

Description	Domestic		Overseas (*)	
	(In millions of Korean Won)			
To associates	₩	1,386	₩	113,433
To others		8,639		776,173
	₩	10,025	₩	889,606

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2018.
- (2) As of September 30, 2018, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. Meanwhile, as of September 30, 2018, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.
- (3) As of September 30, 2018, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩831,617 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 September 30, 2018, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.
- (5) As of September 30, 2018, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. falls below a certain level, this may result in early repayment of the borrowings or termination of the contracts.
- (6) As of September 30, 2018, Hyundai Rotem, a subsidiary of the Company received the notice to restrict on bidding for projects ordered by Korean public institutions from Defense Acquisition Program Administration (Limited Period : 8/11/2015~12/10/2015) and Daegu Metropolitan Transit Corporation (Limited Period : 7/1/2016~4/30/2017). Hyundai Rotem filed an administrative litigations against the restrictions. In case of the administrative litigation against Defense Acquisition Program Administration, the restriction on bidding was decided on April 5, 2018, in accordance with the final judgement. In case of the administrative litigation against Daegu Metropolitan Transit Corporation, the restriction on bidding was decided on April 6, 2018 as Hyundai Rotem withdrew injunction after they lost the first trial. As a result, Hyundai Rotem was 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 September 30, 2018, Hyundai Rotem withdrew the appeal to the Supreme Court of India with respect to decision of restriction. The Group is unable to estimate the impact of restriction on the Group's consolidated financial statements reasonably.

- (7) As of September 30, 2018, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd, the subsidiaries of the Company are able to exercise the priority purchasing rights for the leased office building when the lessor wants to sell the building or after 4 years and 5 months from the lease contract commencement date.
- (8) As of September 30, 2018, the Company entered into a total return swap contract for stocks of Hyundai Capital Services, Inc., the subsidiary of the Company, held by other investors of a third parties.

39. SEGMENT INFORMATION:

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

	For the nine months ended September 30, 2018				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 82,845,305	₩ 12,285,389	₩ 5,599,575	₩ (29,148,171)	₩ 71,582,098
Inter-company sales	(27,979,281)	(249,973)	(918,917)	29,148,171	-
Net sales	54,866,024	12,035,416	4,680,658	-	71,582,098
Operating income	598,994	636,196	214,743	471,105	1,921,038
	For the nine months ended September 30, 2017				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 84,594,176	₩ 11,616,711	₩ 5,578,945	₩ (29,914,598)	₩ 71,875,234
Inter-company sales	(28,760,471)	(234,512)	(919,615)	29,914,598	-
Net sales	55,833,705	11,382,199	4,659,330	-	71,875,234
Operating income	2,514,894	571,081	271,077	442,386	3,799,438

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

As of September 30, 2018					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total assets	₩ 99,084,406	₩ 85,816,293	₩ 7,888,846	₩ (13,017,128)	₩ 179,772,417
Total liabilities	34,962,145	73,495,624	4,805,446	(8,414,819)	104,848,396
Borrowings and debentures	6,735,494	65,008,378	2,613,765	(2,352,378)	72,005,259

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 nine months ended September 30, 2018 and 2017 are as follows:

For the nine months ended September 30, 2018							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
(In millions of Korean Won)							
Total sales	₩ 39,083,826	₩ 27,204,057	₩ 7,333,668	₩ 24,984,960	₩ 2,123,758	₩ (29,148,171)	₩ 71,582,098
Inter-company sales	(11,625,829)	(4,731,634)	(318,907)	(12,471,797)	(4)	29,148,171	-
Net sales	27,457,997	22,472,423	7,014,761	12,513,163	2,123,754	-	71,582,098

For the nine months ended September 30, 2017							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
(In millions of Korean Won)							
Total sales	₩ 40,162,266	₩ 29,164,006	₩ 6,369,235	₩ 23,867,680	₩ 2,226,645	₩ (29,914,598)	₩ 71,875,234
Inter-company sales	(12,011,055)	(5,476,124)	(336,611)	(12,090,808)	-	29,914,598	-
Net sales	28,151,211	23,687,882	6,032,624	11,776,872	2,226,645	-	71,875,234

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

Description	September 30, 2018	December 31, 2017
(In millions of Korean Won)		
Korea	₩ 29,483,319	₩ 29,443,964
North America	2,137,597	2,040,394
Asia	976,196	1,047,364
Europe	1,975,491	2,076,017
Others	343,356	390,816
	34,915,959	34,998,555
Consolidation adjustments	(190,377)	(162,579)
Total (*)	₩ 34,725,582	₩ 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 nine months ended September 30, 2018 and 2017.

40. CONSTRUCTION CONTRACTS:

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

Description	September 30, 2018	December 31, 2017
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 8,597,832	₩ 9,998,070
Accumulated income	711,717	784,071
Accumulated construction in process	9,309,549	10,782,141
Progress billing	8,484,421	10,196,219
Due from customers for contract work	1,252,154	1,024,899
Due to customers for contract work	427,026	438,977
Reserve (*)	49,113	47,574

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

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

Description	September 30, 2018 (In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ (62,286)
Changes in accounting estimates of total contract costs	(11,307)
Effects on profit or loss of current period	(11,928)
Effects on profit or loss of future periods	(39,051)
Changes in due from customers	(47,760)
Provision for construction loss	87,399

Effects on profit or loss of current and future periods were calculated by total contract costs estimated based on the situation occurred since the commencement of the contract to September 30, 2018 and the estimates of contract revenue as of September 30, 2018. Total contract revenue and costs are subject to change in future periods.

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

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

Hyundai Dymos Inc. and Hyundai Powertech Co., Ltd., an investments in associates of the Company, have decided on the merger through board of directors on October 19, 2018, and the main contents are as follows:

	Description
The way of the merger	Hyundai Dymos Inc. merges with Hyundai Powertech Co., Ltd.
Merger rate (Stock exchange rate)	Hyundai Dymos Inc. : Hyundai Powertech Co., Ltd. = 1 : 0.5653558
Merger date	January 1, 2019
Purpose of the merger	1) To become a powertrain company with global competitiveness 2) To secure the position of a global powertrain company with all lines for transmission production 3) To increase production efficiency by sharing production capacity and strengthen sales competitiveness by sharing sales network 4) To enhance product competitiveness based on R&D integration and reduce costs through standardization of parts